

**DURHAM COUNTY, NORTH CAROLINA  
FY 2012-13 APPROVED BUDGET**

**BOARD OF COUNTY COMMISSIONERS**



***Michael D. Page, Chairman***



***Ellen W. Reckhow, Vice-Chairman***



***Pam H. Karriker***



***Brenda A. Howerton***

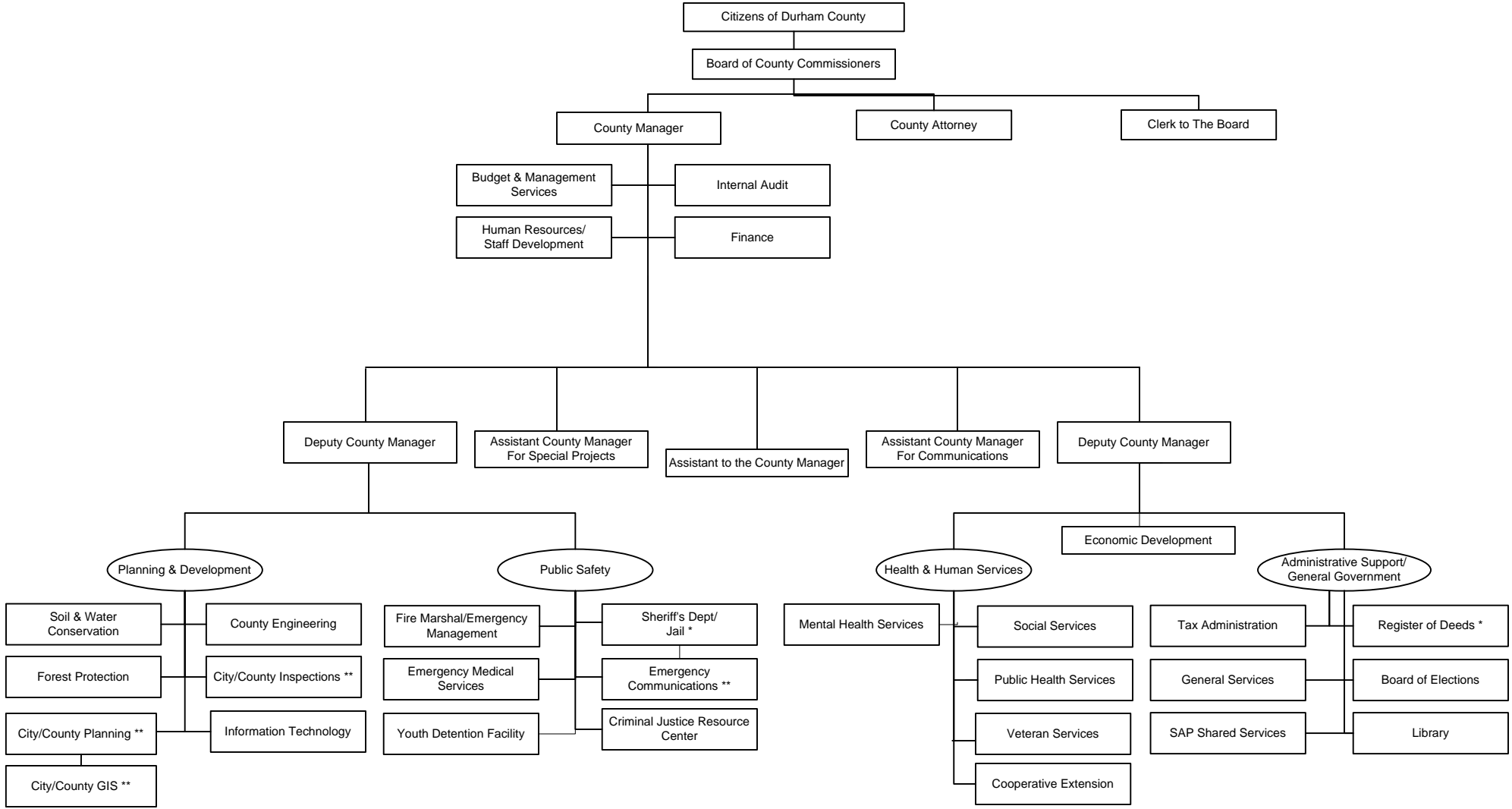
***COUNTY OFFICIALS:***

***Mike Ruffin***, County Manager  
***Marqueta Welton***, Deputy County Manager  
***Lee Worsley***, Deputy County Manager  
***Lowell Siler***, County Attorney  
***Michelle Parker-Evans***, Clerk to the Board  
***George Quick***, Finance Director

***BUDGET AND MANAGEMENT STAFF:***

***Pamela Meyer***, Director  
***S. Keith Lane***, Senior Budget Analyst  
***Kim Connally***, Budget Analyst  
***Bo Gattis***, Budget Analyst  
***Laura Jensen***, Budget Analyst

# Durham County, North Carolina General Administration Organizational Chart



\* Elected Officials  
 \*\* Joint City/County Departments



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
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**July 1, 2011**

*Linda C. Davison Jeffrey R. Emmer*

President

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, 2011**. 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.

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# READER'S GUIDE

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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, 2012 through June 30, 2013 fiscal year and shows how funds are allocated and how they will be spent.

## FUND STRUCTURE

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

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

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

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

The remaining budgeted funds are described below.

### Other General Funds

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

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

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

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

### Debt Service Fund

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

### Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted for specific purposes. The county budgets the following special revenue funds: **Bethesda Fire District (Fund 2002130000)**, **Lebanon Fire District (Fund 2002140000)**, **Parkwood Fire District (Fund 2002150000)**, **Redwood Fire District (Fund 2002160000)**, **New Hope Fire District (Fund 2002170000)**, **Eno Fire District (Fund 2002190000)**, **Bahama Fire District (Fund 2002210000)**, **Special Butner District (Fund 2002250000)**, **Special Park District (Fund 2002220000)**, and **Emergency Services Telephone System (Fund 2002240000)**.

### Enterprise Funds

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

### Trust Funds

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

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

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

### **SUPPLEMENTAL SECTIONS**

The **Summary** section provides a summary of sources of revenue and expenditures from the General Fund. An overview of revenue sources is included. This section also provides a brief account and graphs of all funds budgeted for the fiscal year beginning July 1, 2012. In addition, the section contains a summary of FTEs for all funds.

The **Appendix** contains supplemental information that includes the FY 2012-13 Budget Calendar and the FY 2012-13 Nonprofit budget request. The **Glossary**, also found in the Appendix, contains information to help the reader understand the terminology used in the budget document.

### **ADDITIONAL INFORMATION**

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

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

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

### **ONLINE EDITION**

Additional features and functionality have been added to the online version of the Durham County budget document. The online version can be accessed at **budget.durhamcountync.gov**. Requirements and instructions to access the document are available at that address.

Several new features have been added including an expanded **Community Profile** only available online. The Community Profile provides information on Durham County's history, citizens, educational institutions, and economic indicators. Information is also made available on recreational points of interest and other areas of note in Durham County.

Additional functionality has also been added to the online edition of this budget document in the way of an interactive table of contents and associated bookmarks throughout functional area and departmental sections.

The **Interactive Table of Contents** allows readers of the online edition to browse to the area of interest in this document by clicking the page number of the section they would like to visit.

**Interactive Bookmarks** allow readers to browse to Departmental sections or return to Functional Area introductions through their use.

Business area	2009-2010 Actual Expenditures	2010-2011 Original Budget	2010-2011 12 Month Estimate	2011-2012 Department Requested	2011-2012 Manager Recommended
BOARD OF COUNTY COMMISSIONERS	\$ 502,178	\$ 509,875	\$ 504,380	\$ 509,128	\$ 521,222
COUNTY ADMINISTRATION	\$ 1,417,175	\$ 1,484,405	\$ 1,483,401	\$ 1,460,767	\$ 1,627,093
FINANCE	\$ 1,952,592	\$ 2,033,142	\$ 1,915,928	\$ 1,991,912	\$ 1,991,912
TAX ADMINISTRATION	\$ 6,466,968	\$ 5,024,810	\$ 6,039,432	\$ 4,931,755	\$ 4,927,455
LEGAL	\$ 1,442,419	\$ 1,515,910	\$ 1,495,471	\$ 1,561,531	\$ 1,561,531
COURT FACILITIES	\$ 282,186	\$ 364,369	\$ 333,406	\$ 370,564	\$ 375,121
ELECTIONS	\$ 1,056,286	\$ 1,052,163	\$ 998,575	\$ 1,542,684	\$ 1,542,616
REGISTER OF DEEDS	\$ 1,439,217	\$ 1,576,352	\$ 1,517,931	\$ 1,613,559	\$ 1,613,559
GENERAL SERVICES	\$ 7,058,025	\$ 8,278,393	\$ 8,185,798	\$ 9,211,805	\$ 9,031,093
INFORMATION TECHNOLOGY	\$ 3,800,711	\$ 4,142,739	\$ 4,139,520	\$ 4,299,782	\$ 4,249,193
HUMAN RESOURCES	\$ 1,359,682	\$ 1,444,284	\$ 1,442,141	\$ 1,448,508	\$ 1,458,508
BUDGET & MANAGEMENT SERVICES	\$ 449,895	\$ 509,614	\$ 455,562	\$ 468,733	\$ 468,733
VETERANS SERVICES	\$ 95,140	\$ 95,546	\$ 104,803	\$ 97,595	\$ 97,595
GEOGRAPHIC INFORMATION SYSTEMS	\$ 360,589	\$ 366,638	\$ 366,638	\$ 367,571	\$ 437,613
SAP SHARED SERVICES	\$ 1,035,933	\$ 1,149,226	\$ 975,456	\$ 1,061,277	\$ 1,061,277
NONDEPARTMENTAL	\$35,248,206	\$ 31,949,389	\$ 37,361,068	\$ 44,994,280	\$ 46,104,946
<b>OVERALL RESULT</b>	<b>\$ 63,967,201</b>	<b>\$ 61,496,364</b>	<b>\$ 67,209,510</b>	<b>\$ 75,931,383</b>	<b>\$ 77,069,467</b>

By clicking on "Board of County Commissioners" in the table as found on page 47, readers will browse to the beginning of the Board of County Commissioners budget section.

Readers are able to return to the top of the General Fund section by selecting the link at the top of the Functional Area page.

This document was prepared by the Durham County Budget and Management Services Department and is available online at [www.durhamcountync.gov](http://www.durhamcountync.gov). If further information is needed, contact Budget and Management Services at 200 East Main Street, 4<sup>th</sup> Floor, Durham, North Carolina 27701, by phone at (919) 560-0012, or by e-mail at [budget@durhamcountync.gov](mailto:budget@durhamcountync.gov).

**DURHAM COUNTY  
FY 2012-13 APPROVED BUDGET**

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July 1, 2012

Dear Durham County Residents:

I am pleased to present a budget that provides a comprehensive spending plan for Fiscal Year 2012-13. This is the twelfth budget which I have prepared for Durham County and the thirty-fourth budget I have prepared over my career. Durham County Government continues to enjoy one of the strongest reputations in the country for the delivery of high-quality services, but we know we can always do better. This year's budget looks to build upon that reputation as our County provides the funding necessary for a twenty-first century school system, improves the provision of vital and life changing services, implements the County's bold and exciting new Strategic Plan, and continues to support the County's dedicated and highly-skilled workforce, all without increasing the burden on Durham County taxpayers.

#### **Goals of the FY 2012-13 Budget**

A comprehensive annual budget attempts to address and promote long and short term goals within current economic and political constraints, and while this balancing act is not easy in the best of economic times, it becomes significantly harder when revenue sources are flat or growing very slowly. After navigating through decreasing revenues for the past several years, Durham County now finds itself dealing with very slow growing revenues and is planning for similar growth well into the future. This slow growth planning has forced the County to evaluate and adjust its short and long term goals. Our short term goal was to adjust spending to levels that would maximize resources and allow us to balance the FY 2012-13 budget without a tax rate increase. In fact, we were able to do better than that; by finding more efficient ways to deliver services, Durham County's property tax rate will decrease 74.44 cents/\$100 valuation for FY 2012-13.

Longer term, this budget represents a roadmap for accomplishing the priorities of the Board of County Commissioners and addressing the needs and interests of Durham County citizens. I am proud to present a budget to you that addresses the following goals in FY 2012-13:

- ✓ Support for the Durham County Strategic Plan;
- ✓ Maintaining fiscal strength;
- ✓ Holding property taxes as low as possible;
- ✓ Providing services at current levels;
- ✓ Supporting operational needs of new buildings and facilities;
- ✓ Continued strong support of Durham Public Schools;
- ✓ Providing adequate funding for planned capital projects;
- ✓ Partnering with nonprofit agencies for important county services.

## **Durham County Strategic Plan**

Durham County began developing a Strategic Plan over a year and a half ago. Creation of the plan involved months of dialogue with various stakeholders; over 3,000 citizens, employers, Durham County employees, and community leaders responded with their experiences and ideas, from which five goal areas emerged:

- ✓ Community and Family Prosperity and Enrichment
- ✓ Health and Well-being for All
- ✓ Safe and Secure Community
- ✓ Environmental Stewardship
- ✓ Accountable, Efficient, and Visionary Government

Every service we provide touches on one, and in some cases, several of these goal areas. If our community is to genuinely prosper, outcomes stemming from focus on these goal areas must be seen and felt throughout our community. The Strategic Plan is a fluid document; we expect it to evolve over the years and will revisit the plan annually to determine what is working and what is not. Next year's budget represents a roadmap for accomplishing the goals of the Strategic Plan and includes \$192,295 for first-year strategic plan initiatives, such as development of an integrated economic development and job creation strategy, support for re-engagement efforts for disconnected youth, and training to improve first responders' efforts during behavioral health crises.

## **Maintaining the County's Fiscal Strength**

One of the most important focal points in preparing the budget each year is maintaining the County's strong financial position. In 2011, Moody's Investors Service, one of the world's most respected and widely-utilized sources for credit ratings, reaffirmed the County's AAA bond rating after conducting a special review. The AAA rating is the highest rating attainable and allows Durham County to borrow at the lowest rates available, which is a tremendous benefit to taxpayers. One part of ensuring the County's financial strength is maintaining appropriate levels of fund balance. While it seemingly would be easy to tap fund balance for the current economic slowdown, AAA-rated local governments like Durham County are expected to show leadership and the financial fortitude to responsibly manage their finances from year to year by balancing expenditures with available revenues.

The following table shows Durham County's projected fund balance at the end of FY 2011-12. The County projects a modest increase of 0.65% in its General Fund fund balance from 25.73% to 26.38%.

<b>General Fund fund Balance: Comparison of FY 2011 Actual and FY 2012 Projected</b>			
	<b>FY2011</b>	<b>FY2012</b>	<b>Anticipated</b>
	<b>Actual</b>	<b>Projected</b>	<b>Change</b>
Total Fund Balance	\$117,520,487.00	\$124,278,673.26	\$6,758,186.26
Less:			
Non-spendable:			
Inventories	\$838,225.00	\$838,225.00	\$-
Prepaid expenditures	\$30,867.00	\$30,867.00	\$-
Restricted:			
Stabilization by State Statute	\$23,315,459.00	\$23,315,459.00	\$-
Museum	\$86,735.00	\$86,735.00	\$-
Tax technology	\$384,449.00	\$484,542.00	\$100,093.00
Sheriff	\$210,372.00	\$210,372.00	\$-
Fire Marshall	\$237,215.00	\$237,215.00	\$-
Public Health programs	\$25,706.00	\$25,706.00	\$-
Mental Health programs	\$627,479.00	\$502,266.00	\$(125,213.00)
Library programs	\$20,063.00	\$20,063.00	\$-
Env. Protection programs	\$87,666.00	\$87,994.00	\$328.00
Register of Deeds	\$259,375.00	\$275,796.00	\$16,421.00
Capital purchases	\$137,662.00	\$220,290.00	\$82,628.00
	\$91,259,214.00	\$97,943,143.26	\$6,683,929.26
Committed:			
Managed Care Organization	\$-	\$5,000,147.58	\$5,000,147.58
Mental health	\$1,639,994.00	\$1,045,930.40	\$(594,063.60)
Social services	\$290,584.00	\$179,805.00	\$(110,779.00)
Risk management	\$5,810,999.00	\$5,810,999.00	\$-
Debt service	\$3,910,612.00	\$4,322,574.56	\$411,962.56
OPEB	\$21,952,209.00	\$21,952,209.00	\$-
Sheriff inmate	\$300,167.00	\$300,167.00	\$-
Education; Article 46	\$-	\$2,776,151.00	\$2,776,151.00
Assigned:			
Subsequent years	\$8,148,653.00	\$11,612,648	\$3,463,995.00
Unassigned:	\$49,205,996.00	\$44,942,511.72	\$(4,263,484.28)
LGC Recommended 8% Minimum	25.73%	26.38%	0.65%

### **Holding Property Taxes as Low as Possible**

Each year there is natural growth in the tax base due to new commercial and residential construction. Next year's property tax base is up, but only a very small 0.48. Every 1% of tax base growth equates to \$2.2 million in additional tax dollars, in other words a 4% growth, normal for many years, would have meant an additional \$6.6 million for the County compared to the 0.48% increase, which only provides \$1.06 million. This recession is deep and property tax base growth at 0.48% as compared to an average 3% growth is where the County is taking the biggest hit. The following table presents the estimated property values that were used to develop the budget.

<b>Property Values: Comparison of FY 2011-12 Actual and FY 2012-13 Projected</b>				
	<b>FY 2011-12 Adopted</b>	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Projected</b>	<b>% Change FY 13 from FY 12 Actual</b>
Real Property	\$24,496,218,366	\$24,584,673,998	\$24,791,503,973	0.84%
Auto Value	\$1,508,498,642	\$1,635,214,119	\$1,633,190,171	-0.12%
Personal Value	\$3,098,482,067	\$3,228,375,515	\$3,167,632,924	-1.88%
Public Service	\$501,907,483	\$468,904,961	\$468,904,961	0.00%
<b>TOTAL</b>	<b>\$29,605,106,558</b>	<b>\$29,917,168,593</b>	<b>\$30,061,232,029</b>	<b>0.48%</b>

A continued bright spot in the revenue picture is the County's property tax collection rate. Durham County employees work tirelessly to see that their community, their city, their home is supported with a highly efficient and supportive local government. To that end the Durham County tax department has done an outstanding job over the last several years increasing the property tax collection rate for the County, edging ever closer to 99% collections. With that in mind the County has increased the expected property tax collection rate from 98.55% to 98.80% bringing in an additional \$560,567 in property tax revenue without having to increase the property tax rate.

A positive new development in Durham County's overall revenue picture is the addition of a November 2011 voter approved quarter cent sales tax (Article 46). For FY 2012-13 this new sales tax, paid for on almost all purchases made in Durham County, will bring in an estimated \$9.9 million. This sales tax was proposed to voters as an education sales tax, and by a Board of County Commissioners resolution will be spent on various education related activities. They are as follows:

- 67.12% of the proceeds to Durham Public Schools,
- 8.97% to Durham Technical Community College for scholarships,
- 2.17% Pre-kindergarten programs,
- 21.74% will support Durham Public School capital project debt service

Additionally, there are other property taxes that some Durham County citizens pay. Durham County has seven fire districts serving its unincorporated areas and its citizens in six of the seven districts will see no increase in property taxes. Parkwood fire district requested a tax rate increase in order to maintain current levels of service. The approved rates are as follows:

<b>Fire District Tax Rates</b>		
	<b>FY 2011-12 Adopted</b>	<b>FY 2012-13 Adopted</b>
Bahama	0.0600	0.0600
Bethesda	0.1000	0.1000
Lebanon	0.1000	0.1000
Parkwood	0.1100	0.1150
Redwood	0.1125	0.1125
Eno	0.0599	0.0599
New Hope	0.0895	0.0895

The following table shows the funds comprising Durham County's budget:

<b>FY 2012-13 Total Appropriation for All Funds</b>				
	<b>2011-12 Modified Budget</b>	<b>2012-13 Department Requested</b>	<b>2012-13 Commissioner Adopted</b>	<b>% Change FY 12-13 from FY 11-12</b>
General Fund	\$360,271,551	\$351,375,913	\$348,430,822	-3.29%
Risk Management Fund	\$1,972,801	\$2,490,605	\$2,725,393	38.15%
SWAP Fund	\$1,701,200	\$2,203,000	\$3,203,000	88.28%
MCO Implementation	\$8,000,000	\$0	\$0	-100.00%
Capital Financing Plan Fund	\$46,962,324	\$50,515,677	\$49,068,264	4.48%
Benefits Plan Fund	\$15,978,660	\$16,488,494	\$16,526,908	3.43%
Bethesda Fire District Fund	\$1,686,858	\$1,729,059	\$1,704,059	1.02%
Lebanon Fire District Fund	\$1,097,638	\$1,145,628	\$1,145,628	4.37%
Parkwood Fire District Fund	\$1,564,240	\$1,614,691	\$1,614,691	3.23%
Redwood Fire District Fund	\$746,000	\$770,000	\$770,000	3.22%
New Hope Fire District Fund	\$72,518	\$73,724	\$73,724	1.66%
Eno Fire District Fund	\$22,956	\$23,582	\$23,582	2.73%
Bahama Fire District Fund	\$731,106	\$820,778	\$820,778	12.27%
Special Park District Fund	\$782,076	\$706,448	\$706,636	-9.65%
Special Butner District Fund	\$17,289	\$17,431	\$17,431	0.82%
Debt Service Fund	\$51,320,259	\$56,349,297	\$56,339,648	9.78%
Sewer Utility Fund	\$7,792,446	\$9,263,930	\$9,263,930	18.88%
George R. Linder Memorial Fund	\$0	\$250	\$250	0.00%
Community Health Trust Fund	\$6,123,499	\$3,950,000	\$4,071,851	-33.50%
Law Enforcement Officers Trust Fund	\$237,369	\$300,000	\$300,000	26.39%
<b>TOTAL</b>	<b>\$507,080,790</b>	<b>\$499,838,507</b>	<b>\$496,806,595</b>	<b>-2.03%</b>

The total appropriation for all funds in FY 2012-13 is just over \$496.8 million. The General Fund will see a net reduction of 3.29% in funding from its current budget. However, the net reduction is a combination of a \$25.9 million dollar reduction due to the changes occurring with the Durham Center, an increase of \$7 million for Durham Public Schools, and an increase of \$7 million dollars for other County departments and initiatives.

This has been a year of unprecedented transition for The Durham Center (Mental Health). As FY 2010-11 closed, The Durham Center had applied to the State for Medicaid 1915 (b)/(c) waivers as Lead LME in a partnership with Cumberland and Johnston Counties. Subsequently it was approved by the NC Department of Health and Human Resources to operate as a Managed Care Organization under Medicaid waivers for this three-county region beginning in January 2013. Occurring in parallel to the massive task of preparing to implement MCO operations was The Durham Center's merger with the Wake County LME, with an operational start date of July 1, 2012. This merger will result in the largest Managed Care Organization in North Carolina by population, with responsibility for utilization review



and authorization of services for approximately 186,000 Medicaid-eligible citizens in a four-county area with a total population of almost 1.7 million. Significant similarities made the two LMEs logical partners for merger, with benefits anticipated for citizens, consumers, providers and taxpayers. Alliance will administer and service Mental Health operations covering Durham, Wake, Cumberland, and Johnston counties and will continue to utilize space in the Durham County Human Services Complex. In FY 2012-13, Durham County will maintain the same level of funding to the MCO at \$6.7 million dollars.

### **Maintaining County Services**

The various departments of Durham County Government work hard each fiscal year to provide services to meet their missions, goals, and objectives. When the community needs change, departments must be responsive to meet those needs. Creating new positions in local government always has to be analyzed carefully to ensure that the level of service delivery necessitates the new positions. The FY 2012-13 budget eliminates 3.43 County full-time equivalents (FTEs), all of which were supported by grant funds that are no longer available. Additionally, 36.5 new FTEs are being added in order to fulfill needs in Human Resources, DSS, General Services, Tax Administration, IT, Engineering and Environmental Services, Criminal Justice Resource Center, and Public Health. Fourteen of those new FTEs are grant supported. A detailed list of new positions is located on page 44.

The budget includes funding for longer operational hours at our employee wellness clinic, allowing more employees to be seen on the same day for colds, allergies, sore throats, and all of the normal reasons they would visit their primary care physician. Employees may also conveniently fill generic prescriptions at our Public Health Pharmacy. These changes will help to further reduce insurance claims and keep health care costs low. Continued funding is also included for our performance evaluation system whereby employees that meet or exceed performance expectations will receive a 3.25% or 4.25% increase, respectively, in performance pay.

### **Supporting operational needs of new buildings and facilities**

In fiscal year 2012-13, two new major facilities will open: the new County Courthouse and phase II of the Human Services Complex. When completed, these new facilities will help us better serve Durham County residents while changing the skyline of Downtown Durham.

The new County Courthouse benefits Durham County residents by providing additional space and resources to house the judicial needs of Durham County. Including the associated parking structure, almost \$1.5 million dollars is allocated to the maintenance and operation of the new facility, including 11 additional Sheriff's Deputies as well as necessary utility and janitorial services.

Phase II of the Human Services Complex includes facilities to further consolidate the location of Durham County Public Health and Social Services resources. With the relocation of Social Service offices to the facility, increased operating costs associated with the completed phase are slightly more than \$200,000.

### **Continued Strong Support for Durham Public Schools**

Durham citizens continued to show their strong support for the education of Durham children by approving a new quarter (0.25) cent sales tax (Article 46) in November 2011. This self-imposed sales tax will bring in an estimated \$9.9 million to Durham County, with all of the proceeds supporting education in one form or another. Durham Public Schools will directly receive 67.12% of the estimated \$9.9 million equaling \$6,644,880, along with another \$414,830 dedicated to Pre-K related services. Durham County

will appropriate \$117,166,662 for Durham Public Schools, with \$115,796,662 budgeted for current expense funding and \$1.37 million for current capital, representing a 6.41% (\$7,059,710) increase over FY 2011-12 funding. This budget fully funds the Board of Education's budget request for FY 2012-13 and increases Durham County per pupil funding by \$120 to \$3,165. This level of local per pupil funding is far ahead of any of the 10 most populous counties in the state, and that gap continues to grow.

The Board of County Commissioners, Board of Education, and Superintendent Becoats are to be commended for finding a funding solution that vigorously supports Durham Public Schools in a time where state and federal funding is declining, and for also allowing Durham County to keep from increasing its property tax rate .

An often unseen area of county support for Durham education is its support of various capital projects. The County has had three bond referendums since 2001 with the vast majority of those funds allotted to Durham Public School capital projects. The last bond referendum was in 2007 and DPS continues to spend those General Obligation bonds for new schools and existing school renovations. County debt service funding for Durham Public Schools continues to grow and for FY 2012-13 totals \$28,921,292, equating to an additional \$874 per Durham Public School pupil.

#### **Providing Adequate Funding for Planned Capital Projects**

FY 2012-13 will be an exciting year for Durham County capital projects as the final section of the new Human Services complex becomes fully operational and the new courthouse will become fully operational. Durham Public Schools continues to use 2007 GO Bond funds to largely upgrade existing schools and build new ones, while our open space and farmland acquisition program continues to purchase natural areas for citizen enjoyment and wilderness protection. These and other smaller projects constitute the current capital improvement activity, but they are not the only capital improvements driving the annual debt service payment supported by the County.

Over the last 10 years Durham County has had three GO Bond referendums pass supporting school construction, Durham Technical Community College expansion, new regional libraries, and North Carolina Museum of Life and Science expansion and renovation. Other loans have supported a new courthouse, a new Human Services complex, IT hardware and software upgrades for the County and vehicle replacement for the Sheriff and EMS, just to name a few. All of these capital improvements come with a long term cost as payment for most improvements are over a 20 year span. The recent level of capital improvement activity for Durham County has been unprecedented and a steadily increasing amount of annual debt service needed to pay for that activity is an expected and planned for result.

Annual debt service payments are supported with a variety of revenue sources; sales tax; Community Health Trust Funds, interest earnings, parking deck revenues, lottery funds (when available) and property tax (the largest single revenue source). The past couple of years have seen annual debt service payments rising as various existing revenue sources used to support that debt, namely sales tax, lottery funds, and interest earnings, have been holding steady or slightly increasing. A new revenue source has been added to help offset growing Durham Public School debt. A portion of Article 46 sales tax (newly approved by Durham County voters in November 2011) will be allotted each year for DPS debt service, for FY 2012-13 the amount is \$2.15 million. For FY 2012-13 the annual debt service payment increased

\$5.2 million from FY 2011-12 with various revenues sources other than property tax growing enough to meet that amount. This means that the amount of property tax delegated to supporting debt service payments stayed flat leaving more revenue available for County operating needs.

The County used several one-time revenue sources for FY 2011-12 to make up some of the difference (Capital Fund and Debt Service fund balance), but will need to rely on significantly increasing property tax revenue in the coming years. This has been expected and implicitly agreed on by the Durham County citizens who have approved three different GO Bond referendums over the last decade.

**Partnering with Nonprofit Agencies for Important County Services**

Our final goal in preparing the FY 2012-13 was continuing the community partnerships that help Durham County fulfill its mission by extending and enhancing the services the County provides. Each year the County invites nonprofit agencies to submit applications to provide services to citizens that accomplish one of the following:

- ✓ Provide a service to the community through more cost-effective means than government;
- ✓ Supplement and/or extend current County human services at a reduced cost; or
- ✓ Fill in gaps that exist between the level of services the County provides and unmet community needs.

Durham County received 53 nonprofit funding applications from area organizations this year, with requests totaling over \$1.87 million. Unfortunately, the County was unable to fund every applicant. \$794,849 is allocated to support 41 non-profit programs or organizations in FY 2012-13. The following table lists the nonprofit agencies receiving funding. A detailed listing of all non-profit applicants and their approved funding awards is available on page 299.

<b>FY 2012-2013 Non-Profit Funding</b>			
<b>Functional Area</b>	<b>FY12 Adopted Budget</b>	<b>FY13 Requested Amount</b>	<b>FY13 Adopted Budget</b>
Human Services Nonprofit Agencies	\$601,801	\$1,271,959	\$581,551
Culture and Recreation Nonprofit Agencies	\$58,408	\$216,680	\$72,953
Education Nonprofit Agencies	\$103,286	\$246,040	\$82,250
Public Safety Nonprofit Agencies	\$72,172	\$143,421	\$58,095
	<b>\$835,667</b>	<b>\$1,878,100</b>	<b>\$794,849</b>

**A County of Distinction**

We will continue to reap state and national awards for the services we provide as long as our leadership and workforce continue to put their creativity to work and show the passion to make a difference in our community. Our employees' dedication is reflected by the awards and recognition received by our departments and individual staff. The following is a partial list of state and national accolades that have been bestowed upon Durham County, as well as highlights of new projects and initiatives currently underway:

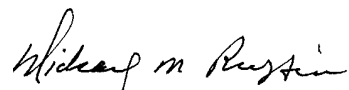
- ❖ The County maintained its AAA bond rating with all three credit rating agencies, putting in the top 1% of counties in the U.S. in this respect.
- ❖ The Finance Department was awarded the Government Finance Officers Association's (GFOA) Certificate of Excellence in Financial Reporting for the FY 2010-11 Comprehensive Annual Financial Report (CAFR).
- ❖ The first phase of the Human Services Complex on Main Street was completed allowing the Public Health Department and Durham Center to move in the spring. Phase Two of the building and our Social Services Department will join them in FY 2013-2014.
- ❖ Construction of the new state-of-the-art Durham County Courthouse is underway, with completion scheduled for late 2012 and move in set for early 2013.
- ❖ Durham County remains committed to sustainability. Two more of our facilities were awarded LEED Certifications: A Silver award for the Durham County Criminal Justice Resource Center major renovation project which reopened a year ago, and a Gold Certification for the new South Regional Library. We now have a total of seven LEED Certified buildings.
- ❖ The Budget and Management Services Department received the GFOA Distinguished Budget Presentation Award for FY 2011-12 budget document.
- ❖ The Triangle Business Journal selected Durham County Government as one of the winners of its first 2011 Healthiest Employers awards, specifically for our wellness programs that help employees identify and manage chronic illnesses.

In conclusion, the budget that follows has been carefully and thoughtfully prepared. Important community needs are met in the context of goals that both the Board and our dedicated workforce share. In short, a reasonable spending plan has been approved that maintains high levels of service at a cost our community can afford.

Thank you for your continued interest in and support of Durham County.

With highest regards, I am

Sincerely,



Michael M. Ruffin  
County Manager

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## FY 2012-13 BUDGET HIGHLIGHTS

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- The tax rate will decrease from 74.59 cents/\$100 valuation to 74.44 cents/\$100 valuation.
- Property tax collection percentage increases to 98.8%, up 0.25% from FY 2011-12.
- Sales taxes, including an Interlocal Agreement with the City of Durham, are estimated to increase 30.47% from the current year primarily due to the collection of the new ¼ cent Article 46 sales tax approved by Durham County voters in 2011. Estimated growth without the new sales tax included is projected at 8.12%. FY 2011-12 collections are expected to outpace budget amounts due to lower reimbursements and economic growth. See the Revenue Highlights page for more detail.
- Various fee increases in these departments: General Services-Solid Waste, Public Health and the Enterprise Utility Fund.
- Net General Fund decrease of 69.43 FTEs for FY 2012-13. This is mainly due to 102.50 Mental Health/Managed Care FTEs being eliminated through the creation of the Alliance Behavioral Health Care MCO.
- Eliminating 3.43 FTEs which were grant supported.
- Adding 36.50 new General Fund FTE's.
- Continued pay-for performance salary increases for employees for FY 2012-13.
- Continued suspension of the longevity program for FY 2012-13.
- The total cost of the County benefits plan fund has increased 2.4% or \$393,074.
- Decrease in the participation rate for the County contribution to the Local Government Employees Retirement System (LGERS) from 6.95% to 6.74% for local general class and from 7.05% to 6.77% for LEO class, approximately \$175,000.
- Increased General Fund fund balance appropriation from \$5.1 to \$8.4 million.
- \$3.95 million in Community Health Trust Fund annual lease revenues will be transferred to the General Fund to support health care related expenditures.
- Funding to Durham Public Schools to increase 6.41%; no increase in capital outlay funding. The entire increase is supported by new Article 46 sales tax (and includes Article 46 sales tax funding of Pre-K programs).
- Durham Technical Community College funding increases by 30%. \$883,030 of the increase is related to Article 46 quarter cent sales tax revenue which will be used for student scholarship support.
- North Carolina Museum of Life and Science current expense funding increases 7.65%
- Vehicle and equipment loan supports 60 vehicles (new (3) and replacement (57) vehicles) for the Criminal Justice Resource Center, Emergency Management, EMS, Engineering, Fire Marshal, General Services, Sheriff, Tax Administration, and the Youth Home, and new equipment for General Services, EMS, and the Sheriff. (detailed on the Vehicle & Equipment page in the document).
- Fire Tax District study receives \$150,000 of funding.
- Open Space Matching Grants funding is restored to FY 2009-10 funding level of \$77,175.
- 53 nonprofit agencies applied for funding with requests totaling \$1,878,100; 41 agencies are approved for funding in FY 2012-13 for a total of \$794,849.
- Reduction in the County portion of the Durham Convention Center subsidy by \$76,469.
- Funding for Durham County's participation in the Mayor's Summer Youth Workers Program \$49,410.
- Debt Service funding increases \$4.2 million, while property tax dedicated to support debt service stays flat at 5.94 cents. Funding from other sources, SWAP fund, Lottery funds, and Article 46 sales tax limited the amount of property tax needed to support debt service.
- Customer service initiative that includes: 1 greeter in the Administrative Complex, 3 greeters in the Human Services Complex to help citizens who appear in these facilities. These greeters will be available to answer questions, provide directions and escort citizens, if necessary, to their requested destination. We will also add 1 new call taker in the Tax Department Call Center. All call takers will be trained for this new customer service initiative. We will begin publishing the 8 most frequently dialed numbers in the telephone directory. The Tax Department will be the featured number and the Tax Administration Call Center will assist in routing calls to the appropriate areas in order to improve efficiency in the way calls are handled.
- Funding of \$192,295 to implement first year strategic plan initiatives, such as development of an integrated economic development and job creation strategy, support for re-engagement efforts for disconnected youth, and training to improve first responders' efforts during behavioral health crises.