

**DURHAM COUNTY, NORTH CAROLINA
FY 2018-19 RECOMMENDED BUDGET**

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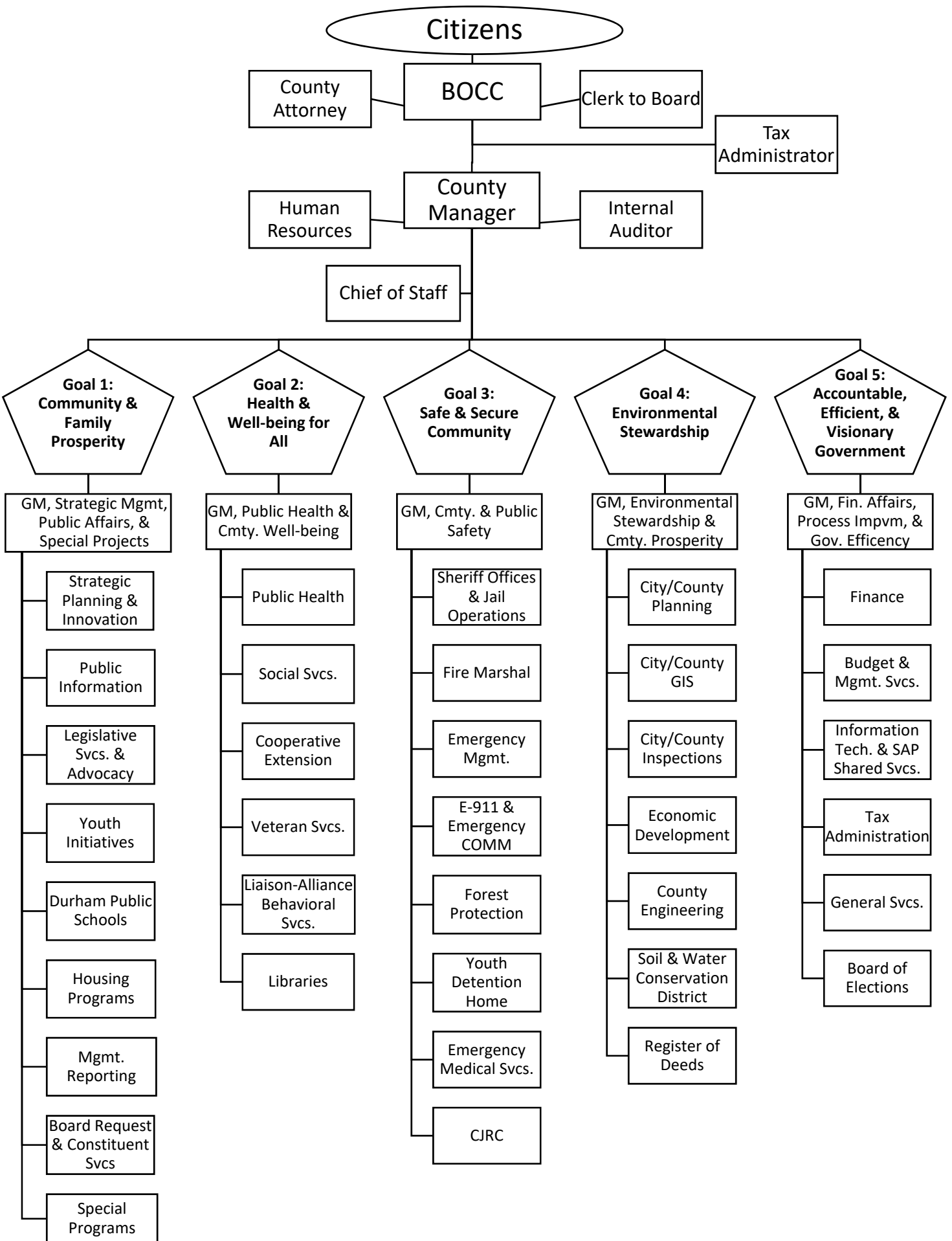
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July 1, 2017

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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, 2018 through June 30, 2019 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, 2018. In addition, the section contains a summary of FTEs for all funds.

The **Appendix** contains supplemental information that includes the FY 2018-19 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.

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.

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.

The 2017-2021 Durham County Strategic Plan is provided in the front of this document, along the initial data collection and analysis of the 17 Strategic Plan Community Indicators.

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 2018-19 RECOMMENDED BUDGET**

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COUNTY OF DURHAM

WENDELL M. DAVIS
COUNTY MANAGER

May 14, 2018

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

Dear County Commissioners,

I am honored to present a comprehensive spending plan for Durham County Government for fiscal year 2018-19. The document is in accordance with the North Carolina Local Government Budget and Fiscal Control Act and it fulfills my obligation to present a balanced fiscal plan by June 1, 2018. The FY 2018-19 Manager's recommended budget, guided by a refreshed Strategic Plan, provides continuation of vitally important County services while supporting data driven decision making through our Managing for Results model (MFR).

Rhetorically at the outset, let me simply say... what a difference a year makes. Changes at the national, state, and local levels remind us that the only constant...is change itself. A new federal tax reform bill, rising inflation, a heated economy, an urban building boom in downtown Durham, national policy changes that threaten local revenue coffers and state legislative changes that often result in unfunded mandates are ever present and create constant opportunities for rethinking the most effective ways to allocate our scarce resources. In addition to these factors, the County is experiencing significant population growth. The FY 2018-19 recommended budget reflects Durham County's response and adaptation to these environmental changes, as well as constant internal change in order to continue developing into a results-based organization.

Unfortunately, as we peer through this fog of uncertainty, there is no perfect policy response to the myriad of challenges we are faced with. The continued application and maturation of our Managing for Results (MFR) model, with guidance from the 2017 Strategic Plan, provides this administration, the Board of County Commissioners, and Durham citizens the tools necessary to assess and respond to the challenges we face with a focused methodology and strategic approach.

This spring the Board and County administration were fortunate to be joined by Professor Mike Walden of N. C. State University for our annual budget retreat. Professor Walden in his latest publication North Carolina Beyond the Connected Age; The Tar heel State in 2050 revisits Richard Florida's theory regarding innovation and/or societal advancements after economic downturns, commonly referred to "Resets".

Florida argues that societal "Resets" have followed periods of major economic stress, producing innovations as well as changes not only in how and where people work and live, but also importantly, in educational institutions and transportation methods. He goes on in the literature to explore the economic periods from 1873 –1879; the 1930's during the Great Depression, and of course the great Recession of 2007 –2009. Our most recent economic recession according to Florida is characterized as one where "[...] the fastest job growth was in the creative jobs that develop value through ingenuity, problem solving and the arts". One of the more salient points that he makes about this "Third Industrial Revolution" is that "the greatest challenge during this Third Reset is designing an educational system that can support timely and rapid reskilling of the labor force".

Though it is the view of the optimist, I remain convinced that resetting our educational framework is the single most important work that Durham can do in order to become a world class 21st Century community. As such this budget recommendation focuses on the beginning stages of a strategy for the much-needed development of our human capital through leverage funding for Universal Pre-K, the development of a cradle to career educational system and a host of support services provided through public health, mental health, social service and public safety.

The County's response to Durham Public Schools(DPS) and the department of Social Services in this recommendation includes an increase of 11 FTE at mid-year. Durham City's withdrawal from DPS's School Resource Officer (SRO) support necessitated the Sheriff's office to provide an additional 5 SRO officers to middle and high schools, while significant workload issues in the Social Services Child Protective Services division directed a FY 2017-18 mid-year increase in 6 Social Services FTEs. So, before making the first decision for FY 2018-19 the County must find ongoing financial support for 11 positions that were not part of the initial 2017-18 budget. Change.

As the County's population grows, and in response the call for County service needs, the need for County positions will grow. Each and every new County position has "downstream" costs that are sometimes hidden (or at least not necessarily considered upfront) that can and do quickly add up to major annual operating costs. Space for new positions, related insurance costs, increased support needed from internal service departments, and future salary growth, all put extreme pressure on the County to refine efficiency of current employee productivity in order to limit position growth and indirectly related cost.

Also, as part of the FY 2017-18 budget the County implemented a much-needed specialized mental health unit in the County jail for male inmates. This unit necessitated additional Detention Officer positions. The intention of County Commissioners was that the next step was to provide a similar specialized unit and staff support for female inmates in the detention center. This will result in the addition of 13 new Detention Officers to support staffing in this unit.

I bring up these issues to note that 24 new FTE positions have been or will be created based on decisions made before the FY 2018-19 budget process even began. Growth of this nature, while not unexpected, puts pressure on future year allocation of limited resources. How the County adapts to such growth and change in services provided and their ongoing cost is one of the many change challenges we currently face.

Other change agents affecting resource allocation for FY 2018-19 and beyond include rising interest rates, rising construction costs, and future capital projects, all of which can and do have significant fiscal impact over decades. Public Safety upgrades, expansion of cultural resources such as the Main Library renovations, potential support for affordable housing, and increased available parking for downtown all present significant future capital costs that can significantly monopolize available financial resources. We must not avoid necessary, even if expensive, capital costs that may be looming in the near future, but we must be prudent in how, when, and what we choose to build, and support financially.

Another change coming is an in-depth review and potential implementation of compensation recommendations to Durham County employees. County government is only as good as the human capital that support its services and we must recognize the changing environment in which that human capital works, the current and future regional economic environment, as well as recognizing and adapting to changes by competitors for our available pool of talent. Changes will reflect market pay and market conditions for existing positions and new hires as well as a recommendation to increase the "pay for performance" salary range from 2%-3% to 2%-4%. If the County expects employees to maximize productivity, support innovation, and provide exceptional customer service, those that do must be competitively compensated.

Change, at least during budget season, generally equates to a need for increased financial resources. A budget may reflect policy choices and environmental pressures, but the choices always translate into dollar allocation. With that overriding factor always present in nearly every decision the County makes, the outlook for supporting so much change presents unique challenges.

For FY 2018-19 slow growth in sales tax revenue and a decrease in annual Community Health Trust Fund financial support offset significant growth in property tax revenue, while fee revenue remains relatively flat. These revenue changes offer opportunity in some budget areas, but with equal costs in other areas. Growing service needs related to a growing overall population, as well as specific populations served, have almost all departments feeling, and requesting, the need for human capital support. These many factors and challenges have been comprehensively reviewed, questioned, measured where possible, and ultimately fit together in the form of this FY 2018-19 Recommended budget. A budget that reflects change, and our County's unique skill and character in the face of that change.

We received many valuable and important budget requests that were simply unable to be supported considering fiscal constraints. In fact, requests for funding totaled approximately \$21.2 million more than the available revenue. These requests, as noted above, reflect growing service needs related to a growing population as well as expansion of services in specific strategic areas. Commissioner priorities along with Strategic Plan goals and objectives continue to focus where limited new funding should be supported.

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.

Going into the FY 2018-19 budget development process, the County was committed to an equivalent of 1 cent of property tax increase dedicated to support continued Pre-K expansion, towards universal Pre-K for all Durham students. This additional funding (\$3.7 million) would be in addition to \$1.5 million allotted by Durham County for Pre-K expansion for FY 2017-18. We are mindful that thoughtful expansion of services in this area may not warrant a full cent increase in funding in the upcoming fiscal year, so funding expansion will only be as large as the capacity to effectively spend the dollars for Pre-K services. By the same token, the County should position itself to leverage private philanthropic organizations to aid in making this heavy lift so every child can have access to Pre-K.

To that end, I directed staff as part of the FY 2018-19 budget process to look closely at historical spending trends within their departments using new tools like PowerBI and realign existing, already budgeted dollars to support inflationary increases and potentially any new requests.

Departments responded impressively, finding a total of \$1.96 million dollars within their existing budgets to realign, supporting everything from inflationary contract increases to new position requests. In fact, 12.72 existing positions were realigned (8.0) or eliminated (4.72) for FY 2018-19 to limit requesting new positions or offsetting new positions requests. 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 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 Manager's recommended Fiscal Year (FY) 2018-19 budget totals \$644,527,084, with a 1.9 cent property tax increase to support General Fund department operational growth, Durham Public Schools current expense growth, and potential employee compensation changes. A 1.9 cent tax increase for the General Fund generates \$7,021,134 of new property tax revenue. Increased capital funding, supported by a tax increase in FY 2017-18, funds annual debt service related to long-term capital investments, including those projects already completed such as the new County Courthouse, the Human Services Building, as well as issuance of 2016 voter-approved General Obligation bonds for Durham Public Schools, Durham Technical Community College, and the NC Museum of Life & Science.

Expenditures

Fund SubCategory (sorted)	FY 2016-17 Actuals	FY 2017-18 Approved	FY 2018-18 Estimate	FY 2018-19 Department Req.	FY 2018-19 Manager Rec.	Manager Rec. v. FY 2017-18 Approved	% Manager Rec. v. FY 2017-18 Approved
General Funds	\$572,047,627	\$537,862,882	\$571,610,235	\$556,005,265	\$545,882,601	\$8,019,719	1.49%
Special Revenue Funds	\$14,776,181	\$15,355,576	\$12,264,725	\$12,760,498	\$14,122,058	(\$1,233,518)	-8.03%
Debt Service Funds	\$176,012,280	\$68,669,065	\$60,807,595	\$72,777,809	\$73,404,600	\$4,735,535	6.90%
Enterprise Funds	\$7,122,405	\$10,618,880	\$7,808,295	\$10,380,080	\$10,380,080	(\$238,800)	-2.25%
Trust Funds	\$387,823	\$637,323	\$391,326	\$737,745	\$737,745	\$100,422	15.76%
Total	\$770,346,317	\$633,143,726	\$652,882,175	\$652,661,397	\$644,527,084	\$11,383,358	1.80%

The total Durham County budget increase is \$11,383,358 or 1.8% over the FY 2017-18 approved budget, while the General Fund budget increases \$696,071 or 0.16% over the FY 2017-18 approved budget. The General Fund increase is exceptionally small this year largely due to a significant decrease in pass through dollars (revenues and expenditures) in the Social Services budget.

Expenditures

Functional Area Name	FY 2016-17 Actuals	FY 2017-18 Approved	FY 2018-18 Estimate	FY 2018-19 Department Req.	FY 2018-19 Manager Rec.	Manager Rec. v. FY 2017-18 Approved	% Manager Rec. v. FY 2017-18 Approved
General Government	\$106,438,196	\$109,584,024	\$105,787,053	\$119,231,803	\$117,530,503	\$7,946,479	7.25%
Public Safety	\$59,661,791	\$63,133,100	\$63,230,291	\$64,940,839	\$61,848,748	(\$1,284,352)	-2.03%
Transportation	\$353,001	\$512,500	\$12,500	\$512,500	\$512,500	\$0	0.00%
Environmental Protection	\$3,983,371	\$4,458,542	\$4,693,001	\$4,903,485	\$5,040,236	\$581,694	13.05%
Econom. & Physical Devlp.	\$4,936,608	\$5,714,727	\$4,485,379	\$6,901,409	\$6,990,500	\$1,275,773	22.32%
Human Services	\$160,310,824	\$95,683,882	\$135,465,414	\$83,465,656	\$80,715,300	(\$14,968,582)	-15.64%
Education	\$134,879,723	\$143,038,856	\$142,938,856	\$152,209,523	\$149,869,007	\$6,830,151	4.78%
Cultural & Recreational	\$11,892,150	\$12,637,795	\$14,015,621	\$13,115,116	\$12,952,703	\$314,908	2.49%
Total	\$482,455,664	\$434,763,426	\$470,628,115	\$445,280,331	\$435,459,497	\$696,071	0.16%

Outlook

Durham County's fiscal and economic outlook for FY 2018-19 is generally positive with significant growth in property valuation within the County (largely centered in the City of Durham). The adjacent tables highlight the running totals of residential building permits within the City of Durham and Durham County from 2013 until 2017. Almost 10,000 new apartments have been built in the last five years along with nearly 5,500 individual homes.

Outside the City limits the County has experienced a more modest growth trend.

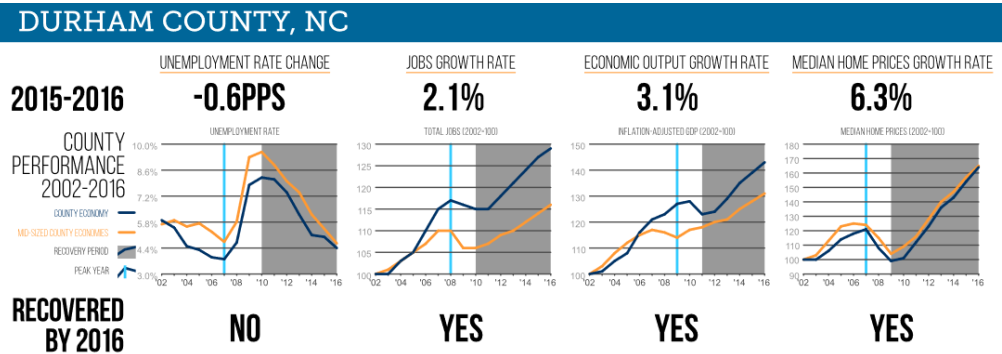
City Year	Apartments	Duplex	Townhomes and Condos	Single Family Detached	Grand Total
2013	2,826	2	305	773	3,906
2014	3,184	4	564	1,668	5,420
2015	4,946	8	1,054	2,618	8,626
2016	7,245	18	1,565	3,813	12,641
2017	9,818	26	2,103	5,010	16,957

County Year	Apartments	Duplex	Townhomes and Condos	Single Family Detached	Grand Total
2013	0	0	3	72	75
2014	0	0	3	152	155
2015	0	0	32	270	302
2016	0	0	35	365	400
2017	0	0	60	476	536

With almost 17,500 total new residential units built in the last five years, the County's (and City) property valuation growth has increased significantly. In FY 2018-19 property valuation growth for the County is estimated at 3.97% while City property valuation growth is estimated at 4.46%. Growth in property valuation equates to increased property tax revenue before any potential tax rate increase is considered, and the growth estimated for FY 2018-19 is significantly higher than past fiscal years.

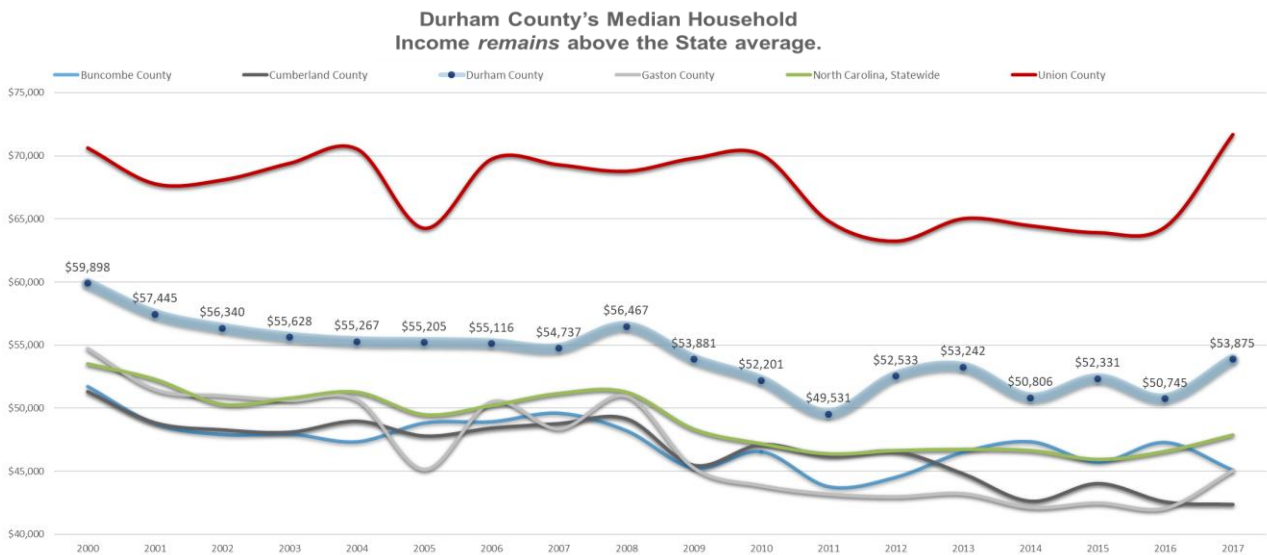
In 2017 alone Durham County had almost 4,500 new residential units come online. This level of growth comes with challenges, including the increased need for essential County services. The manner in which we adapt to such growth and how we manage the related costs will be an ongoing issue for future budget development.

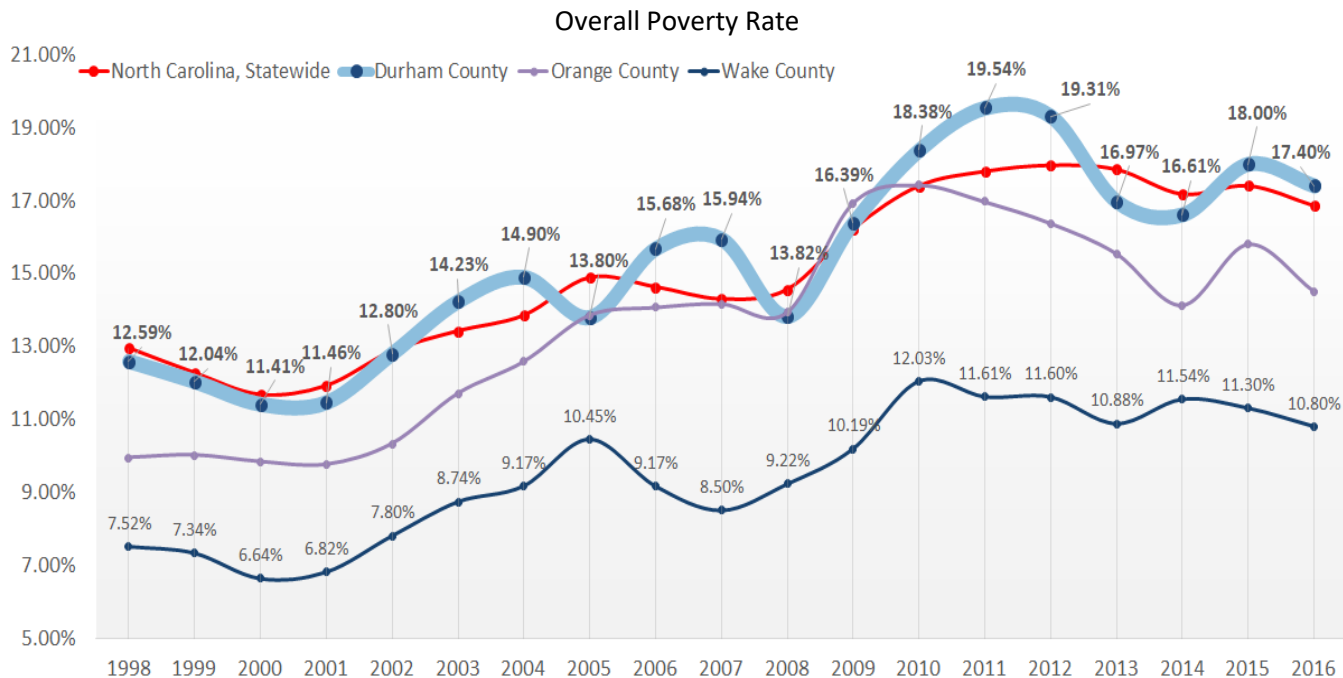
While many County economic indicators continue their recovery from pre-recession levels there are still lagging areas that will need County support. A National Association of Counties (NACo) report, "County Economies 2016" shown below evaluated



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 26% in 2017, slightly below the state's average and an increase from previous years, while the overall poverty rate for the County hovers around 17.5%. Another concerning trend our community must be mindful of is the age stagnation and decline seen across Durham County, the region, and the state (Illustration below). While wages are increasing, they are still less than they were back in 2000.





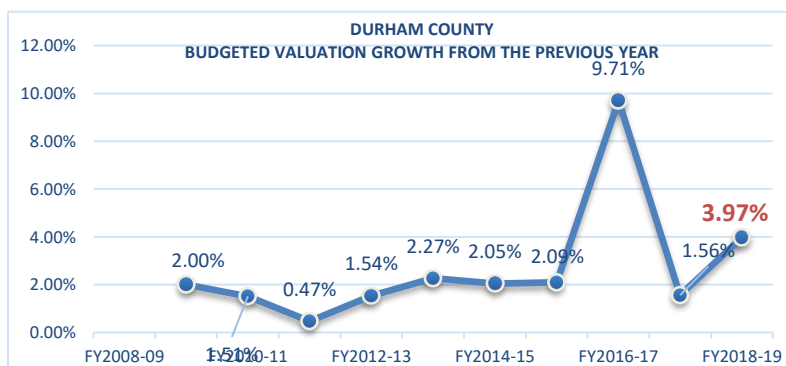
During this same period in the graph shown above Durham County’s population grew 36%. Further, as we plan long-term to address operating and capital budget needs, the NC Office of State Budget and Management forecasts a 30% population growth in the Triangle region by 2030. These combined factors make it necessary to be more deliberate about planning for Durham County’s needs for the short and long-term future.

As resources are stretched thin and the demands for services grow, our ability as an organization to recognize, respond, and plan for change is paramount. Using our Strategic Plan as a guide, our Managing for Results measures as progress markers, our human capital as an engine, and our innovation as a source of continuous renewal, Durham County Government will continue to provide the best services in the state. Our successful future is also 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 2018-19 sees a significant increase in property valuation as noted earlier. This valuation increase is the highest seen in the last decade. Such an increase in valuation equates to significant growth in available property tax revenue before any potential tax rate increase (natural growth). However, the natural growth in available property, while significant, is offset by the natural



growth in the budget necessary to sustain needed services. For FY 2018-19 the recommended property tax rate includes a 1.9 cent tax rate increase for the General Fund to support ongoing Durham Public School current expense, human capital investments, support for School Resource Officers and a female Mental Health unit at the detention center among other things. The tax rate needed to support capital financing stays flat for FY 2018-19.

Property Tax Rate	FY2017-18 Approved	FY2018-19 Recommended	FY2018-19 Change from FY 17-18
General Fund	67.08	68.98	1.90
Capital Financing Fund	9.71	9.71	0.00
Total	76.79	78.69	1.90

Sales Tax Revenues

The total amount of FY 2018-19 budgeted sales tax revenue for Durham County is \$81.87 million, the equivalent of 22.16 cents of property tax. The estimated end of year FY 2017-18 sales tax collections is expected to grow 0.18% over budget which is much slower than in previous years. A sales tax growth factor for FY 2018-19 of around 4% translates to a 1.91% recommended budget increase for the

Sales Tax Article	FY 2017-18 Original Budget	FY 2017-18 12 Month Estimate	% from FY 2017-18 Budget	FY 2018-19 Manager Recommended	% from FY 2017-18 Budget
Article 39	\$23,919,039	\$23,359,740	-2.34%	\$23,958,255	0.16%
Article 40	\$13,382,478	\$13,450,263	0.51%	\$13,961,887	4.33%
Article 42	\$16,327,164	\$16,203,348	-0.76%	\$16,467,326	0.86%
Article 44	\$0	\$441	#DIV/0!	\$0	#DIV/0!
Article 46	\$13,900,000	\$14,129,771	1.65%	\$14,100,000	1.44%
Inter-local	\$12,807,106	\$13,336,376	4.13%	\$13,386,107	4.52%
Total	\$80,335,787	\$80,479,939	0.18%	\$81,873,575	1.91%

upcoming fiscal year from the current fiscal year. Again, this is much slower growth than what was experienced last year at 6.99%. In actual new revenue the budget impact of 1.91% growth in sales tax revenue this year equates to \$1.53 million, or 0.42 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 \$3.7 million less “growth” revenue than compared from FY 2016-17 to FY 2017-18. So, while natural property tax growth increases significantly, sales tax growth decreases dramatically, which are somewhat offsetting trends and ultimately mitigates the overall amount of “natural growth” revenue available FY 2018-19.

Other Revenues

Overall General Fund service charges increase by only 0.58% or \$125,834, such a small increase is due largely to reduced fees related to elections carried out in the current year that will not occur in FY 2018-19 as well as reductions of one-time fees in several other areas. Intergovernmental revenues, which are pass-through dollars from other governmental entities decreased by 25.7% or almost \$15.5 million due to state funding once routed through Social Services now being distributed directly by the state.

Strategic Plan Update

As initially noted, 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.

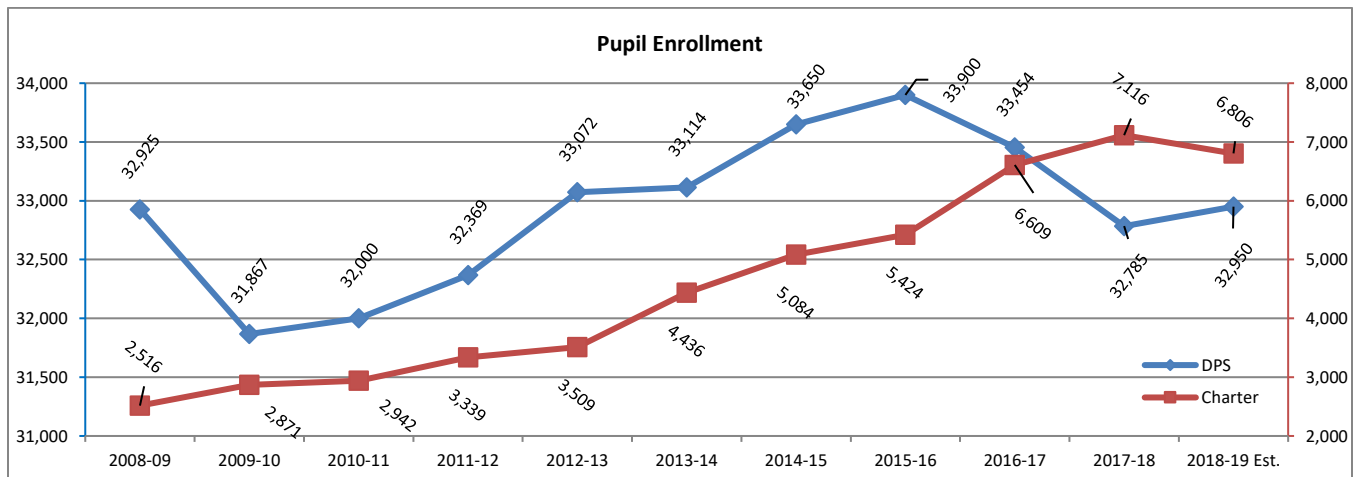
Since I arrived as the County Manager in 2014 County departments has been developing and implementing the Managing for Results (MFR) change management model. Combined, the refreshed Strategic Plan and MFR will define the changes and direction that the County expects to achieve. We are proud of these needed evolutions and advancements, and we eagerly look to the future.

A refreshed Durham County Strategic Plan is helping the organization plan for the future and successfully adapt to unforeseen changes. This time around performance measurement is better integrated into how the organization plans and provides services. Those performance measures will help us continually make

support for state teacher salary and benefits increases (\$2.16 million), support for “in-house” janitorial staff (\$1.2 million, additional teacher extracurricular pay support (\$750,000), and other expansion requests (\$850,000).

I am recommending a total DPS current expense increase of \$3.0 million through a combination of property tax dollars and BOCC policy directed use of additional Article 46 sales tax. This funding increase supports state salary increases, automatic contracted services increases, and can support other DPS initiatives as chosen by the Durham Public Schools Board of Education.

We have consistently stayed among the top five county governments in local funding per student and with my recommendation Durham County will maintain that position with “per pupil” funding at \$3,400, an increase of \$88 per pupil from FY 2017-18 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.



Durham County will also pay \$33.2 million in debt service for school facilities during FY 2018-19. Per this recommended budget, the total annual funding for Durham Public Schools for FY 2018-19 is \$136,806,961 or 31.43% of the entire General Fund budget. In addition to the direct operating expense and debt service payment for Durham Public Schools, an additional \$5.5 million is allocated in County department budgets to support School Resource Officers (SROs) and Public Health related school nurses.

Pre-K Expansion

During FY 2017-18 budget development the community received several critically important reports related to the state of Durham County’s children; the State of Durham County’s Young Children Report and the findings of a blue-ribbon pre-school task force outlining a plan for the expansion of high quality Pre-K. From those reports we know that 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. In response the County has set a goal of universal Pre-K support for all Durham children. We are working 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.

To that end Durham County budgeted an initial \$1.5 million in FY 2017-18 to support an additional 8 Pre-K classrooms (144 students) at Whitted School. Those annual operating costs of the Whitted School Pre-K program are again supported in this recommended budget and will be added to any additional Pre-K funding supported by the Board of County Commissioners.

To continue to close the gap towards universal Pre-K support for all Durham children I am recommending an additional \$3.7 million be allotted by the County for expansion of Pre-K services, for a total FY 2018-19 funding amount of \$5.2 million. This total is equivalent to a little more than 1.5 cents of property tax, or \$30 on a \$200,000 house, and while acknowledging that the financial burden of making high quality pre-school available to every four year old in Durham is heavy, the alternatives for our most vulnerable and underserved children are unacceptable.

As “universal” Pre-K has been a positive uplift for other states and cities, I believe 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. I am putting 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.

I am proposing continued support 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, educational and otherwise, over time.

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 support additional security cameras around campus facilities. The Article 46 sales tax revenue allocated to support DTCC scholarships is projected to increase slightly by \$12,871 in FY 2018-19, bringing the total projected funds to \$1,335,946, and we have continued conversations with Durham Tech to make sure these scholarships have as great an impact as possible facilitating the future success of Durham students.

I am recommending funding increases of 5.24% or \$375,654 for DTCC. The dollars will fund inflationary operating expenses, additional personnel cost, and additional rent cost related to new leased space.

Nonprofit Support

In FY 2017-18, the Nonprofit Funding Program incorporated MFR-related process improvements as part of ongoing program review. The program 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 tighter alignment to targeted needs identified within Strategic Plan goals 1 through 4. In FY 2018-19 the County will continue funding nonprofits that are currently funded pending a recertification process that reviews performance and financial information. Taking this approach allows agencies more time to

effectuate outcomes as well as more time for program staff to evaluate the investment that has been made. Additionally, the budget process was used as an opportunity to identify a single issue where the County could focus its resources with new nonprofit funding dollars. As a result, the County has issued a Request for Proposal for agencies that can alleviate food insecurity in the County by providing access to quality and nutritious food. In FY 2018-19, pending recertification, flat funding will be recommended for 39 nonprofit agencies at a total of \$630,000. Additionally, funding recommendations will be made for Food Insecurity RFP applicants post review. A detailed list of funding recommendations can be found in the Appendix.

Goal 2: Health and Well Being for All

Your 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. 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 February, the Department of Social Services (DSS) requested and received approval to establish 6 new positions within Child Protective Services to move us closer to the required caseload standard of 1 worker per 10 cases. While the department funded these positions using lapsed salaries through June 30th, the FY 2018-199 budget includes new full year funding in the amount of \$365,663.

In the current fiscal year, DSS and the Durham Center for Senior Life (DCSL) piloted a shared Social Worker position to ensure that Seniors are referred to community agencies in a timely and efficient manner. This shared position was designed to assess the needs of hundreds of Seniors at the DCSL and to refer these clients to services in the community, such healthcare, financial assistance, utility assistance, food security, prescription medications, educational opportunities, transportation, legal assistance, behavioral healthcare, spiritual connectedness, affordable housing, and social integration. I am recommending funding in the amount of \$30,000 to continue this partnership.

An additional \$30,000 is recommended in Adult Services to expand the contract with Lincoln Community Health Center for medication assistance. This expansion will allow Durham County citizens who are uninsured or underinsured to receive medically necessary prescription medication prescribed to them from Lincoln Community Health Center at no cost to the client.

Four new vehicles are recommended for DSS Adult Services and Aging staff whose responsibility is protecting the older citizens of Durham County. Staff frequently transport clients/wards and their property for routine trips and sometimes in emergencies. This recommendation is funded at \$106,474.

Over the past year DSS has worked to reduce its average vacancy rate from 10% to 5%. Staff and HR team members implemented strategies such as continuous postings of high turnover positions, pooling multiple positions into a single post to maximize recruitment and over hiring when possible. It is anticipated that changes to work processes because of HB 630 and the state’s federally imposed Performance Improvement Plan will result in the need for additional positions that were not included in this recommended budget. The department has been highly encouraged to reallocate vacant positions to fill critical positions and to keep me informed of decreasing vacancies, and upward trends in client numbers and resource consumption. Another mid-year request may be brought to you to support documented growing needs.

Public Health

The recommended budget reflects the efforts of Public Health staff to realign existing resources after evaluating program performance and external support. Staff examined spending trends and reduced operational expenses where trends dictated. Also, following a review of workload measures, the department decided to close the Healthy Futures Program. This program was designed and implemented over a 5-year period to provide “well-child” assessments in the school setting but closed as of March 31st because of extreme underutilization due to a shift in partner support. The three nurses were reassigned to the School Health Program which will further our efforts to reduce nurse-to-student ratio while retaining highly qualified public health nurses within the department. This change moves the overall nurse-to-student ratio from 1:1,595 to 1:1,367. Because of this realignment of \$360,097, additional school nurses were not requested in the FY 2018-19 budget.

As part of the Managing for Results continuous change process Public Health has also eliminated the Dental Van Driver position (1 FTE) opting to contract out the service that will operate according to the DPS schedule.

The number of restaurants and food trucks continue to increase in our community, we’re a “foodie” destination for a reason. Hence, our Environmental Health staff have an increased number of mandated inspections to conduct. They are required to monitor specialized food processes introduced in many of the restaurants and regulations that apply to shared-use kitchens. I am recommending the addition of 3 new full-time positions to the General Inspections/Food & Lodging Program. The Environmental Health Program Specialist, funded at \$87,481, will focus on monitoring the specialized food processes and regulations that apply to shared-use kitchens. This change and the addition of two Environmental Health Specialists funded at \$144,920 will increase staff productivity and move the percentage of mandated inspections completed from 68% closer to the department’s 85% target.

During the current fiscal year, a part-time pharmacist was temporally increased from 52% to 60% with the division absorbing the increase by reallocating expenditures. The three additional hours per week allows for time to assist the other pharmacy staff with aspects of the increased work load and I am recommending permanently increasing the position by 0.08 FTE.

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 I am recommending that we continue to commit resources to work with DataWorks NC, a 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.

Along with continued progress on health indicators, Neighborhood Compass development, community workshops and support for County staff, the funding will foster development of DataWorks programming in Durham County libraries, continued work on internal data use projects for Durham County Public Health, and collaboration across other local data operations like the Durham Children’s Data Center and the Open Data program. While Public Health staff members are actively engaged in this work, I am recommending an investment equal to that of the City of Durham in the amount of \$92,700 to continue to support this transformative work.

In FY 2016-17, 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. To accommodate these annual growth terms an additional \$87,981 is included in this recommended budget.

Library

Today, our Main Library is literally a library without walls, we can see it transforming every day. The building is scheduled to reopen to the public in January 2020. Last year, I told you that the cost of the opening day collection

would be \$400,000 spread over two years. Funding is recommended for FY 2018-19 to finish purchasing the collection in preparation for an early FY 2019-20 opening.

While new positions for the Main Library are not included in my recommended budget, I am recommending that two existing positions be expanded. A vacant 0.06 FTE Librarian position is recommended to be reclassified to a full time Senior Librarian to be the Head of Adult Services at the East Regional branch library, an increase of 0.94 FTE. The second position is a vacant 0.48 FTE Library Page to be reclassified as a 0.52 FTE Office Assistant (an increase of 0.05 FTE) to help with Adult Services Desk Coverage at the newly refurbished Main library. Library staff realigned several other positions to provide greater point of service coverage at no additional costs.

Cooperative Extension

This year, I am recommending that funding be included to purchase cribs from Cribs for Kids® National Infant Safe Sleep Initiative. These will be given to program participants in need of cribs. Additional funding is recommended to purchase the curriculum, Birth and Beginning Years (B.A.B.Y) by Motherhead, Inc., that “uses multicultural children’s books to teach parenting and health information to expectant and new parents”.

To support Durham County Access transportation services, an additional \$100,000 is recommended to support increased customer rides. To take advantage of potential service efficiencies, staff has initiated conversations to transfer the program to the City. Staff from both the City and County will spend the next several months gathering data, researching similar models, developing a white paper, etc. A solid plan will be brought back to you for your consideration.

Veterans Services

Since 2013, Durham Veteran compensation and pension dollars captured by the department for County Veterans has increased 40%. The Durham County Veterans Services Officers has also provided key leadership on a community wide collaborative for Durham County to be recognized as achieving the goal of effectively ending chronic homelessness among Veterans The recommended budget includes 1 additional FTE Veterans Service Officer to meet increasing demand for services as well as continuing to capture and deliver the rightful benefits to our deserving Veterans.

Goal 3: Safe Community

Protecting residents and creating a safe community continues to be a top priority as identified in the County’s strategic plan. In order to create that safe community we “[...] partner with stakeholders to prevent and address unsafe conditions, protect life and property, respond to emergencies and ensure accessible and fair justice.” Providing effective and timely public safety services is fundamental to the County’s efforts in supporting one of the five major goals of the strategic plan; a safe and secure community.

Not only must we be effective in-service delivery, but we must be efficient as well. Goal 3 departments collectively have found opportunities to reallocate existing resources resulting in a combined net County cost increase of only 4.43%; this includes natural salary increases as well as a modest list of new initiatives.

Increased investments in the Sheriff’s Office, the Detention Center, Emergency Medical Services (EMS), and Emergency Management are the primary new investments for Goal 3. The proposed new or reallocated spending I am recommending will continue to address our critical public safety needs within available resources.

Emergency Medical Services

Well-trained Emergency Medical Technicians (EMTs) and paramedics are essential to providing high quality clinical care to residents in need. To maintain high quality care, I am recommending an EMS Training Division be created using four reallocated vacant EMS positions. The new training division will provide continuing EMS education to

the County's EMS System and will train EMTs to become paramedics using in-house resources. Having an in-house resource provides greater opportunity to transition EMTs into paramedics, supporting the goal of reducing the chronic difficulty in hiring new paramedics. In addition, I am recommending continued replacement and upgrading of EMS ambulances by replacing five ambulances (\$1.168 million) using appropriated Community Health Trust Fund funding.

Building on the Board's support of the Community Paramedic model last year, I am recommending an additional Community Paramedic be added to this pilot program. This position will come from a reallocated FTE and will build on the work of the two current paramedics, allowing for increased contact with their patient-base to better assess the overall impact of this initiative.

As previously discussed with the Board, recruitment and retention of paramedic level staff continues to be a challenge in Durham, in the state and across the country. EMS struggles with a high annual vacancy rate averaging 20.5% in the current fiscal year. The new introductory pay and bonus program for paramedics implemented in spring 2016 has improved our efforts to attract high quality candidates. The formation of a dedicated EMS Training Division will assist in transitioning our current EMTs into paramedics in a timely manner. To continue our efforts to improve response times I also recommend that we maintain our "over-hire" of seven positions strategy to address the gap that occurs when new hires are in training.

Sheriff's Office and Detention Center

For the Sheriff's Office I am recommending investments in personnel resources and replacement vehicles. A total of 20 new positions and equipment (\$1.05 million) to address critical safety and security needs is included in my recommended budget. Five new School Resource Officers (SROs) (\$540,035) are included in response to the City of Durham choosing to no longer provide SROs in five city schools. With this investment the County will be funding 27 SROs in Durham Public School middle and high schools. I also am recommending funding for body worn cameras for all SROs bringing the County's total investment in SROs to \$2.5 million. Two new law enforcement officer positions with vehicles and equipment are recommended to be funded to meet the workload demands required to serve domestic violence orders in an efficient manner. Lastly, 32 law enforcement replacement vehicles and vehicle equipment totaling \$1.06 million have been included in the proposed budget.

In FY 2016-17 the Board approved funding to open a mental health pod for male inmates in the Detention Center. The mental health pod opened in fall 2017 and has proven to be a valuable resource in addressing the needs of male inmates with mental health issues. The Sheriff has requested funding to open a mental health pod for female inmates. I support his request and recommend that 13 new detention officer positions be created to staff this expanded service in the Detention Center. I also recommend an increase in the Detention's Center overtime budget to address overtime issues related to scheduling before and after shift briefings.

The Sheriff has requested funding to implement a law enforcement incentive pay program, and while I support the need to adequately compensate these, and all, employees, no individual funding is set aside for the Sheriff's office at this time. Rather, as I will talk about shortly, I am recommending we consider this important need in light of all employees once we have time to review the Class and Compensation study that has been undertaken.

Additional Public Safety Investments

Additional proposed public safety investments focus on the Fire Marshal's Office, City/County Emergency Management and the Fire and Rescue Division. A new vehicle for the Fire Marshal's Office to help separate contaminated equipment has been included in next year's budget completing the vehicle replacement process for this office.

As the Board is aware the County evenly splits the cost of Emergency Management services with the City. An Emergency Management Hazmat planner with required response equipment has been included in the proposed

budget to manage facility's hazardous materials plan submissions, and to assist Durham businesses with federal hazardous materials planning compliance. In turn I am also recommending a new Emergency Preparedness fee (related to the type of Hazardous Materials stored) be enacted to offset the cost of the new position, which is estimated to generate \$40,000 in FY 2018-19. Other cost shared items such a replacement generator for the Emergency Operations Center and floor covers for emergency shelters have also been included the proposed budget.

As we move forward with the plan to consolidate the Durham County Fire and Rescue Service District with the City Fire Department, some important changes will occur. The 53 employees that were a part of Durham County will be moved to the City. This reduction in positions will reduce the overall total for the County, but it must be understood that the cost of these employees, and fire services provided, will still be the responsibility of the district through an interlocal agreement.

As part of developing an interlocal agreement with the City to consolidate fire protection and first responder services in the southern part of the County, an increase in the levy for the Durham County Fire & Rescue Service Tax District is required. A tax increase, which would have been necessary even without this merger, is needed to pay for the consolidated services which will maintain or improve Insurance Services Office ratings achieving lower insurance rates for residents and businesses in the district. The DCFR Service Tax District has not had a tax increase since it was created 3 years ago; after the combining of the former Parkwood and Bethesda districts. I recommend that the rate be increased by 2.0 cents to pay for these expenses included in the interlocal agreement. The County's three other volunteer fire departments, Redwood, Bahama and Lebanon, are not requesting tax increases in their respective districts.

The County is continuing to support our Judicial System through continued funding of the Assistant Attorney positions in both the Public Defender's and District Attorney's offices, whose roles are focused on efficiently moving individuals efficiently through the legal system. In addition, both the District Attorney and Public Defender have requested some minor office revisions that will help maximize their offices and provide appropriate spaces for the confidential nature of their work.

Other departments in Goal 3 which include the Criminal Justice Resource Center, the Youth Home and Emergency Communications have requested level funding or have reduced their budget requests due to grant awards or a reallocation of existing resources.

Goal 4: Environmental Stewardship & Community Prosperity

Environmental, Development, and Economic Programs

This fiscal year, the County will continue our focus on strategic environmental and 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. Additionally, as discussed in the BOCC Budget Retreat, we will also make investments in infrastructure for the Treyburn Business Park to facilitate more economic growth, as Treyburn is a significant asset in attracting manufacturing jobs that provide a gainful living for many who may not hold advanced educational credentials. These investments will also continue the high level of environmental protection desired by our community. In this area, the County continues to see uncertainties with respect to regulatory challenges and will remain vigilant to mitigate the effect of these regulatory uncertainties and associated potential cost impacts.

I am encouraged by the uptick in economic development inquiries fielded by County staff following the Legislature's repeal of 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 to continue our work in providing

a diverse base of quality jobs. With the repeal of this bill we have experienced an increased level of interest from companies interested in our community and believe that, with these proposed strategic infrastructure investments, our prospects for economic recruitment – and revenue growth – will continue to 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.

Capital Improvement Program/Project Management

Implementation of the General Obligation bond program work approved by County residents in November 2016 is well underway. Work on the Judicial Building renovations have progressed well and occupancy is anticipated in late Summer/early Fall 2018. Construction is also well-underway on the Main Library renovations with completion currently anticipated in late 2019. 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 in our community as possible. Our work also is ongoing with 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 outcomes are aligned with the adopted Guiding Public Interests work at 300 and 500 blocks of East Main Street. Additionally, we are now at a point where key investments must be made in public safety facilities to ensure these critical community services can be provided in an effective and timely manner. Our work towards a more “green built” environment continues to pay dividends as evidenced by the at/above targeted levels of cost recovery from the High Performance Contracting program undertaken three years ago. Additionally, our renovated Judicial Building and Main Library facility will be LEED-eligible in accordance with Board’s adopted policies.

Based on current and projected capital project workloads, coupled with the demand for additional special studies and initiatives, I am recommending two FTE project manager positions be added to the Project Management team.

Environmental Programs

The County’s Open Space program continues to increase protected acreage that will provide community benefits both now and for future generations. Of note this year was protection of a “Century Farm” via this work, notable for both the family that has owned and stewarded this land for over 100 years and also our partnership with them to protect it for future generations.

Targeted investments in County 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. I am pleased to share that these investments have resulted in our program being recognized by the NCDEMLR and the State Sedimentation Control Commission as the “2018 Program of the Year,” a distinct honor and achievement resulting from our intentional efforts and targeted investments to ensure a high level of environmental protection even as we see development having returned to near pre-recession levels. The studies, initiated in the current fiscal year, on approaches to meet stormwater requirements in the coming years will also continue to be refined as we further this work with the regulatory agencies and regional partners on mass loading limits.

The County’s Soil & Water Conservation District (SWCD) continues to be a leader in implementing practices designed to protect and enhance Durham’s natural/agricultural resources. This was a year of note for the SWCD, with some staff being recognized for development of innovative efforts, and the SWCD Director receiving a prestigious award for his efforts to protect water quality in Durham County. 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. Our SWCD also initiated a trial program in the current FY to provide small grants to aid local growers in obtaining – and maintaining – the necessary certification (GAP) to allow them to

access institutional markets for their produce and related products. I am recommending we continue this program with an increase in funding as we continue to work on refining metrics to measure outcomes from this initiative in accordance with our MFR principles. This small grant program is leveraged by the strengths in our Cooperative Extension program as well as by companion funding awarded to Farmer Foodshare, one of our non-profits, to provide grower subsidies to allow local growers to be more competitive in accessing larger-scale institutional sales. This has also allowed more local, fresh foods to be introduced into the Detention Center, part of our efforts to provide access to high quality foods to all.

I am also recommending funding an update of the 2008 Greenhouse Gas Plan, which will be jointly conducted and funded with our City partners as requested by the Board. Other notable work in our Sustainability efforts this year included our community receiving the prestigious Level 4 award from STARS communities, in recognition of the many approaches, services, and initiatives in our local governments and governmental partners towards creating a truly sustainable community for all.

Development Services Center One-Stop Shop

The City and County opened the Development Services Center One-Stop Shop in April 2017 and we now have a full operational year “under our belts.” This initiative has been well-received and work is ongoing in refining processes and ensuring appropriate resourcing to allow this initiative to realize its full promise to the community. This is 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. As part of this work, an “Express Review” program for certain forms of development is proposed for FY 2018-19 and will be based on a cost recovery model for the services rendered

Enterprise Fund

The Utility Division continues to expand 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. The County continues to see strong growth in its utility service area in both residential and commercial flow. As discussed with the Board at our recent Budget Retreat, we will be adjusting user rates to allow for a number of projects to be funded via the “Pay Go” model while others will be contemplated for funding via a potential Revenue Bond. These improvements will allow us to continue to meet these increasing services demands, to facilitate economic growth in RTP and adjacent areas, while maintaining our exceptionally high level of environmental protection. As part of this work, I am recommending a new Utility Technician position to provide support services in a number of areas from field work to the compliance lab. 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. We will also be implementing a new Capital Fee structure as a direct result of the requirement of HB436. This bill, passed by the Legislature in 2017 requires all utilities within local governments to conduct certain studies to form the basis for certain fees levied.

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 2,000 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.

As part the FY 2017-18 Approved budget, funding was supplied for a County wide classification and compensation study. This study is currently wrapping up, at the time of the writing of this message, with significant pay change recommendations expected for FY 2018-19. 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 objective is to implement a fair, consistent competitive classification and compensation system that allows the County to attract, reward and retain the most qualified individuals. The final study proposal will include other reward and recognition incentives that comprise a comprehensive compensation system. FY 2018-19 funding to begin adopting potential study recommendations is \$3 million. It is expected that full implementation of study recommendations will have significantly higher costs, but I feel strongly that the multitude of services provided by Durham County government are only as beneficial as the employees that carry them out.

The recommended budget also expands the employee pay for performance compensation plan from the 2-3% range to 2%-4%, with the expectation of future growth in that split in future fiscal years. We must be able to adequately recognize and support our best employees as well as provide incentive for the best possible service to County residents by all employees. Additional funding has been set aside to implement this larger pay for performance split after development of performance definitions by our Human Resources department early in FY 2018-19.

Strategic changes in the County's chosen benefit provider from BCBS to Aetna's Accountable Care Organization for FY 2017-18 saved the County a multi-million dollar increase in health insurance costs for that fiscal year. However, due to County benefits plan enrollment increasing during the current fiscal year, as well as projected health care premium cost increases for the upcoming fiscal year of 8.65%, the total FY 2018-19 health benefits increase equates to approximately \$3.2 million or 14.5%. I am personally having conversations with Aetna to find reasonable ways to limit the premium increase, and I will continue to keep the Board updated throughout the budget process in June.

General Services

With the new administration building, commonly known as Admin II, opening soon after the beginning of the new fiscal year, our General Services staff has been actively preparing to provide the support this new 168,000 square feet of space, including supporting additional staff as well as expanding our security contract. Through continued focus on budget reallocation and work efficiencies, the General Services administration has been able to absorb nearly half of \$1.2 million estimated operational cost of Admin II.

There are three new positions I am supporting for General Services in this budget. One electrician and one HVAC specialist will provide dedicated support to not only Admin II, but also will allow coverage of other buildings to be timely. This supports our continued efforts to provide a comfortable and safe environment for our citizens and workforce. While industry standards call for 1 FTE per every 47,000 square feet, these two positions will bring our department closer to that mark with 1 FTE per 60,000 square feet. In addition to these two positions, we are also adding a dedicated security technician that will assist county-wide with locksmith and badge needs, which have become increasingly difficult to find outside contractors that are skilled and cost-prohibitive. The new building is also setup to have security screening at the entrances; similar to what was just implemented in the HHS building. Funding is included in this budget to provide the contract services support to staff this key area.

In the current year's budget we supported a pilot program in General Services to provide in house Janitorial work; the effectiveness and efficiency of which are still being assessed. With that in mind those services are currently

being planned as contracted services for the new Admin II building with a planned reassessment prior to next year's budget.

Another pilot program undertaken by the Solid Waste division in General Services during FY2017-18 was the purchased of a truck that allows Durham County to haul containers directly from the collection sites; reducing dependence on contracted services. This program is underway as of early 2018 and will be analyzed for effectiveness over the next year or two. I am recommending no change to the Solid Waste sticker fee for County residents, which keeps it at the same level for three years in a row.

Information Services and Technology (IS&T)

The need to maintain and improve the efficiency and security of Durham County data and services is increasing at an accelerating rate. To meet these growing demands, necessary upgrades to existing business processes, software, and internal knowledge bases must be a primary focus. However, these upgrades must also be integrated into new technologies whose primary purpose will be to support the increasing demand for data analytics. As Durham County continues its journey to become a truly data driven organization informed by our performance management system, Managing for Results (MFR), business process improvements and data analytics will need come to the forefront of IS&T services provided. To meet this increasing demand the IS&T budget supports increases in software licensing and maintenance for FY 2018-19.

The data security and data analytics landscape is changing at such a rapid rate that maintaining the status quo is no longer an option. The infrastructure to support the technological operation of a vibrant and growing community is paramount and resources must be available, both financial and physical, to meet that demand. The next several years will see a growing landscape of business intelligence software and employee knowledge base incorporated into the repertoire of expertise available to Durham County. Quite simply, in order to meet the ambitious goals and objectives of the Strategic Plan the County must collect, protect, analyze, and act on ever increasing amounts of data, and do all this more efficiently than ever.

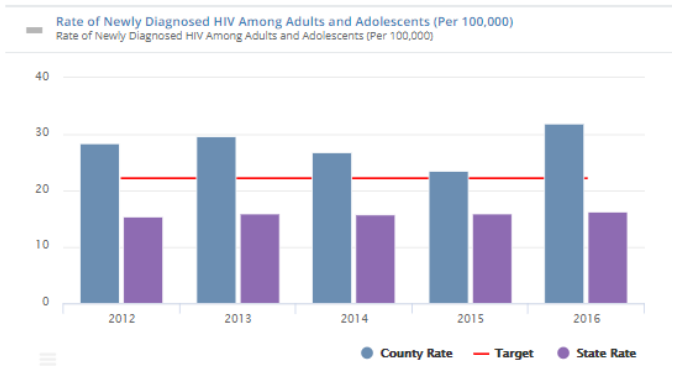
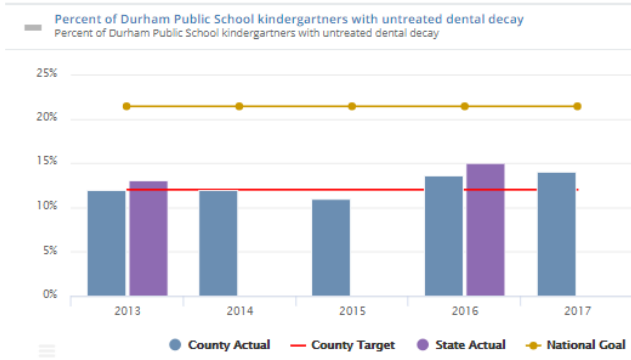
It is simply not enough to purchase software solutions to deal with certain technology issues, there must be the available expertise and support available to maximize the potential of new software. Such lessons have been long in learning, but we now better appreciate the need for a blend of human and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

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

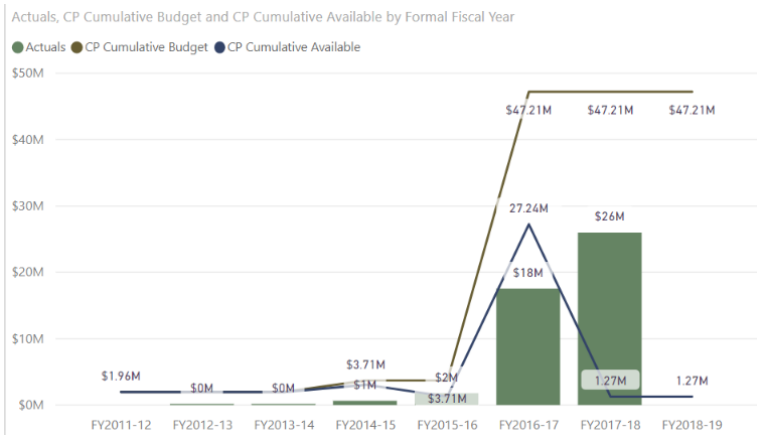
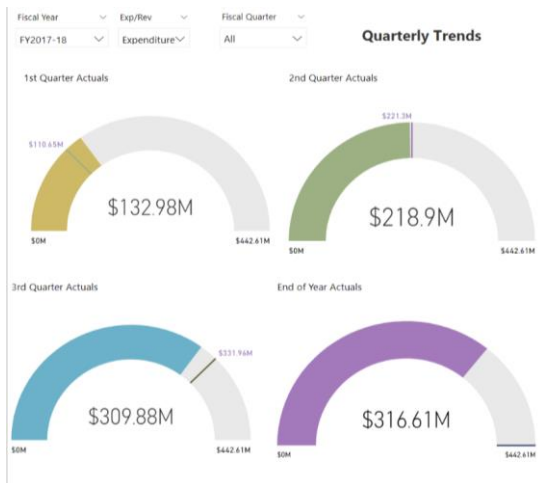
With the Strategic Plan refresh linking long-term goals and policy guidelines to the maturing Managing for Results performance model, the increased need for analysis of these new and significant streams of data become crucial. The MFR model was never intended to provide clear answers to vexing issues, but rather designed to highlight 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 has been developing ClearPoint and PowerBI software for that purpose. Each of these software tools services a specific role; ClearPoint collects MFR related measures from every department and allows departments to provide narrative analysis of the data collected whereas PowerBI shows large data sets (budget, financial, purchasing, HR, and community level indicator data) in ways that can allow the user to digest information and trends very quickly and intuitively.

ClearPoint Examples



PowerBI



Since taking on performance measure collection and visualization development, the Budget Office 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”. The next important steps, currently in process by the department, are to push these visualization tools out to departments, and upwards towards County management, the BOCC, and ultimately citizens.

Creating transparency and providing useful and accessible data to many interested parties ensures the County is not only held accountable, but also that continuous discussion and refinement of strategies are part of the ongoing change process that is County government. My vision has always been that the County become “self aware” through the Managing for Results process and secondarily provide additional awareness to elected officials and the public who ultimately guide the County’s direction.

Capital Improvement Plan Update

We are currently in the third year of our biennial 2017-26 Capital Improvement Plan. We initially received \$1 billion of capital requests from county departments, Durham Public Schools, Durham Technical Community College and NC Museum of Life and Science in the initial stages of that CIP update process. 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.

In order to stay within the recommended debt range, we scaled back project scopes and/or moved the timing for project implementation beyond the four-year 2016-2020 range. 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 four-year period of 2016-2020 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.

Our Engineering department is currently working with a consultant to update the 2016 Long Range Facility Master Plan that will in turn direct an FY 2018-19 refresh of the 10-year annual Capital Improvement Plan (CIP). This is necessary as the construction costs for almost all projects have increased significantly during the last couple of years. Also, focus on multi-use facilities, parking decks, and potential “affordable housing” will significantly change the scope of some existing projects as well as support the inclusion of entirely new capital projects within the 10-year plan. To that end, I have invited our trusted financial consultant, Doug Carter and Associates, to a BOCC budget work-session to update the Board on the potential ramifications of the fast changing long term borrowing environment, rating agency expectations, and sound County financial policy related to future capital project support.

As part of the FY 2017-18 annual budget a 1.75 cent property tax rate increase was approved to support 2016 General Obligation bond referendum future debt service needs. By instituting this increase in FY 2017-18 the County will be able to lessen the amount of future property tax increases for debt service and also help mitigate any major tax rate increase fluctuations. However, any major additions to future Capital Improvement Plans including higher interest rates, new and/or larger capital project costs, and future General Obligation bond referendums can alter future tax rates needed to support capital related debt service.

Conclusion

As we began this process last fiscal year, it was certainly unforeseeable that the County would enjoy modest revenue growth for FY 2018 –19. While we are most appreciative, I would caution that we must remain guardedly

optimistic about future revenue growth, particularly as we continue to wrestle with a host of vexing social challenges such as in-migration at the rate of 20 new residents per day, a growing child poverty rate, homelessness, income inequality, low educational achievement and increasing opioid addiction to name a few. I am also proceeding with cautious optimism as many national economist and deficits hawks are forecasting that the most recently approved Tax Reform legislation will increase the federal deficit, despite low unemployment and hence drive inflation up. This is the consensus of the International Monetary Fund (IMF), the Congressional Budget Office (CBO), Moody, Standard & Poor's rating agencies, Goldman Sachs and the Tax Foundation. This climate according to economist has all of the hallmarks of another recession.

As we move forward with cautious optimism, we can take some reassurance in knowing that we are one year further into building our systematic strategy for good government. A refreshed Strategic Plan, a strategy for organizational innovation, program budgets, metrics and data systems with reporting and analytic visualization capabilities, along with a host of talented staff has Durham County well poised to make better informed decisions. As we think about our progress in building our MFR strategy, the next big thing for our organization is transitioning our focus from outputs to outcomes.

Antony Bugg- Levine Co-Author of "What Matters: Investing in Results to Build Strong, Vibrant Communities " argues the following in his article titled "So, Why All This Fuss About Results and Outcomes..."

"Despite our real progress on a range of social issues, over 45 million Americans still live in poverty, more than a half-a-million remain homeless according to the latest HUD point in time count, unemployment among young African American men stubbornly persists around 30 percent, an opioid abuse epidemic is sweeping across our country and while the United States has five percent of the of the world's people, we hold 25 percent of the world's prisoners in a system that tends to warehouse rather than rehabilitate." Levine is emphatic in his belief that orienting programs and funding around outcomes can fundamentally change such dynamics.

Durham County's systematic approach and its operational readiness is more prepared than any other time in modern history to become a results driven, outcomes centered organization. We have invested in technology systems, implemented a deep change management strategy, and now the next leap is moving away from silos which tends to yield outputs, towards a collective impact model which offers more intentional opportunities for results that we can all be proud of.

I am excited about our future! Staff and I look forward to working with each of you during these budget deliberations as we continuously aim to make Durham the place to work, play and thrive.

Sincerely,



Wendell M. Davis

Durham County Strategic Plan



Goal 1: COMMUNITY EMPOWERMENT AND ENRICHMENT

Goal Statement: Provide access to educational, vocational, economic and cultural opportunities while empowering citizens to choose pathways for their own success.

Goal Objectives

- Education** - Provide and support learning and enrichment opportunities that support educational achievement and life success
- Workforce Development** – Strengthen the workforce by supporting the provision of effective education, training and workforce supports, particularly for hard-to-employ groups
- Family Success** – Support and provide programs, services and systems which improve life skills and increase family success and prosperity
- Cultural Opportunities** – Foster a strong, diverse, artistic and cultural environment



Goal 2: HEALTH AND WELL-BEING FOR ALL

Goal Statement: Improve the quality of life across the lifespan through protecting the health of community, reducing barriers to access services and ensuring a network of integrated health and human services available to people in need.

Goal Objectives

- Healthy Lives** – Increase the number of healthy years that residents live
- Healthy Community** – Increase the quality of life in Durham County
- Healthy Children and Youth** – Support the optimal growth and development of children & youth



Goal 3: SAFE COMMUNITY

Goal Statement: Partner with stakeholders to prevent and address unsafe conditions, protect life and property, respond to emergencies and ensure accessible and fair justice.

Goal Objectives

- Emergency Response Services** – Increase safety and security throughout the community by responding to emergency crisis situations
- Criminal Justice Services** – Improve life outcomes for people involved in the criminal justice system
- Prevention Services** – Reduce the number of people entering and involved with the criminal justice system
- Emergency Management Services** – Enhance Durham's ability to decrease harmful impacts of emergency events on people and property
- Community Services** – Increase residents' ability to help themselves and others be safe and



Goal 4: ENVIRONMENTAL STEWARDSHIP & COMMUNITY PROSPERITY

Goal Statement: Protect natural resources and support and promote community and economic vitality for all residents of Durham County.

Goal Objectives

- Natural Resource Stewardship and Protection** – Protect and steward natural resources through comprehensive compliance and educational programs
- Community Prosperity** – Promote and support the community and economic vitality for all residents of Durham County
- Development and Community Services** – Provide responsive and efficient services to promote community prosperity, smart growth and quality development for all residents of Durham County



Goal 5: ACCOUNTABLE, EFFICIENT, AND VISIONARY GOVERNMENT

Goal Statement: An effective organization committed to continuous innovation, exceptional customer service, transparency and fiscal responsibility.

Goal Objectives

- Customer Engagement and Responsiveness** – Bolster engagement and responsiveness to both internal and external customers
- Talented Workforce** – Attract, recruit and retain talented workforce
- Sound Business Systems** – Ensure sound fiscal, operational and technology systems
- Performance Management and Accountability** – Improve the strategic use of data to promote ongoing process improvement, innovation and accountability

Introduction

During Fiscal Year 2016-2017, Durham County citizens, commissioners, and staff embarked on a “refresh” of the Durham County Strategic Plan. The update involved a deliberate process of outreach and engagement with key County stakeholders to ensure varied perspectives and interests were represented.

In seeking community input for the Strategic Plan, a series of meetings were held to solicit input from diverse stakeholder groups across all County demographics (i.e. Senior Citizens, Hispanic Advocacy Organizations, etc.) Innovative methods of using technology were also used to solicit community input for the plan such as connecting to citizens through social media and online community forums. Finally, County leaders also received input from about 550 County employees as part of the update process.

As the plan was being refreshed, the County was also coordinating alignment of the Strategic Plan with Durham County’s change management model, Managing for Results (MFR), implemented across all County Departments in 2014. Aligning the MFR model with the Strategic Plan improves County effectiveness at achieving Strategic Plan goals and directs the development of County departmental work plans for current and future years.

Once community outreach and engagement processes ended, the process resulted in a refreshed Durham County Strategic Plan which was finalized and published in 2017. The full Durham County Strategic Plan can be found here: <http://www.dconc.gov/home/showdocument?id=21678>

The refreshed plan established the following five community wide Strategic Plan Goals:



Goal 1: Community Empowerment and Enrichment



Goal 2: Health and Well-Being for All



Goal 3: Safe Community



Goal 4: Environmental Stewardship and Community Prosperity



Goal 5: Accountable, Efficient, and Visionary Government

Within each of the five goal areas, the refreshed Strategic Plan included a series of global metrics that would serve as a means with which to gauge overall County progress toward achieving Strategic Plan Goals. The metrics (measures) include 17 “Community” Indicators, which are broad and high-level gauges of the community which can be used to inform the creation of community wide policy and overarching progress toward the five Strategic Plan goals.

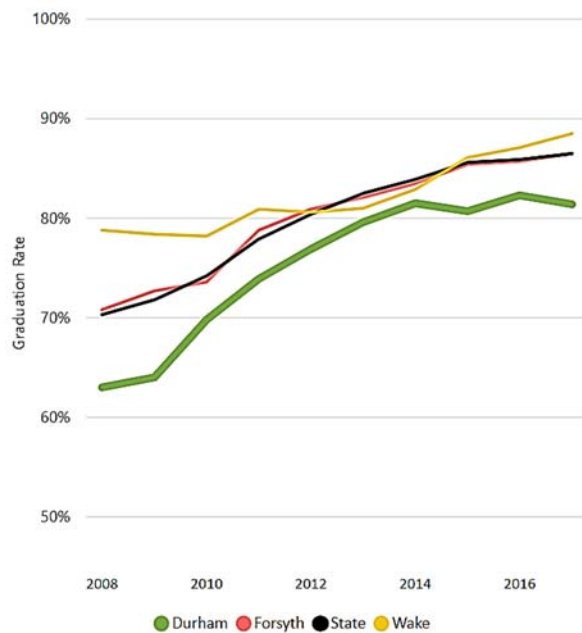
Initial data collection and analysis of the 17 Strategic Plan Community Indicators has been compiled with basic trend analysis and preliminary benchmarking of the indicators included on subsequent pages. Additional measures related to Strategic Plan objectives and implemented strategies are defined in the Strategic Plan document noted above and will be reported on at least bi-annually in a separate, more detailed document for citizen, Commissioner, and County staff assessment and programmatic review. This in-depth review process will continually direct organizational focus towards strategies and services that support Strategic Plan goals. Ultimately that organizational focus and service provision will inform budget allocations which is where the Strategic Plan connects to the annual budget document. As the Strategic Plan implementation process evolves more specific related measures will be included in the annual budget document to support specific dollar allocations.

Reporting tools and mechanisms to monitor all aspects of the Strategic Plan that, in turn, will assist internal and external County Stakeholders in achieving Strategic Plan Goals are currently being developed. These tools will also allow citizens to view and assess Strategic Plan progress always using appropriate metric dashboards. Finally, the Budget and Management Services department has increased its capacity to assist other County departments with deepening their integration of departmental workplans and the Managing for Results process with the Strategic Plan Goals (and objectives and strategies).



Goal 1: COMMUNITY EMPOWERMENT AND ENRICHMENT

Community Indicator 1: DPS high school four-year graduation rate

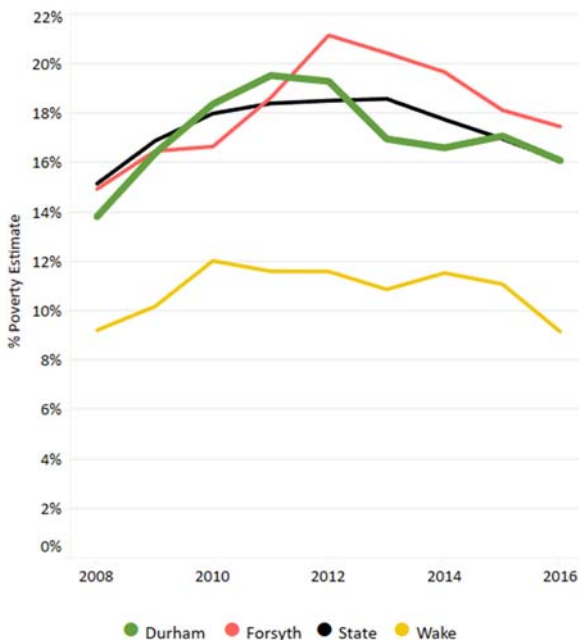


Desired Outcome: Increase in the annual four-year high school graduation rate

Description: The four-year High School Graduation Rate is determined by the number of students who graduated with a diploma by the end of the prior school year (Numerator) divided by the number of students who form the graduating class (Denominator).

Analysis: For the 2017-18 School Year, the Durham Public Schools (DPS) graduation rate was 81.4%. The DPS graduation rate has trended higher since 2008, similar to comparisons districts including the state average. However, the DPS rate for each year trends below the average for the state and some comparison counties.

Community Indicator 2: Percentage of population living in poverty (also a Goal 2 Community Indicator)

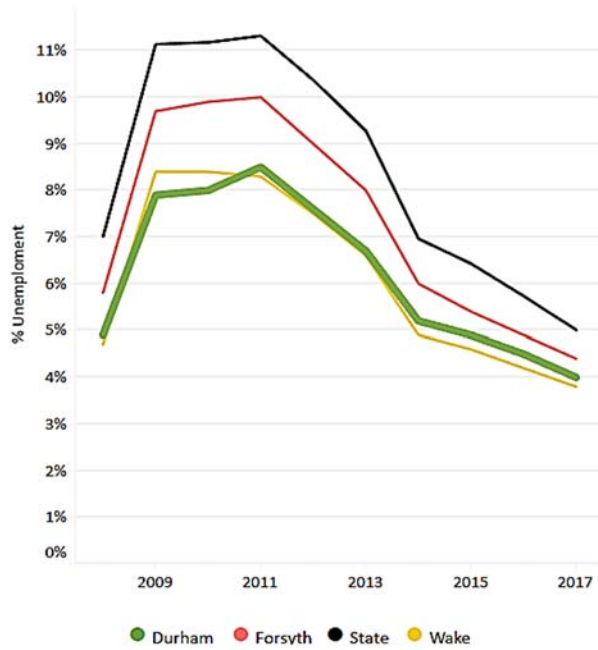


Desired Outcome: Reduction in the annual percentage of persons in poverty

Description: The Small Area Income & Poverty Estimates (SAIPE) are published by the US Census Bureau for each of five key income and poverty statistics at the state level and each of four key income and poverty statistics at the county level using sophisticated statistical techniques to create the estimates.

Analysis: The U.S. measure of poverty is an important social indicator that affects not only public perceptions of well-being in America, but also public policies and programs. The estimated poverty rate for Durham County was 16.1% as of 2016 which was in line with the North Carolina State average. Durham's poverty rate has trended consistent with the State average since 2008 and ticked slightly below the state in 2012-2013. In 2016, Durham's rate was slightly lower than Forsyth County (17.5%) and was higher than Wake County (9.2%).

Community Indicator 3: Local Unemployment Rate

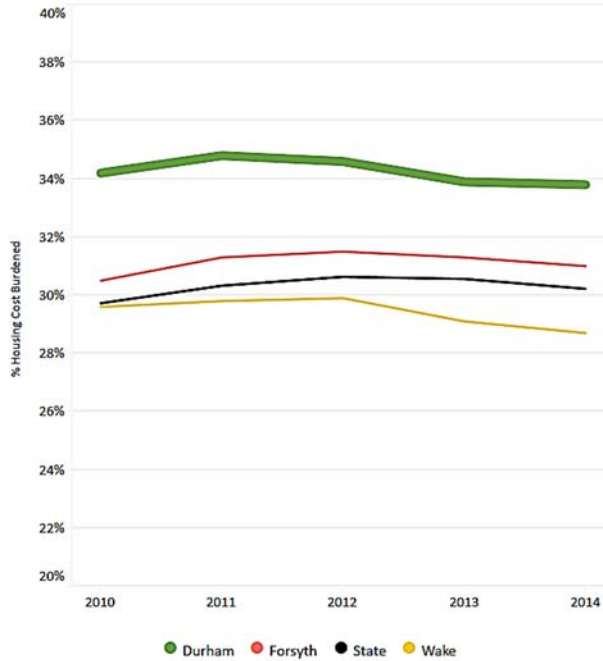


Desired Outcome: Reduction in the annual unemployment rate

Description: The average annual number of unemployed persons as a percentage of the average annual civilian labor force. County level data are revised both one and two years after the reference year ends.

Analysis: The average unemployment rate for Durham County in 2017 was 4.0% which was slightly better than the North Carolina State average of 5.0%. Since the recovery from the 2008 housing crisis, the unemployment rate has trended down for Durham as well as North Carolina overall. Durham's rate has trended slightly better Forsyth County (4.4% in 2017) and is nominally higher than the Wake County rate (3.8% in 2017).

Community Indicator 4: Percentage of households spending more than 30% of income on housing



Desired Outcome: Reduction in the percentage of households paying greater than 30% of their income on housing

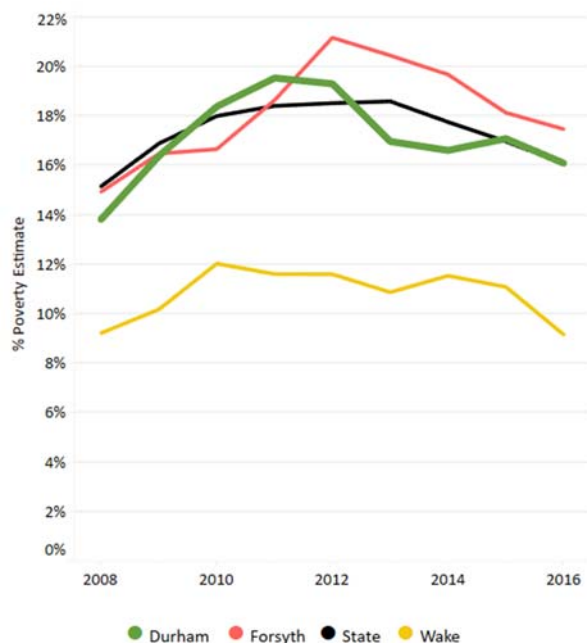
Description: Each year, the U.S. Department of Housing and Urban Development (HUD) receives custom data from the U.S. Census Bureau. This data, known as the "CHAS" data (Comprehensive Housing Affordability Strategy), demonstrates the extent of housing problems and housing needs, particularly for low income households.

Analysis: In the most recently completed estimate in 2014, approximately 34% of Durham County households are paying greater than 30% of their household income for housing costs. This is above the average for the State of North Carolina (30%) and comparison counties Forsyth (31%) and Wake (29%). Durham's trend has been consistently above the comparison averages for the most recent historical estimates.



Goal 2: HEALTH AND WELL-BEING FOR ALL

Community Indicator 1: Percentage of population living in poverty (also a Goal 1 Community Indicator)

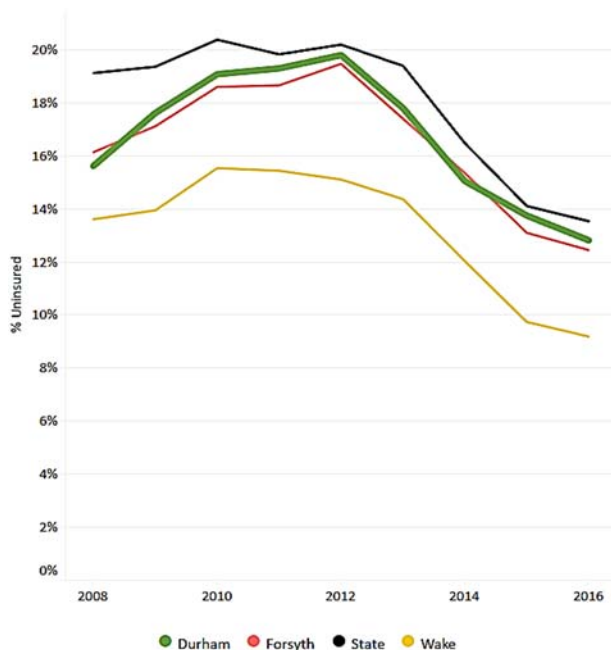


Desired Outcome: Reduction in the annual percentage of persons in poverty

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Analysis: The U.S. measure of poverty is an important social indicator that affects not only public perceptions of well-being in America, but also public policies and programs. The estimated poverty rate for Durham County was 16.1% as of 2016 which was in line with the North Carolina State average. Durham's poverty rate has trended consistent with the State average since 2008 and ticked slightly below the state in 2012-2013. In 2016, Durham's rate was slightly lower than Forsyth County (17.5%) and was higher than Wake County (9.2%).

Community Indicator 2: Percentage of uninsured children and adults

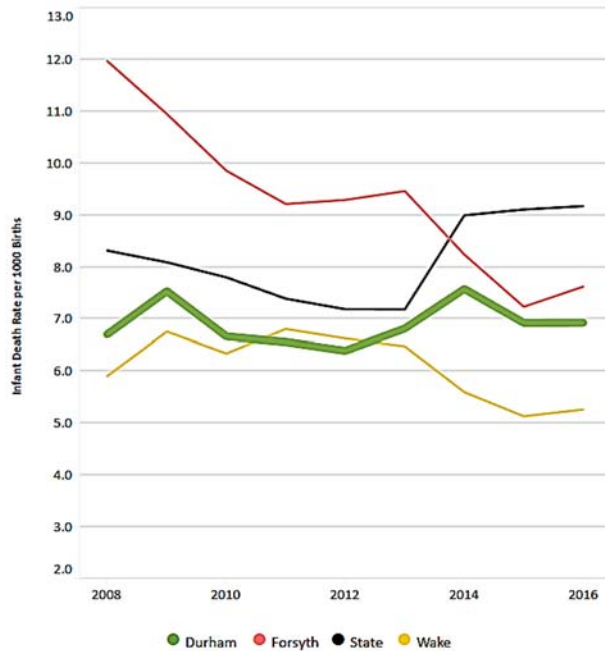


Desired Outcome: Decrease in the percentage of uninsured adults and children

Description: The SAHIE (Small Area Health Insurance Estimate) program produces model-based estimates of health insurance coverage for demographic groups within counties and states. For estimation, SAHIE uses statistical models that combine survey data from the American Community Survey (ACS) with administrative records data and Census 2010 data. The published estimates are based on aggregates of modeled data.

Analysis: The estimated percentage of uninsured children and adults in Durham County was 13% in 2016. The state average estimate was 14% while Forsyth County was 12% and Wake County was 9%. The estimates for the state, Durham, and comparison counties are all trending downward since 2012. This may likely be due to implementation of the Affordable Care Act implementation.

Community Indicator 3: Infant mortality rates by race/ethnicity

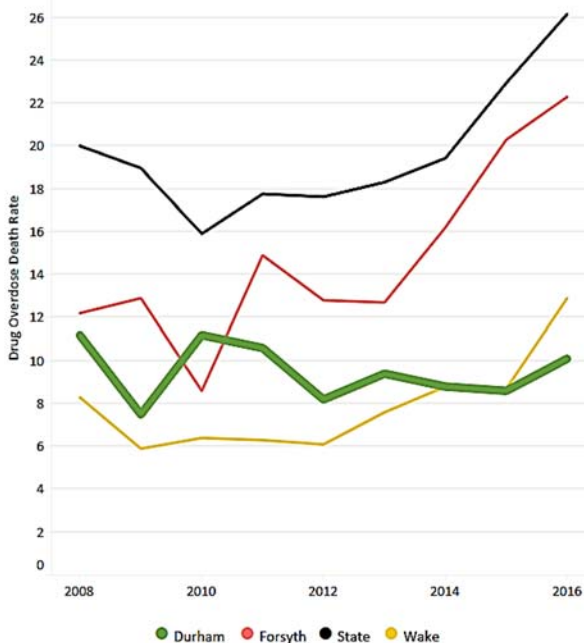


Desired Outcome: Decrease in the annual infant mortality rate

Description: Infant mortality is represented as the number of infant deaths per 1000 live births. Infant mortality is defined as the death of an infant before their first birthday.

Analysis: For the most recent reported year, the infant death rate for Durham County was 6.9 deaths per 1000 live births. The infant death rate has remained relatively flat in Durham since 2008. The Durham rate is consistently lower than the North Carolina State average. In 2016, the Wake and Forsyth County rates were 5.3 and 7.6 deaths per 1000 live births respectively. It is important to note that due to sparse numbers of deaths for specific ethnicity and race demographics, the rate cannot be reliably represented for Durham and many other counties and cities across the country and caution should be taken when using unreliable or sparse death rates to develop programs and policy.

Community Indicator 4: Drug overdose death rate



Desired Outcome: Decrease in the annual rate of drug poisoning deaths

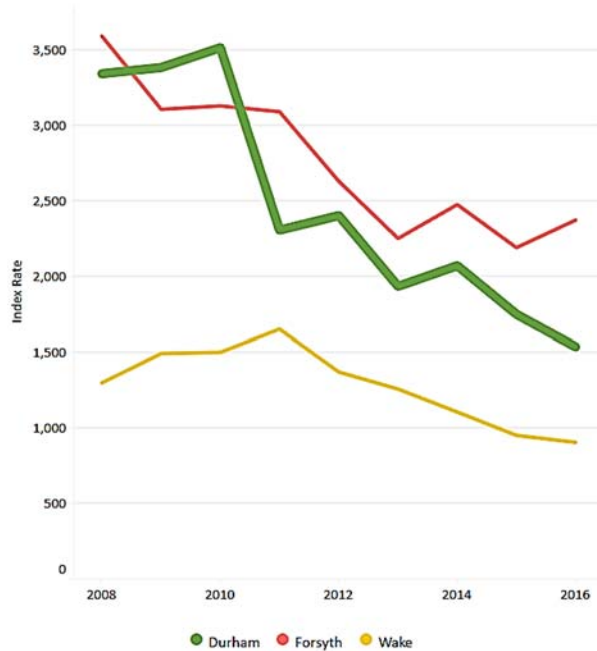
Description: The Centers for Disease Control (CDC) reports drug poisoning deaths at the county level as age-adjusted death rates for drug poisoning per 100,000 population. Deaths are classified using the International Classification of Diseases. Drug-poisoning deaths are defined as having an underlying cause-of-death as unintentional, suicide, homicide, or undetermined intent.

Analysis: Drug poisoning deaths have turned sharply higher since 2014 across the state through the most recently reported year of 2016. The state average is trending higher than Durham's rate as well as the comparison counties of Wake and Forsyth Counties. While the Durham rate is rising, it is lower than the state average as well as the comparison counties.



Goal 3: SAFE COMMUNITY

Community Indicator 1: Part 1 Crime rate for unincorporated Durham County (*violent and property crime*)

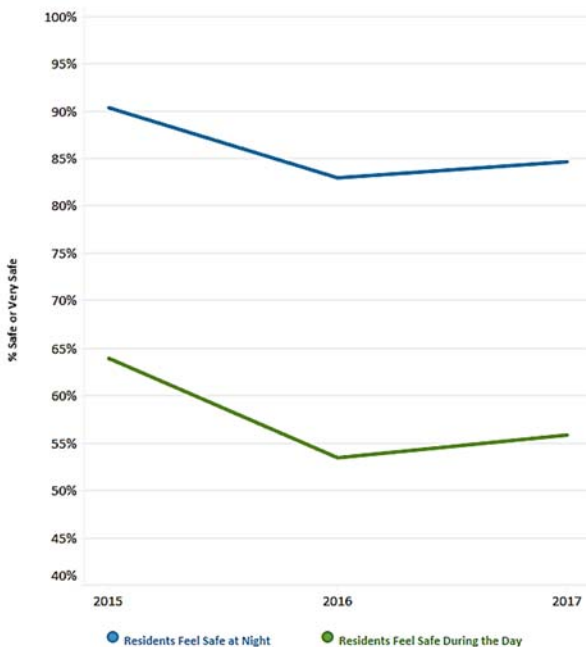


Desired Outcome: Reduction in the annual Part 1 Crime Rate

Description: Uniform Crime Reporting (UCR) standardizes how law enforcement agencies report crime. Part 1 offenses include the violent crimes of murder and nonnegligent manslaughter, negligent manslaughter, forcible rape, robbery and aggravated assault and the property crimes of burglary, larceny-theft, motor vehicle theft and arson. The Part 1 offenses, excluding negligent manslaughter and arson, are used to calculate the Crime Index and Crime Rate. Rates are represented as crimes per 100,000 population

Analysis: The overall trend in the Part 1 Crime Rate reported by the Durham County Sheriff’s Department is trending downward (positive) since 2008. Durham’s rate trends a little above the Wake County and below the Forsyth County as reported to the State Bureau of Investigation.

Community Indicator 2: Percentage of resident that report that they feel very safe or safe (*day/night in neighborhood*), according to the Durham Resident Satisfaction Survey

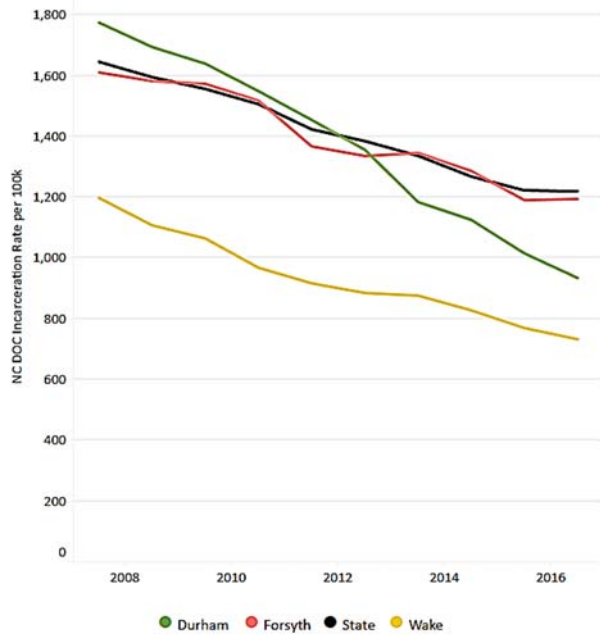


Desired Outcome: Increase in the annual percentage of residents that report feeling safe in their neighborhood

Description: ETC Institute has administered a survey to residents of Durham County annually each year. The purpose of the survey was to help Durham County strategically plan as they continue to grow and meet new challenges. The selected survey question represents the percentage of respondents that responded that they feel safe or very safe in Durham during the day and night.

Analysis: Overall, residents feel safer during the day compared to at night. There was a slightly lower percent of residents reporting that they felt safe from the 2015 to the 2016 survey, however this trend does not appear to have persisted as the 2017 survey results were recently completed and added to the analysis. In 2017, 55.9% of residents felt safe or very safe at night and 84.7% felt safe or very safe during the day in their neighborhood.

Community Indicator 3: Number of residents involved in the criminal justice system

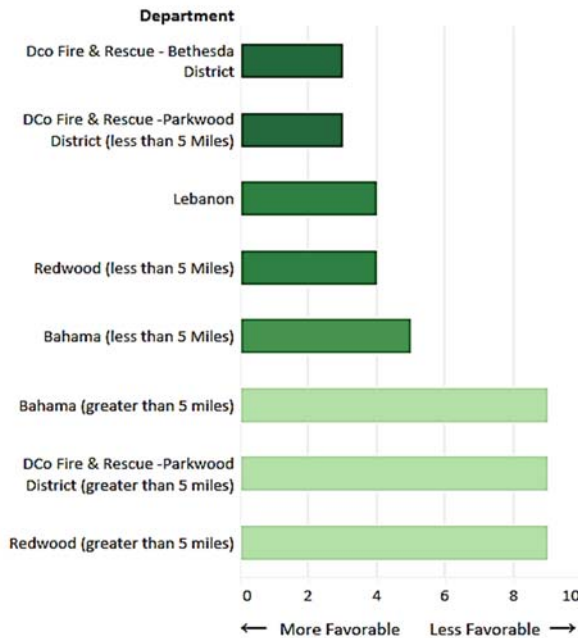


Desired Outcome: Reduction in the annual rate of residents incarcerated or on probation.

Description: The rate is determined by adding the annual number of residents under supervision by the North Carolina Department of Corrections (NCDOC) who are incarcerated in a NCDOC correctional facility plus the number of residents on probation. The result is represented numerically as a rate per 100,000 persons in the County population.

Analysis: There are fewer Durham residents under NCDOC supervision since 2008 and the trend is moving toward the desired outcome. In 2017, Durham’s rate (934) was below the North Carolina State average rate (1,220) and Forsyth County (1,194), but Durham’s rate was above Wake County (733).

Community Indicator 4: ISO Insurance Ratings for each fire department



Desired Outcome: Improve ISO Ratings for Fire departments

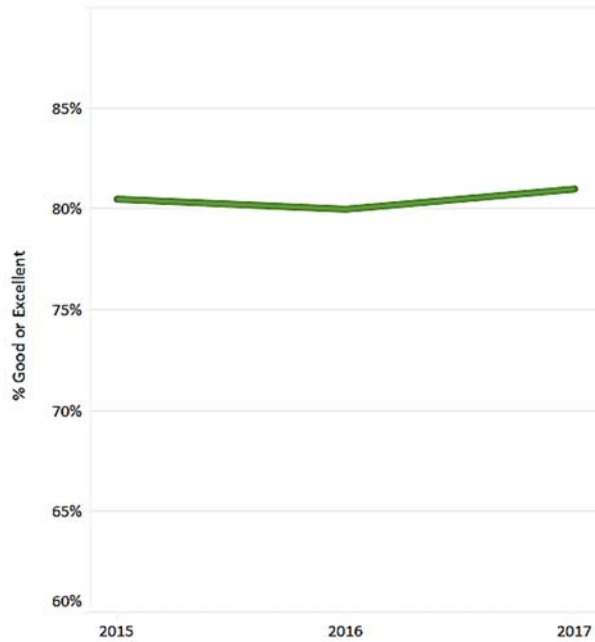
Description: The National Insurance Services Office (ISO) collects information on municipal fire protection efforts in more than 44,000 fire response jurisdictions throughout the United States. In each community, ISO analyzes the relevant data using its Fire Suppression Rating Schedule (FSRS).

Analysis: Each Durham County Fire Department serving their respective district has functional areas they are graded on that they can improve upon to lower their ISO rating. As they make improvements, they receive a lower ISO rating (i.e. 4 is better than 6). Insurance companies consider lower ISO ratings as proof of better service and then charge less to the property owner for fire insurance. *Each Durham County Fire Department has successfully reduced their ISO rating by at least 1 point over the past two years.*



Goal 4: ENVIRONMENTAL STEWARDSHIP AND COMMUNITY PROSPERITY

Community Indicator 1: Percent of residents who rated the community as good or excellent as a place to live, according to the Durham resident satisfaction survey

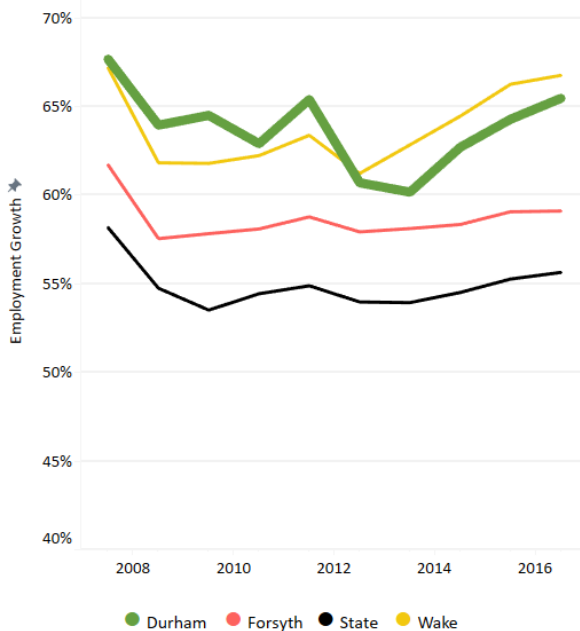


Desired Outcome: Increase in the annual percentage of residents who rate the community as good or excellent

Description: ETC Institute has administered a survey to residents of Durham County annually each year. The purpose of the survey was to help Durham County strategically plan as they continue to grow and meet new challenges. The selected survey question represents the percentage of respondents that rated the community as a good or excellent place to live.

Analysis: In the 2017 survey, 81% percent of residents rated the community as good or excellent as a place to live. Residents have consistently rated the community as good or excellent in 2015 (81%) and 2016 (80%) survey resulting in a stable trend over the past three years.

Community Indicator 2: Employment Growth



Desired Outcome: Increase in the annual percent of residents who are employed

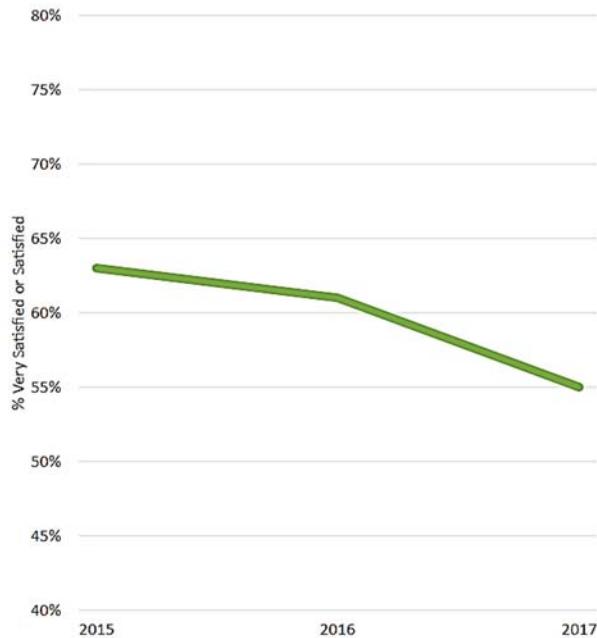
Description: The number residents age 16 or older who have held full or part-time employment during the year divided by the total estimated population age 16 or older.

Analysis: As of 2017, 66% of Durham residents held full or part time employment. Durham's rate was above the average for the State of North Carolina (56%) and Forsyth County (60%), but slightly below Wake County (67%). Since 2014 Durham's rate is up from 61%. Durham's rate trends consistently above the State average and Forsyth County. Wake and Durham County are closely aligned in their historical employment growth rate trends.



Goal 5: ACCOUNTABLE, EFFICIENT, AND VISIONARY GOVERNMENT

Community Indicator 1: Percent of residents who were very satisfied or satisfied with the overall quality of services provided by the county, according to the Durham resident satisfaction survey

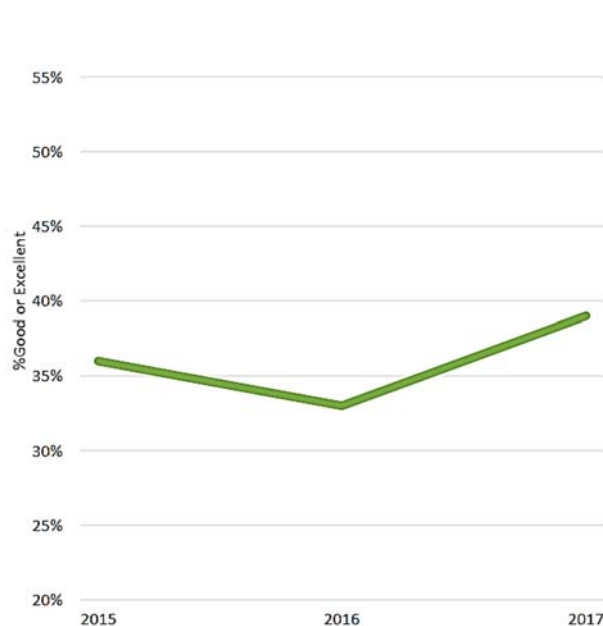


Desired Outcome: Increase in the annual percentage of residents who rate the community as good or excellent

Description: ETC Institute has administered a survey to residents of Durham County annually each year. The purpose of the survey was to help Durham County strategically plan as they continue to grow and meet new challenges. The selected survey question represents the percentage of respondents that were very satisfied or satisfied with the overall services provided by the county.

Analysis: In the 2017 survey, 55% percent of residents rated the community as good or excellent as a place to live. Residents ratings for this question on the 2015 survey was 63% and in 2016 the rating was 61%. There was a slight downtrend in resident responses to this community indicator over the past three years.

Community Indicator 2: Percent of residents who rated the value received for local taxes and fees as good or excellent, according to the Durham resident satisfaction survey

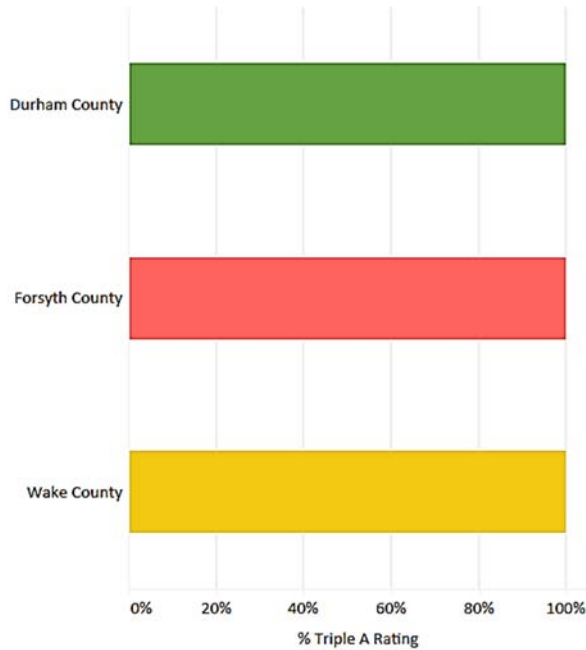


Desired Outcome: Increase in the annual percentage of residents who rate value as good or excellent

Description: ETC Institute has administered a survey to residents of Durham County annually each year. The purpose of the survey was to help Durham County strategically plan as they continue to grow and meet new challenges. The selected survey question represents the percentage of respondents that rate the value received for taxes and fees as good or excellent.

Analysis: In 2017, 39% of residents indicated that the value received for local taxes and fees was good or excellent. This was an increase from 2016 where 33% percent of residents rated the question favorably.

Community Indicator 3: Maintain Durham County Triple A bond rating



Desired Outcome: Maintain Triple A Bond Rating

Description: Issuers given a AAA rating from the bond agencies are judged to have the lowest credit risk. The lower the credit risk, the higher the rating. AAA is the highest rating that can be awarded to an entity. Upon completion of the assessment, the rating agency provides the County the awarded rating.

Analysis: Durham County continues to maintain its AAA Bond Rating from Standard & Poor's (S&P) and Moody's. To guarantee the AAA bond rating every time the County issues debt, the County would meet or exceed each formulated required criterion in the rating model for each rating agency. Other comparison counties in North Carolina have consistently sustained AAA ratings as well.

The outcome of such a rating is lower interest rates for large loans the County may take on to support capital projects that include Durham Public School buildings, County buildings and equipment, DTCC capital support, and NCMLS capital support.

Data Sources

Goal 1 Community Indicator 1: DPS high school four-year graduation rate

NC Department of Public Instruction, <http://www.ncpublicschools.org/accountability/reporting/cohortgradrate>

Goal 1 Community Indicator 2: Percentage of population living in poverty

U.S. Census Bureau, <https://www.census.gov/programs-surveys/saipe/data/datasets.All.html>

Goal 1 Community Indicator 3: Local Unemployment Rate

NC Department of Commerce, http://data.osbm.state.nc.us/pls/linc/dyn_linc_main.show

Goal 1 Community Indicator 4: Percentage of households spending more than 30% of income on housing

U.S. Dept. of Housing and Urban Development, https://www.huduser.gov/portal/datasets/cp/CHAS/bg_chas.html

Goal 2 Community Indicator 1: Percentage of population living in poverty

U.S. Census Bureau, <https://www.census.gov/programs-surveys/saipe/data/datasets.All.html>

Goal 2 Community Indicator 2: Percentage of uninsured children and adults

U.S. Census Bureau, <https://www.census.gov/data/datasets/time-series/demo/sahie/estimates-acs.html>

Goal 2 Community Indicator 3: Infant mortality rates by race/ethnicity

NC Department of Health and Human Services, http://data.osbm.state.nc.us/pls/linc/dyn_linc_main.show

Goal 2 Community Indicator 4: Drug overdose death rate

Centers for Disease Control and Prevention, <https://wonder.cdc.gov/controller/saved/D77/D32F353>

Goal 3 Community Indicator 1: Part 1 Crime rate for unincorporated Durham County

NC State Bureau of Investigation, <http://crimereporting.ncsbi.gov/Reports.aspx>

Goal 3 Community Indicator 2: Percentage of resident that report that they feel very safe or safe (day/night in neighborhood), according to the Resident Satisfaction Survey

Durham City and County Resident Survey, <http://www.dconc.gov/government/departments-a-e/county-manager/city-county-resident-survey>

Goal 3 Community Indicator 3: Number of residents involved in the criminal justice system

NC Department of Corrections, http://data.osbm.state.nc.us/pls/linc/dyn_linc_main.show

Goal 3 Community Indicator 4: ISO Insurance Ratings for each fire department

NC Office of State Fire Marshal, e-mail communication from Mr. Tony Bailey, State Fire Ratings Inspector

Goal 4 Community Indicator 1: Percent of residents who rated the community as good or excellent as a place to live, according to the resident satisfaction survey

Durham City and County Resident Survey, <http://www.dconc.gov/government/departments-a-e/county-manager/city-county-resident-survey>

Goal 4 Community Indicator 2: Employment Growth

NC Department of Commerce, http://data.osbm.state.nc.us/pls/linc/dyn_linc_main.show

Goal 5 Community Indicator 1: Percent of residents who were very satisfied or satisfied with the overall quality of services provided by the county, according to the resident satisfaction survey

Durham City and County Resident Survey, <http://www.dconc.gov/government/departments-a-e/county-manager/city-county-resident-survey>

Goal 5 Community Indicator 2: Percent of residents who rated the value received for local taxes and fees as good or excellent, according to the resident satisfaction survey

Durham City and County Resident Survey, <http://www.dconc.gov/government/departments-a-e/county-manager/city-county-resident-survey>

Goal 5 Community Indicator 3: Maintain Durham County Triple A bond rating

Durham County Finance Department & http://www.municipalbonds.com/bonds/moodys_reports/

FY 2018-19 BUDGET HIGHLIGHTS

- The tax rate will increase 1.90 cents, to 78.69 centers per \$100 valuation for the General Fund to support department operational growth, Durham Public Schools current expense growth, and potential employee compensation changes
- Property tax collection percentage remains at 99.60%, with overall property valuation increasing 3.97% from last year's budgeted values.
- Sales taxes, including an inter-local agreement with the City of Durham, are estimated to increase 1.91% from the current year approved budget. *Note the projected growth for the primary Sales Tax categories is 3% and 4%, however this is related to half a year of actual collections lower than projected due to state legislative changes making prior projections higher than actuals.* See the Revenue Highlights page for more detail.
- Various fee adjustments in Public Health, EMS, Emergency Management, Elections, and the Enterprise Utility Fund.
- Durham County Fire & Rescue District Firefighters moved to the City (53 FTEs), 35.97 new FTEs, realigned 3.0 FTEs, 4.72 FTEs eliminated (Grant supported), a net General Fund decrease of (24.75 FTEs) for FY 2018-19, See FTE pages for more detail
- Increase in the participation rate for the County contribution to the Local Government Employees Retirement System (LERS) from 7.55% to 7.80% for local LEO class and 8.25% to 8.50% for Local Law Enforcement Officers (LEO).
- Pay-for performance salary increase range, for employees for FY 2018-19, increased from 2%-3% to 2%-4% by 2% (meets expectations) or 4% (exceeds expectations)
- \$4 million in Funds are reserved for implementation of the Class and Compensation study and proposed increases to the pay-for-performance range
- The total increase of the County Benefits Plan Fund for all insurance costs is 16% (\$3.76 million) from \$23,442,744 to \$27,185,058. Health insurance costs increase for two different reasons: 1) Enrollment increase = an additional \$1.12 million (6.3%), 2) Premium increase = \$1.64 million (8.65%). The increase in the fund also includes other benefit area increases of approximately \$500,000 and a \$500,000 transfer to the General Fund to support dental benefits.
- The General Fund fund balance appropriation increased from \$14.37 million to \$16.48 million.
- \$4.76 million in Community Health Fund annual lease revenues will be transferred to the General Fund to support citizen health-related expenditures.
- Ongoing current expense funding to Durham Public Schools increases \$3 million or 2.26% to \$136,665,201; with no increase in capital outlay funding. Article 46 sales tax revenue support of current expense funding for DPS is \$9,996,510, and \$508,140 for Pre-K programs.
 - Local expense per pupil funding increases to \$3,400, up \$88 from FY 2017-18.
- Durham Technical Community College funding increases by 5.24% or \$375,654. Overall Durham Technical Community College will receive \$1.34 million in dedicated Article 46 sales tax support.
- North Carolina Museum of Life and Science current expense funding increases by \$75,004 or 4.24%.
- Purchase of 55 vehicles (new (17) and replacement (38) vehicles) for the General Services, Sheriff, Fire Marshal, EMS, Soil and Water, and Public Health and new equipment for Fire Marshal, Sheriff, Emergency Management, and EMS. Detailed on the Vehicle & Equipment page in the document.
- Departments realigned a total of \$1.96 million dollars within their existing budgets to support inflationary contract increases, new initiatives and new position requests.
- 39 nonprofit agencies are recommended for funding in the nonprofit funding program in FY 2018-19 at a total of \$630,000 pending a recertification process of performance and financial review. A detailed list of funding recommendations can be found in the Appendix. Additionally, a Request for Proposal has been issued for nonprofit agencies that alleviate food insecurity by providing access to sufficient and healthy food.
- Funding for Durham County's participation in the Durham Youth Works Internship Program totals \$75,280.
- The Durham Fire and Rescue Service District budget is supported with a 2.0 cent tax rate increase. This is necessary due to decreased valuations in the district as well as to support the proposed Inter-Local with the City of Durham that will provide fire and first responder services through a contractual agreement
 - No changes to any other existing Special Fire or Service tax district tax rates for FY 2017-18.
- Debt Service increase \$4.73 million to \$73.4 million, with dedicated property tax staying flat at 9.71. Additional funding from lottery funds and dedicated Sales Tax also support debt service needs for FY2018-2019.