

**DURHAM COUNTY, NORTH CAROLINA
FY2019-20 APPROVED BUDGET**

BOARD OF COUNTY COMMISSIONERS



Wendy Jacobs, Chair



James Hill, Vice-Chair



Heidi Carter



Brenda Howerton



Ellen W. Reckhow

COUNTY OFFICIALS

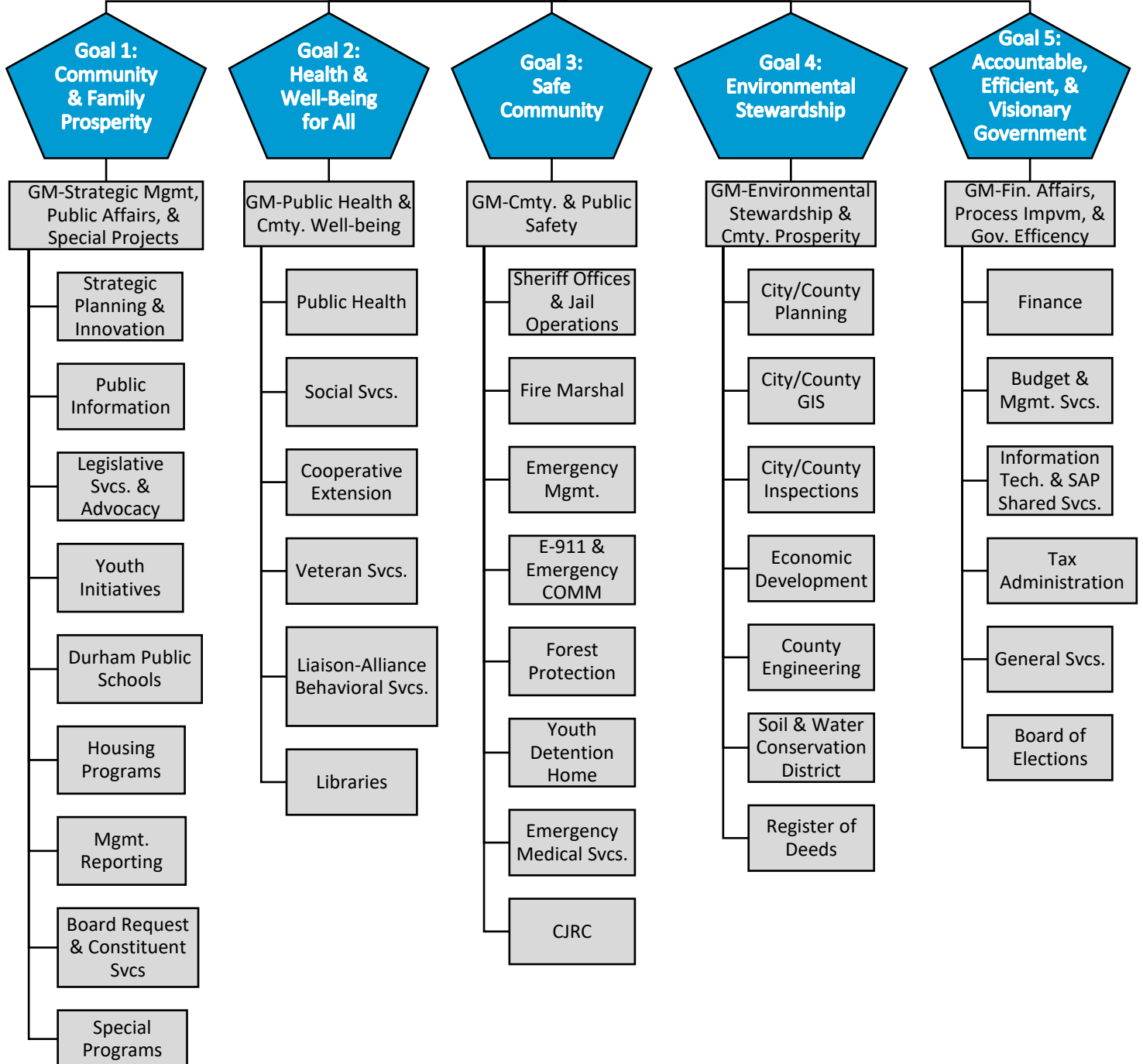
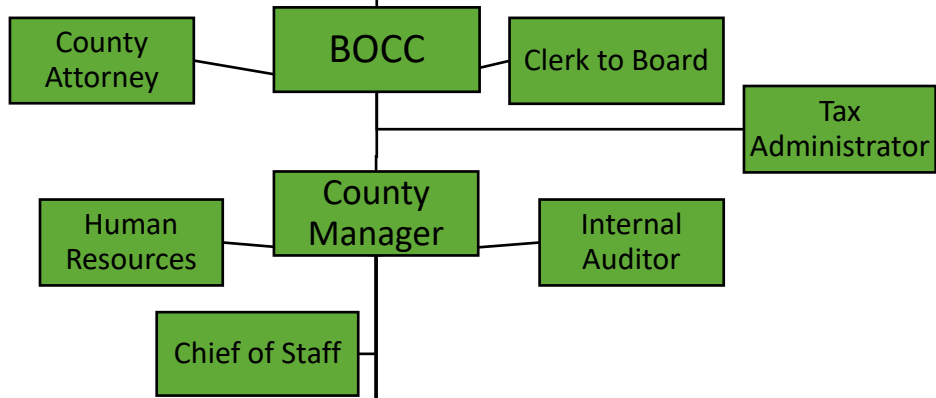
Wendell Davis, County Manager
Claudia Hager, General Manager
Jay Gibson, General Manager
Jodi Miller, General Manager
Gayle Harris, General Manager
Deborah Craig-Ray, General Manager

Drew Cummings, Chief of Staff
Lowell Siler, County Attorney
Monica Toomer, Clerk to the Board
Susan Tezai, Chief Financial Officer

BUDGET AND MANAGEMENT STAFF

S. Keith Lane, Budget Director
David Ades, Assistant Budget Director
Kim Connally, Sr. Budget Analyst
Josh Edwards, Budget Analyst
Jonathan Yeomans, Budget Analyst
Matt Hunt, Budget Analyst
Bethany Shewmaker, Performance Analyst

Citizens



History

Durham began as a railroad station and settlement named for Dr. Bartlett Durham. While the official birth date is April 26, 1853, when the U.S. Post Office was established, the town was not incorporated until April 10, 1869. The tobacco manufacturing industry focused worldwide attention on the area after the Civil War. As a result of this thriving business, Durham grew and prospered tremendously.

In 1881, Durham officials sought to become an autonomous political subdivision and decided to separate from Orange County. Durham County was formed on April 17, 1881 from portions of land transferred into the County from Wake and Orange counties. In 1911, an additional portion of land was transferred into the County from Wake County.

The first Board of County Commissioners convened its initial meeting on May 2, 1881. Durham County operated under the Commission form of government with the chairman serving as chief administrator until 1930. The manager form of government was then adopted and D.W. Newsome became the first manager of Durham County, serving until his death in 1949. E.S. Swindell, Jr. succeeded him and served until his retirement in December 1984. John P. Bond, III was named County Manager and served until his resignation in January 1991. George H. Williams became the fourth County Manager and served until October 1995. David F. Thompson served as fifth County Manager from May 1996 until February 2000. Michael M. Ruffin was the sixth county manager. He retired after 13 years of service in January 2014. Wendell M. Davis, former Deputy Manager of 12 years, is the seventh and current County Manager.

Organizational Overview

Policy-making and legislative authority are vested in the Board of County Commissioners consisting of the chairman, vice-chairman and three members. The governing board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the County Manager, Attorney, Clerk to the Board, and Tax Administrator. The County Manager is responsible for carrying out the policies and ordinances of the governing board, overseeing the day-to-day operations of the government, and supervising the directors of various departments. Board members serve four-year terms. The chairman and the vice-chairman of the board are voted on by the board during the first meeting in December after being sworn into office. In addition, the Sheriff and Register of Deeds are elected County positions.

Durham County provides a full range of services, including Sheriff and Fire Protection, Emergency Medical Services, Human Services (Public Health, Mental Health and Social Services), Elections, Register of Deeds, Animal Control, Youth Home, Criminal Justice, and Culture and Recreation Services. Funding is provided for Educational Services of the Durham Public Schools and Durham Technical Community College. Also, the County funds services provided in conjunction with the City of Durham through inter-local agreements, including Economic and Physical Development, Emergency Communications, Environmental Engineering and Inspections.

Economy

Durham is home to North Carolina's famous Research Triangle Park (RTP), which was formed in 1959 by Duke University in Durham, North Carolina State University in Raleigh, and the University of North Carolina at Chapel Hill. Most of the currently-developed portion of RTP, 75% of its 6,800 acres, is in Durham County. RTP is home to more than 50 major research and development organizations, including IBM and GlaxoSmithKline.

The success of RTP is evidenced by the growth of Durham County as a major center for healthcare activity and as a focal point for high technology research business. Research being conducted in Durham County covers a broad range of fields, such as biotechnology, medical instrumentation, health care products, metallurgy, electronic hardware, software, digital switching, digital transmission, electronics, and telecommunications. Other leading organizations are located in the northern section of Durham County, such as Merck and BioMérieux manufacturing locations, representing a significant investment in Treyburn Corporate Park.

Quality of Life

Durham County today has evolved from an agricultural and manufacturing economy to achieve world-class status. It has become one of the country's most desirable places to live. In 2019, *U.S. News & World Report* ranked the Raleigh-Durham-Chapel Hill area #10 out of 125 U.S. Metro Areas for best places to live. In May of 2019, Wallet Hub listed Durham as #7 out of 100 large cities across the United States to start a Business (ranking Durham very high in "Access to Resources"). In April 2018, *Growella* ranked Durham, NC #1 as Best Cities for Millennials in the U.S. And, in April 2018, Forbes ranked the Research Triangle Area #1 on its List of the Best Places to Rent.

General

Incorporated in **1881**

Form of Government
Commission-Manager



Land Area
286^{SQ} MI



Elevation
332^{FT}



Climate*
Mean Temperature
59°F



Mean Annual Rainfall
48"



* Source: www.usclimatedata.com

Raleigh, **Durham**
and Chapel Hill (Triangle) are Ranked as Number **10**
in the **125 BEST PLACES** to Live in the United States*

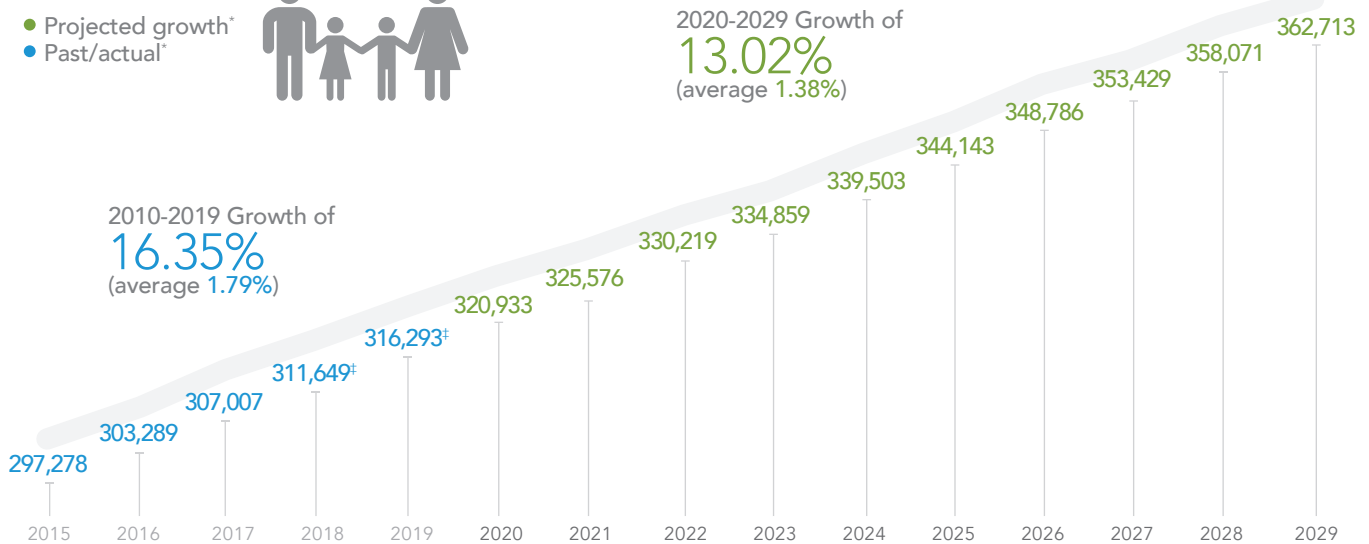


* Source: 2019 US News and World Report

General Statistics

Population

- Projected growth*
- Past/actual†



* Source: North Carolina Office of State Budget and Management † Projection

Education

Higher

11 Universities and Colleges



Public

30 Elementary Schools
9 Middle Schools
11 High Schools
7 Other



Libraries

7 Locations
2 Mobile Units - Bookmobile and Older Adult Service



Age Breakdown

Percentage Population by Age (20-44) Compared to Similar Counties*



* Source: Fact Finder, United States Bureau of Census



** Source: Durham County Board of Elections

Employment Rate by Type of Occupation*



* Source: United States Department of Labor, Bureau of Labor Statistics – Southeast Information Office

Public Safety

Sheriff Protection

4 Stations



407 Officers

194 Sworn
213 Detention



Fire Protection

11 Stations (Volunteers)



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, 2019 through June 30, 2020 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** is the primary fund where most 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** in this document refer to the costs associated with personnel, such as salaries and benefits.
- **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** 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 Capital Improvement Plan (CIP).

The remaining budgeted funds are described below.

Other General Funds

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

SWAP Fund: 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: 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: 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: This fund represents the budget for the benefits offered to eligible County employees and retirees.

The Law Enforcement Officers' Special Separation Allowance (LEOSSA) Fund: The fund accounts for the activities of the Public Safety Employees Retirement System, which accumulates resources for pension benefit payments to qualified Public Safety employees.

Debt Service Fund

The **Debt Service Fund** 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, Lebanon Fire District Fund, Redwood Fire District Fund, New Hope Fire District Fund, Eno Fire Fund, Bahama Fire District Fund, Special Park District Fund, and Community Health Fund.**

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 changed effective July 1, 2016.

Enterprise Fund

The **Sewer Utility Fund** 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).

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, 2019. In addition, the section contains a summary of FTEs for all funds.

The **Appendix** contains supplemental information that includes the FY2019-20 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, a detailed chart of non-profits funded through the Durham County Non-Profit Funding Program and a complete copy of the Durham County Strategic Plan.

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.

Departmental **performance measure** data is updated through the end of the second quarter of FY2018-19 if measures are fiscal-year-to-date and through the end of FY2017-18 if measures are fiscal year.



- A Resident Satisfaction Survey icon next to a measure means that data comes from the annual City/County Resident Satisfaction Survey.
- A Strategic Plan icon next to a measure means that measure comes from the 2017-2021 Durham County Strategic Plan.

The initial data collection of the Strategic Plan Community Indicators from the 2017-2021 Durham County Strategic Plan is provided in the front of this document.

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 2019-20 APPROVED BUDGET**

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

Durham County

North Carolina

For the Fiscal Year Beginning

July 1, 2018

Christopher P. Morill

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Durham County, North Carolina for its annual budget for the fiscal year beginning July 1, 2018. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

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

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COUNTY OF DURHAM

WENDELL M. DAVIS
COUNTY MANAGER

July 1, 2019

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

Dear Durham County Residents,

I am honored to present a Durham Board of County Commissioner approved comprehensive spending plan for Durham County Government for fiscal year 2019-20. The document is in accordance with the North Carolina Local Government Budget and Fiscal Control Act and fulfills the County's obligation to present a balanced fiscal plan by July 1, 2019. The FY 2019-20 Board approved budget, guided by Board priorities, provides funding for the continuation of vitally important County services supported by data driven decisions, while also recognizing a trend of diminishing resources.

This approved budget, and corresponding document represents the culmination of close to 30 hours of deliberation and consideration of the FY 2019-20 Manager's Recommended budget by the Board of County Commissioners over the last half of May and first half of June 2019. The recommended budget was, in turn, the culmination of a significant amount of work and consideration carried out by employees, departments directors and County management. The development of the FY 2019-20 recommended budget was based on analysis of existing programs and outputs as well as a response to a myriad of changing environmental and financial factors.

For more detailed information on the
Approved Budget and MFR data:
www.data-dconc.org

The framework for developing this budget is best characterized by a property revaluation, a steadily increasing demand for services, stagnant revenue growth that does not fully pay for the increases in basic services, a handsome debt obligation and a potential slowdown of our national economy. Despite this backdrop, we continue to move forward in implementing our long-term strategies expressed in our Strategic Plan and making the necessary capital investment for a good future. We place our Managing for Results business model at the heart of our decision making.

I want to acknowledge up front that a fundamental part of developing this approved budget was asking departments to find and implement significant existing budget reductions. County departments more than met the challenge, finding over \$2 million in reductions that in turn were used to fund important priorities and limit the property tax rate increase needed. County investments in new or different areas are made not only with new dollars, but also the reallocation of existing dollars. Through the Managing for Results process we continue to make the hard, but necessary decisions.

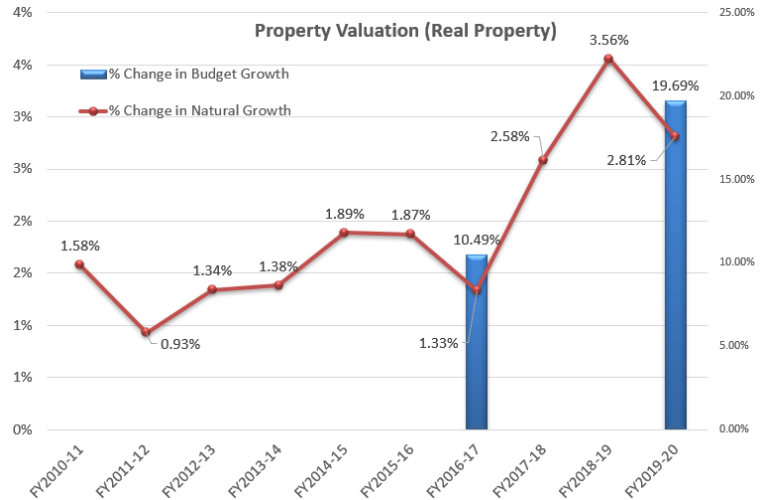
Revaluation and the Approved Tax Rate

During this current fiscal year, the County had its property revaluation, three years after the last one conducted in 2016. Although the state requires each locality to conduct a revaluation of real property at least once every eight years, the county conducted one sooner to avoid sticker shock and ensure the equitable distribution of the county's tax burden for our citizens. Real Property valuation across the County increased 19.69%. As a matter of

both practice and law, the County calculates a revenue neutral tax rate resulting in property tax revenue equivalent to the current year's property tax rate. In addition, we also account for natural growth in the overall tax base. The revenue neutral tax rate is 68.92 cents per \$100 valuation, down from the current year property tax rate of 77.79 cents per \$100 valuation, which is a decrease of 8.87 cents.

As the new values are applied, some neighborhoods across Durham will experience significant valuation changes, which can translate to significantly higher tax bills, depending upon the rate that is ultimately set by the Board. For the purposes of balancing this budget and meeting the service demands, a tax rate of 71.22 cents which is 2.3 cents above the revenue neutral rate was approved.

In addition to the changes in the tax base as a result of revaluation, Durham County has again experienced substantial natural growth in Real Property valuation above and beyond new value identified by the revaluation. The natural growth in revenue as a result of new tax base is \$9.2 million and represents a 2.81% increase over last fiscal year. This natural growth in valuation is largely attributable to the ongoing downtown renaissance. New revenue that results from natural growth supports on-going base budget costs year over year such as salary and benefits, insurance and occasionally state mandated increases in the pension fund to name a few. It is worthy of noting that the overall demand for services and the natural growth in the County's expenditures are outpacing the natural growth in revenue. I caution the Board that this is a trend that the County must give particular attention to in future years, particularly considering the threat of a looming recession.



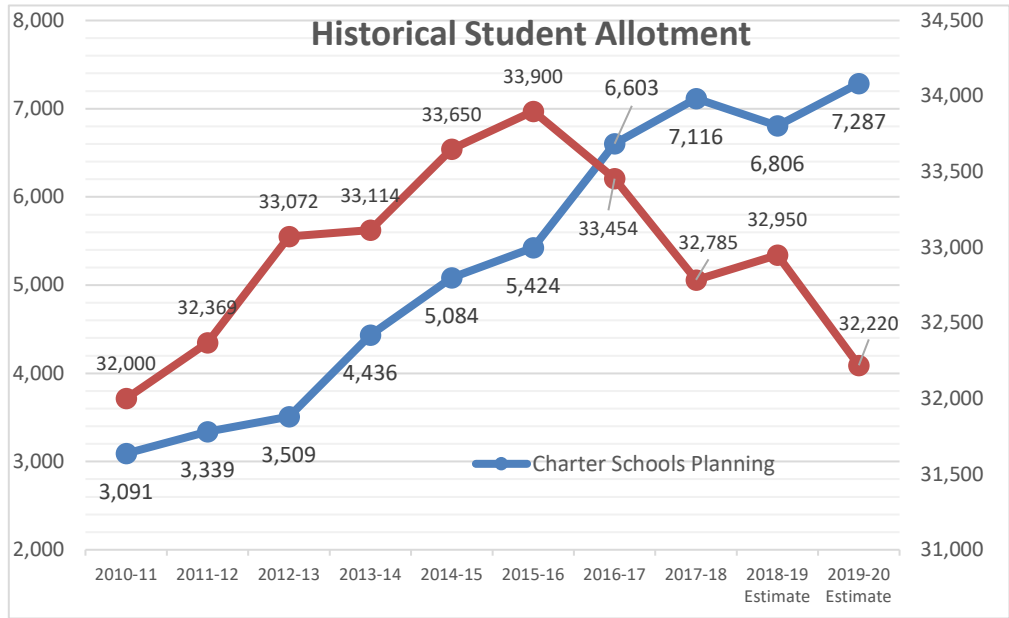
The fundamental challenge for development of the FY 2019-20 budget is that even with significant natural growth in key revenues (including property tax and sales tax) totaling approximately \$10.3 million, four key priorities consumed the natural revenue growth as illustrated below. These priorities total approximately \$15 million.

- | | |
|---|------------------------|
| 1. Additional funding support for Durham Public Schools: | \$7.25 million |
| 2. Continued expansion of Pre-K availability for Durham children: | \$1.6 million |
| 3. Compensation study Implementation: | \$3.1 million |
| 4. Employee health insurance cost increases: | <u>\$3.1 million</u> |
| | \$15.05 million |

Durham Public Schools

The main priority as expressed by the Board of County Commissioners in the Strategic Plan and reiterated in two recent Board retreats is education and this budget reflects that priority. Durham Public Schools continues to be the single largest expenditure for Durham County Government. For FY 2019-20, the Durham Public Schools Superintendent's budget request includes an increase of \$12.87 million in additional county funding, of which \$4.6 million is additional annual capital funding. The current expense request provides local supplement support for state teacher salary and benefits increases, teacher supplement increases (started in FY 2017-18 with available DPS fund balance), custodial service staff moving from 10 months to 12 months of employment, and additional items initially supported with DPS fund balance now needing County support.

In direct support of Durham Public Schools, the Board supported a \$7.25 million increase in current expense funding, bringing the total annual amount to \$144,600,717 which equates to \$3,647 per pupil (a \$205 increase), keeping Durham County as one of the top three County supported school districts in the state. Despite this, it remains noteworthy that we continue to see declining population in Durham Public Schools.



FY 2019-20 represents the third year of expansion funding for Pre-K. The first year saw an initial \$1.5 million investment for Pre-K at the Whitted School, while an additional \$2.15 million was added last year to increase capacity, and now an additional \$1.6 million is proposed for the upcoming fiscal year. This brings the county’s investment in Pre-K for FY 2019-20 to a total of \$5.25 million for expanding Pre-K classrooms for Durham County children. This continues the stated goal of the Board of universal Pre-K support for all Durham County children.

Employee Compensation

The adage “Good people can go anywhere” remains quite true. Durham County is fortunate to enjoy one of the most talented, capable workforces in the public arena. Our success going forward however, will depend on how competitive we remain in the marketplace. Last year we completed the compensation study for our workforce and implemented only parts of the recommendation for public safety agencies (i.e. EMS, Sherriff Department and Detention Officers). This year the approved budget includes funding for the final implementation of compensation recommendations for Durham County employees. This is the second installment of the compensation study recommendations and will impact approximately 1,350 “non-public safety” employees. Changes will reflect market pay and market conditions for existing positions and new hires. Our employees have demonstrated high productivity, cutting edged innovation, while also providing exceptional customer service. This was affirmed in our most recent citizens survey where our customer satisfaction measures exceed by far the national averages. Our employees are amongst the best and they must be compensated as such. Funding for implementation of the second portion of the compensation study recommendations is budgeted at \$3.1 million and set to begin effective October 1 of the upcoming fiscal year.

Employee Health Benefits

In light of our aging workforce and retirees who remain on our health plan, our claims over the past year were significant, including several forms of cancer, joint replacements and rare diseases. Based on higher than normal claims, and a few individuals that had significant illnesses, our independent Broker projected an 18% increase, at a minimum, in our health insurance premiums for the ensuing fiscal year. We went out to bid and received five proposals and ultimately negotiated our premium increase down to 14.5%, saving the County over \$1 million. As a result, we are transitioning our health plan provider from AETNA to Cigna. This plan will offer our employees better benefits and a wider network of providers, while supporting our aim to remain at a high level of

participation. Today, I'm proud to report that we have more employees, children, families and retirees insured than ever before with 96% of our workforce and retirees insured. This year our health benefits increase equates to approximately \$3.1 million.

Strategic Investments by Goal Area

As the Strategic Plan and our Managing for Results Strategy continues to be the driver for our decision making, the illustration below explains our priority setting for this budget by showing budget recommendations consistent with the goals and objectives of the Strategic plan. Goal 1, Objective 1.1 includes additional funding for DPS and expansion funding for Pre-K. Goal 2, Objective 2.1 shows increases in health insurance costs for County employees, while Goal 5, Objective 5.2 recognizes the additional funding for implementing the compensation study recommendations.

Goal	County Manager Recommend
Goal 1: Community Empowerment & Enrichment	
Provide access to educational, vocational, economic and cultural opportunities while empowering citizens to choose pathways for their own success.	\$8,600,000
Obj-1.1 - Education – Provide and support learning and enrichment opportunities that support educational achievement and life success	\$8,600,000
Goal 2: Health & Well-Being for All	
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.	\$3,320,951
Obj-2.1 - Healthy Lives – Increase the number of healthy years that residents live	\$3,320,951
Goal 5: Accountable, Efficient & Visionary Government	
An effective organization committed to continuous innovation, exceptional customer service, transparency and fiscal responsibility.	\$3,079,228
Obj-5.2 - Talented Workforce – Attract, recruit and retain talented workforce	\$3,079,228
Total	\$15,000,179

As I indicated earlier in this document, our challenge in balancing the budget for FY 2019-20 was to determine how to support \$15 million worth of expansion items with only \$10.3 million of available natural growth in new revenue.

Once again, to the credit of several County Departments, part of the solution came by way of operational cuts in County departments and agencies in the amount of \$2.13 million. Over the past three years this has been a trend for managing our budget and keeping the tax rate lower. However, it's imperative that we recognize that future demands for services driven by an upward growth trend in population will not allow us to be as lean of an organization going forward. Just as importantly we will be forced to make some critical decisions about what things we will no longer do.

Although many departments heeded our call to make reductions, in total we received request for \$40 million in departmental requests above the available revenue and some 101 positions across the organization.

Despite not having the capacity to fund the myriad request, I particularly want to thank the departments and staff for the extraordinary amount of work they have invested in developing the recommended budget given the significant constraints they were under. 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 say, thank you.

Even with these departmental reductions and reallocation of existing dollars over two years, even with limited support for departmental budget expansion, outside of the four areas noted earlier, the FY 2019-20 General Fund

Business Area Name	County Manager Recommend
Board Of County Commissioners	(\$6,300)
County Administration	(\$25,000)
Finance	(\$35,000)
Tax Administration	(\$27,100)
Register Of Deeds	(\$60,103)
General Services	(\$106,122)
Information Technology	(\$200,000)
Human Resources	(\$10,000)
Budget & Management Services	(\$12,165)
County Sheriff	(\$289,824)
Fire Marshal	(\$30,000)
Criminal Justice Resource Center	(\$88,363)
Youth Home	(\$34,550)
Emergency Medical Services	(\$359,203)
Engineering & Environ Svcs	(\$108,348)
Cooperative Extension Service	(\$17,100)
Soil And Water Conservation	(\$2,621)
Public Health	(\$304,349)
Social Services	(\$331,500)
Library	(\$82,330)
Total	(\$2,129,978)

budget needed a 2.3 cent property tax rate increase on top of the revenue neutral tax rate of 68.92 cents for a total new property tax rate of 71.22 cents per \$100 valuation.

The Durham County approved Fiscal Year (FY) 2019-20 budget totals \$658,220,994, with a 2.3 cent property tax increase to support Durham Public Schools current expense growth, pre-K expansion, employee compensation changes, and General Fund department operational growth. A 2.3 cent tax increase for the General Fund generates \$9,901,006 of new property tax revenue.

Fund Category	FY2017-18 Actual	FY2018-19 Approved	FY2018-19 Estimate	FY2019-20 Requested	FY2019-20 Approved	Approved vs. LY Approved	Approved vs. LY Approved%
General Funds	\$512,764,969	\$545,616,805	\$548,585,115	\$591,677,904	\$571,768,756	\$26,151,951	4.79%
Special Revenue Funds	\$14,971,134	\$14,132,213	\$14,571,441	\$12,515,105	\$12,566,084	(\$1,566,129)	-11.08%
Debt Service Funds	\$56,929,652	\$73,821,688	\$113,685,852	\$63,974,554	\$63,974,554	(\$9,847,134)	-13.34%
Enterprise Funds	\$7,474,663	\$10,380,080	\$13,087,098	\$9,911,600	\$9,911,600	(\$468,480)	-4.51%
Trust Funds	\$408,052	\$685,646	\$457,472	\$0	\$0	(\$685,646)	-100.00%
Total	\$592,548,470	\$644,636,432	\$690,386,978	\$678,079,163	\$658,220,994	\$13,584,562	2.11%

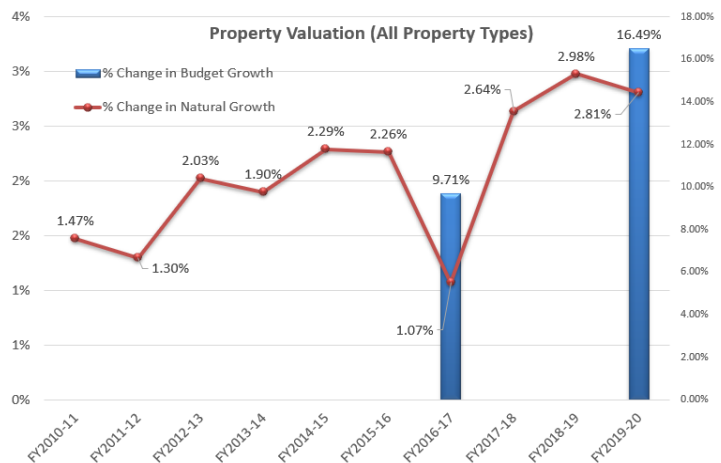
The total Durham County budget increase is \$13,584,562 or 2.11% over the FY 2018-19 approved budget, while the General Fund budget increases \$22,034,906 or 5.07% over the FY 2018-19 approved budget.

Functional Area Name	FY2017-18 Actual	FY2018-19 Approved	FY2018-19 Estimate	FY2019-20 Requested	FY 2019-20 Approved	Approved vs. LY Approved	Approved vs. LY Approved %
General Government	\$108,165,830	\$115,885,679	\$113,969,006	\$125,716,192	\$124,755,964	\$8,870,285	7.65%
Public Safety	\$60,980,559	\$62,370,410	\$62,408,373	\$72,424,810	\$65,703,543	\$3,333,133	5.34%
Transportation	\$238,948	\$512,500	\$312,500	\$412,500	\$412,500	(\$100,000)	-19.51%
Environmental Protection	\$4,409,570	\$5,054,486	\$4,783,006	\$5,061,946	\$5,035,563	(\$18,923)	-0.37%
Econom. & Physical Devlp.	\$4,363,641	\$7,204,000	\$5,910,753	\$7,927,908	\$6,616,072	(\$587,928)	-8.16%
Human Services	\$75,607,797	\$80,560,102	\$80,217,503	\$84,462,656	\$81,859,393	\$1,299,291	1.61%
Education	\$142,873,569	\$150,213,073	\$150,221,425	\$165,452,519	\$159,419,265	\$9,206,192	6.13%
Cultural & Recreational	\$12,589,490	\$12,952,703	\$12,964,443	\$13,787,664	\$12,985,559	\$32,856	0.25%
Total	\$409,229,404	\$434,752,953	\$430,787,010	\$475,246,195	\$456,787,859	\$22,034,906	5.07%

Budget Overview

Property Tax Revenue

FY 2019-20 continues to see a significant increase in natural growth property valuation. Such an increase in valuation equates to significant growth in available property tax revenue before any potential tax rate increase (natural growth = \$8 million for the General Fund). 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 2019-20 the approved property tax rate includes a 2.3 cent tax rate increase for the General Fund, from the revenue neutral tax rate, to support ongoing Durham Public School current expense, human capital investments, pre-K expansion, health insurance cost increases, support for the Main



Fund Name	FY2018-19 Approved	Revenue Neutral Tax Rate	FY2019-20 Approved	Change from Revenue Neutral
General Fund	68.08	60.31	62.61	2.30
Capital Finance Plan Fund	9.71	8.61	8.61	0.00
Total	77.79	68.92	71.22	2.30

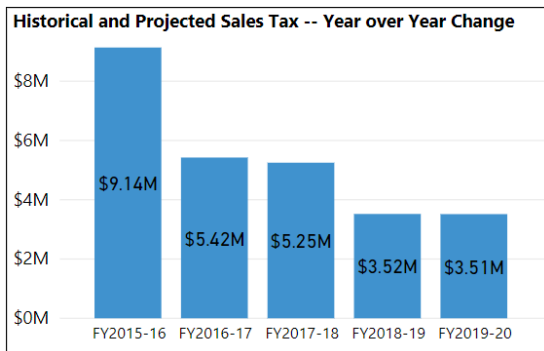
library opening, among other things. The tax rate needed to support capital financing stays at its revenue neutral tax rate for FY 2019-20.

Sales Tax Revenues

The total amount of FY 2019-20 budgeted sales tax revenue for Durham County is \$87.37 million, the equivalent of 20.3 cents of property tax. The estimated end of year FY 2018-19 sales tax collections is expected to be on target, which is much slower than

Key Revenues	FY2017-18 Actuals	FY2018-19 Approved	FY2018-19 Estimate	Estimate vs. Approved	FY2019-20 Approved	% Change from FY to FY
Article 39 (1 Cent)	\$24,800,746	\$25,208,255	\$24,218,000	-3.93%	\$25,460,000	1.00%
Article 40 (1/2 Cent)	\$13,558,663	\$13,961,887	\$14,176,000	1.53%	\$14,744,000	5.60%
Article 42 (1/2 Cent)	\$16,946,184	\$17,000,000	\$16,944,000	-0.33%	\$17,585,000	3.44%
Article 44 (1/2 Cent)	(\$22,263)		\$1,410			
Article 46 (1/2 Cent)	\$14,964,157	\$14,300,000	\$14,633,000	2.33%	\$15,100,000	5.59%
City Sales Tax ILA	\$13,561,401	\$13,386,107	\$14,188,000	5.99%	\$14,482,000	8.19%
Total	\$83,808,889	\$83,856,249	\$84,160,410	0.36%	\$87,371,000	4.19%

in previous years and largely related to much higher refunds to non-profits occurring during FY 2018-19. We are



paying close attention to this trend and may have to revise current year estimates after another couple of months' worth of collections. A sales tax growth factor for FY 2019-20 of 4% translates to a 4.19% budget increase for the upcoming fiscal year, from the current fiscal year. This equates to \$3.51 million, or 0.82 cents of property tax. Simply put, growth in sales tax revenue means less pressure on local property tax revenue. While this is an increase, it is less "growth" revenue than compared to prior years. To state this challenge more directly, while natural property tax growth increases significantly, sales tax growth is

slowing. These offsetting trends moderate the overall amount of "natural growth" revenue available in FY 2019-20.

Other Revenues

While overall growth in General Fund revenues increased \$21.45 million, largely due to natural growth in property tax revenue, sales tax growth, and a 2.3 cent property tax rate increase, all other revenues, including intergovernmental revenue, fees, transfers, and interest income had a net decrease, from FY 2018-19 to this approved budget, of approximately \$414,473. As I've stated on many occasions heretofore, revenue growth is slowing. The majority of the decrease is related to the continued reduction of revenue received from the Community Health Trust fund. Between FY 2017-18 and the upcoming fiscal year, Durham County will have realized a total decrease of \$2.6 million of annual revenue, \$1.35 million of that loss is occurring in FY 2019-20. This two year loss of revenue equates to 0.6 cents of property tax revenue.

Fiscal Year	Community Health Fund	Year to Year Change
FY2017-18	\$3,950,000	0.00%
FY2018-19	\$2,600,000	-34.18%
FY2019-20	\$1,250,000	-51.92%
Total	\$7,800,000	-25.71%

FY 2019-20 Budget Highlights

Earlier in my message I made a point of noting the four main drivers of the approved budget's expansion and gave a brief description of each issue.

- 1. *Additional funding support for Durham Public Schools:* \$7.25 million
- 2. *Continued expansion of Pre-K availability for Durham children:* \$1.6 million
- 3. *Compensation study Implementation:* \$3.1 million
- 4. *Employee health insurance cost increases:* \$3.3 million

The table on the next page illustrates the rest of the County's expansion budget, again by Strategic Plan goal area and objective. While much of the detail of these requests are described by each relevant County department, I

think it useful and insightful to understand how those departmental funding decisions relate to and support the Strategic Plan.

Goal	County Manager Recommend
Goal 1: Community Empowerment & Enrichment	
Provide access to educational, vocational, economic and cultural opportunities while empowering citizens to choose pathways for their own success.	\$1,649,296
Obj-1.1 - Education – Provide and support learning and enrichment opportunities that support educational achievement and life success	\$383,244
Obj-1.2 - Workforce Development – Strengthen the workforce by supporting the provision of effective education, training and workforce supports, particularly for hard-to-employ groups	\$295,137
Obj-1.3 - Family Success – Support and provide programs, services and systems which improve life skills and increase family success and prosperity	\$970,915
Goal 2: Health & Well-Being for All	
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.	\$435,595
Obj-2.1 - Healthy Lives – Increase the number of healthy years that residents live	\$219,057
Obj-2.2 - Healthy Community – Increase the quality of life in Durham County	\$75,920
Obj-2.3 - Healthy Children and Youth – Support the optimal growth and development of children and youth	\$140,618
Goal 3: Safe Community	
Partner with stakeholders to prevent and address unsafe conditions, protect life and property, respond to emergencies and ensure accessible and fair justice.	\$243,625
Obj-3.2 - Criminal Justice Services – Improve life outcomes for people involved in the criminal justice system	\$229,925
Obj-3.3 - Prevention Services – Reduce the number of people entering and involved with the criminal justice system	\$13,700
Goal 4: Environmental Stewardship	
Protect natural resources and support and promote community and economic vitality for all residents of Durham County.	\$49,308
Obj-4.1 - Natural Resource Stewardship and Protection – Protect and steward natural resources through comprehensive compliance and educational programs	\$49,308
Goal 5: Accountable, Efficient & Visionary Government	
An effective organization committed to continuous innovation, exceptional customer service, transparency and fiscal responsibility.	\$4,867,795
Obj-5.1 - Customer Engagement and Responsiveness – Bolster engagement and responsiveness to both internal and external customers	\$1,032,097
Obj-5.2 - Talented Workforce – Attract, recruit and retain talented workforce	\$685,438
Obj-5.3 - Sound Business Systems – Ensure sound fiscal, operational and technology systems	\$507,269
Obj-5.4 - Performance Management and Accountability – Improve the strategic use of data to promote ongoing process improvement, innovation and accountability	\$2,542,991
Obj-5.9 - No Objective	\$100,000
Total	\$7,245,619

Between the \$15 million needed for the four large expansion items and the \$7.36 million needed for various other expansion requests, the total expansion budget for FY 2019-20 comes to approximately \$21.36 million, which is offset by a property tax rate increase, natural growth in key revenues and various reductions made by departments.

The budget development process included approximately \$40 million in requests from departments, and yet we found ourselves in a position to have to cut budgets to consider any new or additional request outside of the top four noted earlier. We are at a place now, and very possibly in the future, where departments will have to reduce budgets in some areas to support expansion requests in other areas. But this means that we will stop have to place greater focus on our strategic priorities.

Below is a brief review of the \$7.36 million new/expansion funding noted on the previous page, by Goal area, as well as funding and policy choices supporting ongoing needs.

At an aggregate level this additional \$7.36 million of funding, across all goal areas and supporting several more specific objectives, also supports 27.42 new FTEs. Almost half of those positions (11 FTE) are to support the re-opening of the Main Library and new important programs such as STEAM, Business / Entrepreneurial Development, and Teen Services that will now have specific homes within the more robust facility.

However, as noted earlier in the message, there were 101 new positions requested. In fact, the Library system requested 22 new positions, internal service departments such as General Services, Information Services and Technology, Finance and Elections asked for 17 FTEs, none were approved. Public Safety departments requested 32.7 FTE, 3.7 FTEs are approved.

Growth in need, population, in expansion of service, in the provision of new services and programs, all put pressure on every department to have adequate personnel to provide superior service and to sustain our high

level of customer service. The downstream effects of FTE positions are benefits costs, insurance cost increases, space needs, indirect pressure on internal service departments, retirement costs, and vehicle and equipment needs. We must continue focusing on operational efficiency while at the same time understanding that population growth will drive service demands.

Goal 1: Community Empowerment and Enrichment

While funding for Durham Public Schools and pre-K expansion were discussed earlier in the message, I want to proclaim that the County is committed to strengthening Durham through expanded and creative workforce development programs and supports, especially for historically difficult to employ populations. Durham County wishes to expand its work through both governmental and non-governmental institutions to help its residents 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 continuing to support greater recruitment, development and contracting with minority and women-owned businesses.

Durham Technical Community College

Durham Technical Community College (DTCC) approved funding supports an increase of \$270,000 for DTCC supporting rent cost related to new culinary program leased space at American Tobacco (Goal 1, Objective 1.2). The Article 46 sales tax revenue allocated to support DTCC scholarships is projected to increase slightly by \$71,955 in FY 2019-20, bringing the total projected funds to \$1,426,230, 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.

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 2019-20 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. In FY 2019-20, pending recertification, flat funding is supported for 40 nonprofit agencies at a total of \$704,000. In addition, the FY 2018-19 Food Insecurity funded nonprofits will complete a similar recertification process for their 2nd consecutive year of funding. A detailed list of funding amounts can be found in the Appendix. As part of the policy work planned for FY 2019-20, the nonprofit program will be reviewed in its entirety. Not only, the outcomes (after three years measurable improvement can be expected) but the process and program in its entirety. In the fall of 2019 County management and the Commissioners will convene to best understand how the changes implemented a few years ago have worked, and to provide directives for the future.

Cradle to Career Efforts

For several years now the County has been resourcing various efforts to strengthen our cradle-to-career continuum. Durham County remains a key investor in the work of Made in Durham, our backbone organization for increasing the effectiveness and capacity of our education-to-work pipeline. They work week-in and week-out to enhance and better coordinate the work-based learning efforts of Durham Public Schools with that of the City, the Durham Workforce Development Board, all with the ultimate goal of making sure our youth can compete for the jobs being created in the Triangle. Following the publication two years ago of our inaugural State of Durham

County's Young Children Report, we have been wrestling with how to fill the identified gaps and how to improve and better coordinate services and programs available in the early years of every Durham child's life. With the Board's support of the adopted budget we are bringing on additional staff to further strengthen this work. The Board approved an ACEs (Adverse Childhood Experiences) Coordinator that will be located in Public Health and an Early Childhood Coordinator position located in Cooperative Extension in support of these continuum efforts.

\$65,000 was budgeted to support Early childhood innovation and implementation initiatives which continues to support and define the "Cradle to Career" support continuum defined as a high priority of the Board. Also, \$65,000 was budgeted, to support Durham ACEs (Adverse Childhood Experiences) Resilience Taskforce innovation and implementation initiatives.

An additional \$75,000 was budgeted for support of expansion of Made in Durham programs. Made in Durham's role has been primarily as a convener and backbone agency designated to work with major public and private institutions in Durham to assess and advance policies and programs needed to improve our education-to-work pipeline, particularly for disadvantaged young people.

Finally, an additional \$30,000 was added to support eviction diversion programs for Durham citizens, recognizing the cost to family prosperity and health of losing a home or apartment, while also recognizing the benefits of helping a family stay housing secure.

Goal 2: Health and Well Being for All

The Board's support for Health and Human Services continues to be demonstrated by the significant funding provided for County government programs and nonprofit organizations that support this strategic goal. 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.

As with other goal areas, Goal 2 departments realigned funding and reduced expenses to accommodate efforts to contain tax increases and find additional dollars for reallocation. To support the work occurring within this portfolio, this budget supports 20.7 new positions, and the reallocation of 2 positions.

Social Services

In FY 2015-16 the Health and Human Services (HHS) introduced the Voluntary Placement Agreement for Foster Care children ages 18-21 to be eligible for State Foster Care Benefit funds resulting in a 21% increase to Durham's foster care cost. Social Services continues to see a 14% yearly increase in foster care cost which were absorbed within previous fiscal year budgets. Social Services provided foster care funding for 148 children in 2014, in FY 2018-19 Social Services is servicing 302 children, an increase of 154 children or 104%. During FY 2018-19 the Board approved an additional \$848,478 for foster care room and board for children placed by the Department of Social Services. This additional funding is also approved for FY 2019-20.

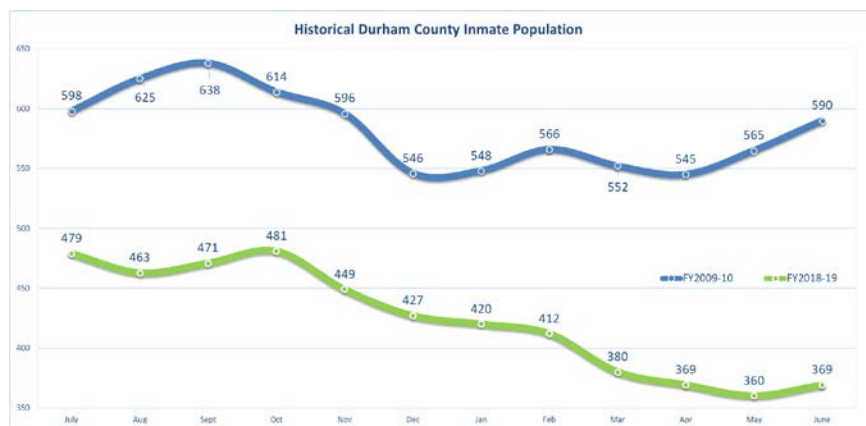
Child Support Incentive Funds were received in prior years and are restricted in General Fund fund-balance to support 2.5 FTEs. Approved funding in the amount of \$161,434 will be appropriated in FY 2019-20 to fund a Child Support Agent (1 FTE), a Staff Development Specialist (.50 FTE), and a Social Worker II (1 FTE). The Child Support Agent will be assigned to Foster Care where there are currently 480 open cases. The Staff Development Specialist will develop and present training programs and resources to Child Support and Program Integrity Services staff, review and analyze case documentation, and ensure compliance with federal, state and DSS internal policies and procedures. The Social Worker II will aid with job readiness and placement for child support participants. Three additional positions were added to the Social Services department using reallocated existing dollars to support increased child welfare standards and span of control based on expanding caseloads

Public Health

In the Public Health budget, funding was approved to support existing and new positions, expanded services in the Detention Center, and continued support for DataWorks NC.

Key priorities include funding to replace the loss of grant funding in Bull City United, and Formerly Incarcerated Transitions (FIT) and Project BUILD programs. Bull City United, a violence prevention program originally was supported by a blend of county funding and Office of Juvenile Justice and Delinquency Prevention (OJJDP). The requested funds will support two violence interrupter positions for nine months. The FIT Program uses a Community Health Worker (CHW) with a personal incarceration history to engage people with chronic diseases prior to and/or immediately upon release and works with the local Reentry Council to develop a reentry plan. The FIT Program has operated with blended funding since its inception. The third position being fully funded by the County is in Project BUILD (Building, Uplifting, and Impacting Lives Daily) which provides skill building services and case management as Durham County's gang intervention program for youth ages 14-21. Without continued funding the case load will have to be reduced and staff will not be able to assist with case management in the Durham County Detention Facility.

Based on new philosophies from the Sheriff and the District Attorney, the average daily population (ADP) has decreased significantly. As such, the adopted budget included using 400 detainees per day as the ADP used to determine the costs of the FY 2019-20 contract for medical services in the Detention Facility.



A total of five new positions are approved in Public Health.

For the last three years, the Health Director's role has been coupled with that of General Manager for Goal 2. This budget supports the addition of 1 FTE to reestablish the Public Health Director position (\$150,000 plus benefits).

To address two specific priorities of the Board described at Board retreats, 1 FTEs is supported for Adverse Childhood Experiences (ACEs) related work. Like you, I believe Durham has a need for better coordination, and a more holistic approach that supports families and children from birth to career. Other communities have successfully replicated models that align the many groups doing the good work. Cooperative efforts in Durham have already yielded positive results, such as the priority on universal pre-K education. The Adverse Childhood Experiences (ACEs) Coordinator will focus on the work of the ACEs Task Force and operationalizing efforts to facilitate community-wide training to move from awareness to action as Durham strives to become a trauma-informed community.

Since 2015 existing Public Health staff have led County-wide racial equity work without dedicated staff. Momentum in this important area has gained in the community through their efforts, however, this work will not progress without dedicated support. Additional staff time is needed to advance this work, therefore this budget supports the addition of one FTE to establish a Racial Equity Coordinator position, located in the County Manager's office.

Public Health receives grant funding to fully support Triple P (**Positive Parenting Support**) and currently two of the three positions are staffed by professionals hired through a staffing agency. The funder, NC Division of Public Health Women's and Children's Branch, requires that grant funds are used to establish 2 Human Services

Coordinator positions to support regional Triple P activities. This budget neutral request is included in the approved budget.

Library

The Main Library will re-open in the Spring 2020 and is a fantastic opportunity to offer important services that are only possible within the newly enlarged space. To support this work 11 new positions for the Main Library are approved, ten of the positions will work onsite at Main and one will be assigned to drive the new technology vehicle. These positions are the top four priority requests submitted by the Library.

Approved positions include four FTEs that will staff an expanded STEAM (Science, Technology, Engineering, Arts, Math) Unit, specialized staff (4 FTEs) for the Business/Entrepreneurial Center as well as staff for the fourth floor of Main, and funding to support additional teen services staff (2 FTEs). The Main Library is growing by nearly 20,000 square feet and the teen space, at nearly 1,000 square feet is almost double its previous size. Finally, a dedicated driver for the Library's new technology vehicle is supported. Staff who are currently providing programs are doing so at the expense of their other duties. Without dedicated staff the Library will not be able to offer the volume of programming needed to maximize the use of this vehicle.

While only half of the requested positions are approved, these eleven positions will allow the library staff to further their vision of Inspiring Lives, Transforming Durham. Providing these positions is an investment in our community.

Other Areas

For many years, Durham County has operated Durham County ACCESS Transportation, a demand driven transportation program, but pending further discussion and final approval by both the City Council and Board of County Commissioners, on July 1, Durham County ACCESS is planned to become part of an improved, merged transportation system overseen by the City of Durham. The FY 2019-20 budget supports the continued level of County funding and the transfer of associated grant funds to provide the current level of service to all County residents. To finalize required grant-related reports/renewals, the program's two County supported staff members (2 FTEs) will remain in Cooperative Extension Services through September and they will be given the opportunity to apply for other existing positions within Durham County. One of the two subsequently vacant positions will be reclassified to a Public Transit Plan Project Manager position to oversee the County's transit plans in concert with the City, while the other supports the Adverse Childhood Experiences (ACEs) Coordinator position approved in Public Health.

With the termination of the Durham-Orange Light Rail Transit project, Durham County will take a more pro-active role in future transit planning and execution of projects in the Durham County Transit Plan. Though we still fully anticipate a cooperative process engaging the City of Durham, GoTriangle, and the Durham Chapel Hill Carrboro MPO, among others, this proposed budget contains \$250,000 for potential new positions to fully represent and support the County's role in these processes and will be offset with redirected Article 43 transit tax revenue. The amount of Durham County funding going into these projects and the importance of these projects for the future of our community require this sensible investment to make sure the expenditure of local funds results in efficient delivery of transit options this community wants and needs.

The final item supported in Goal 2, is an increase in the Alliance Health contract. This increase will bring the total contract to \$6,336,751 and includes full year funding for the Supportive Housing Pilot funded for a partial year in FY 2018-19. Additional funding supports associated LGERS and salary increases for three existing System of Care positions; and a 1% increase for associated administrative support for the increased funding included in this budget.

Goal 3: Safe Community

The County's Goal 3 Safe Community goal focuses on "partnering with stakeholders to prevent and address unsafe conditions, protect life and property, respond to emergencies, and ensure accessible and fair justice." Goal 3 departments, which include the Sheriff's Office/Detention Center (Center), Emergency Medical Services (EMS), Criminal Justice Resource Center (CJRC), Fire Marshal/Emergency Management, Emergency Communications, Youth Home, and Court Support Services, found reductions of approximately \$800,000 in support of reallocation of available dollars to the most appropriate needs. The proposed reductions align with the County's MFR strategy to be more efficient and intentional with limited County revenue resources.

Goal 3 departments have made significant progress implementing the County's Managing for Results (MFR) model; from improving our pretrial services and substance abuse prevention programs to creating predictive analytic models to assist in better understanding the types and location of future emergency medical calls, we are using the data to make smarter, more informed decisions and investments. We have also been using data to find additional departmental savings as illustrated by EMS in reducing medication and supply costs by \$100,000 in next year's budget. Innovative strategies to recruit, retain and share employees has been in the forefront of Goal 3 efforts as demonstrated by EMS and Fire Marshal/ Emergency Management Departments during the past fiscal year. EMS has seen 31% decrease in vacancy rate and sharing an emergency services analyst position has resulted in significant advancements in our data analytics related to emergency services.

The MFR model requires that we not only effectively provide services, but that we also look for opportunities to become efficient in the delivery, management, and administration of services. Over a year and half ago staff from Emergency Medical Services (EMS) and Fire Marshal/Emergency Management Departments began examining the idea of creating a consolidated Emergency Services Department, a best practices model used across the state. Review of the concept has resulted in possible administrative savings and an opportunity for managerial efficiencies. The consolidated concept became effective July 1, 2019. This departmental change will allow the County to be evermore strategic in resource investment and better aligned with the County's Strategic Plan.

Funding for replacement vehicles in the Sheriff's Office and EMS has been included in the approved budget to ensure that timely emergency services are provided. The budget includes replacement of 35 total vehicles and required equipment for the Sheriff's Office. In addition, the replacement of five ambulances completes the County's full replacement of its ambulance fleet which began in 2015. I have also requested that the County IS&T Department work with the Sheriff's Office to address their technology needs. By using an "infrastructure as a service" approach we can leverage previous County technology infrastructure investments to assist the Sheriff's Office in replacing and updating critical technology equipment. Lastly, to prevent self-harm of detainees in the Detention Center, funding for five padded safety cells is approved in next year's budget.

This budget also makes important investments in the Criminal Justice Resource Center (CJRC) and Detention Center by supporting the addition of two, part-time weekend positions to improve mental health coverage in the Detention Center, as well as increased funding for a tele-psychiatry contract that will expand access to this vital service. Also, there is currently one grant-funded position providing psychiatric services at the Detention Center, and when the grant expires in September 2019 this budget will support the position becoming County-funded. CJRC re-entry services will also be supported by the addition of three new federal grant funded positions, and an existing grant-funded re-entry position will become county funded when the grant ends next year. These positions and services will support the full implementation of both male and female mental health pods in the Detention Center (Goal 3, Objective 3.2). One final notable Goal 3 addition is an increase in the county-funded Assistant District Attorney's salary to bring it in line with the City of Durham.

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 our ongoing Resiliency & Redundancy improvements to our utility systems and treatment plant in the Research Triangle Park. This work enhances the capabilities of our utility systems to best support our reinvestment in Park Center as well as continuing to provide the foundational elements for enhancing 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 allow us to continue providing the high level of environmental protection desired by our community.

We have had significant success in attracting high-quality companies such as Avexis, Xylem, and others, representing new, high-quality jobs and new investment for our tax base. Through our economic development efforts, over 1,100 new jobs will be brought to the community, that will produce investments of nearly \$150 million, proving an excellent return on our incentive investments of approximately \$750,000. The Board's incentive policy, with draft revisions presented in our Fall retreat and Phase I revisions to be presented in June 2019, continues to be an asset in attracting a wide array of jobs to aid in our key goal of shared prosperity. With these proposed strategic infrastructure investments, our prospects for economic recruitment, and revenue growth, will continue to improve.

The Register of Deeds office and team continue their record as leaders in their space. The work they have partnered on with Veterans Services, towards ensuring all eligible Durham veterans have their discharge paperwork (DD-214) on file with the Register of Deeds office continues to be well-received. Additionally, the Register of Deeds will soon become an authorized agent to assist with the provision of U.S. Passports to qualified individuals, yet another service initiative of our RoD team with no tax burden to our citizens

Our joint City - County programs continue to provide high levels of service under extremely heavy workloads. Our Inspections team's work continues to show a strong economic foundation, having set all-time records for permit activity with 30,371 total permits issued in 2018, representing an estimated construction value of \$1.7 billion. Planning staff continue work on the effort to update and revise the Comprehensive Plan, the work on UDO amendments to expand housing choices and affordable housing options, and also the Industrial Land Use study, both in an effort to support our economic development work while also ensuring a high quality of life from a well-planned community.

Capital Improvement Program/Project Management

Implementation of the General Obligation bond program work approved by County residents in November 2016 continues to progress well. During the coming months, we will see the buildout and occupancy of the restaurant space on the street level of Admin II, which will achieve a key Board goal – continuing the activation of Main Street eastward while partnering with local business entities to the extent possible. Construction is also well-underway on the Main Library renovations with completion currently anticipated in late 2019. This will provide a true jewel, a new “living room” at which all Durham citizens can engage, learn, and expand their horizons.

Our work also is ongoing with our partners from the University of North Carolina – Chapel Hill School of Government's Development Finance Initiative (DFI) team. This work has progressed to the point that the Board is now in a position to soon begin making a determination of which private partner team will be selected to provide the mixed-use elements and affordable housing components at 300 and 500 block sites of East Main Street.

While many good things have been accomplished in terms of our Capital program, 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. This work includes EMS facilities, a new Youth Home facility, and strategic investments in a Public Safety facility to support the Sheriff, EMS, and Emergency Management as discussed in our recent CIP work session.

Environmental Programs

We continue to see progress in multiple program areas related to our environmental stewardship goals. As a result of our continued investments and ongoing work by our Open Space and Real Estate team we now have 3,462 acres protected either by fee-simple ownership or conservation easements. These protected lands will be further increased by 202 acres for a total of 3,664 acres by the end of 2019.

The Stormwater/Soil-Erosion staff have continued to advance the framework for a potential Stormwater Utility Fund even as they manage a record workload of in excess of 140 active sites in various stages of land-disturbance, coupled with ongoing enforcement activities to mitigate the impacts of non-compliant sites. This program was recognized with a prestigious award from the North Carolina Division of Energy, Mineral and Land Resources at the turn of the Fiscal Year, the “2018 Local Program of the Year” award for their significant accomplishments in protecting the environment and program enhancements made due to Board investments in the same.

Our Soil & Water Conservation District continues work in enhancing opportunities for local growers to access markets via the GAP grant program initiated this fiscal year. 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 locally grown fresh foods to be introduced into the Detention Center, supporting our efforts to provide access to high quality foods to all.

This year was full of accomplishment for our Sustainability program area as a Renewable Energy Resolution was adopted. This year also saw our program complete a Resiliency assessment with regional partners including Triangle J Council of Governments, with funding included for an update of the 2008 Greenhouse Gas Plan, which will be jointly conducted and funded with our City partners as requested by the Board. One challenge ahead for this program area is the City’s choice to separate their sustainability efforts from those of the County.

Enterprise Fund

As discussed with the Board at our Budget Retreat, we have, and will continue to adjust 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. We have also implemented a new Capital Fee structure as a direct result of the requirement of HB436. This bill, passed by the Legislature in 2017, requires all local government utilities to utilize certain accounting methods in order to levy these fees. Each of these regulatory shifts add to the workload of our team and increase the complexity of operational compliance.

Across Goal 4 operational areas, we continue to see great successes while experiencing challenges in recruiting, and more especially, in retaining highly skilled technical staff, as market competition is exceptionally strong for these certified/credentialed personnel. This, coupled with increasing workload demands from the community, are cause for concern with respect to employee well-being, morale, and retention.

Goal 5: Accountable, Efficient and Visionary Government

Durham County 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 21% of Durham County's active employee base eligible to retire between within the next five years, continued focus must occur on retaining and recruiting a talented workforce to ensure we meet residents' service demands.

An FY 2017-18 County wide classification and compensation study identified several multi-pronged approaches to employee compensation that meets the changing face, age, and work of County employees in the coming decade. The FY 2018-19 budget allocated funds to address classification study recommendations within the public safety classifications. The FY 2019-20 budget allocates funds to support study recommendations for the remaining County operations. Having a fair, consistent, and competitive classification and compensation system will help to attract, reward and retain the most qualified individuals. The multitude of services provided by Durham County government are only as beneficial as the employees that carry them out. 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.

Board of Elections

In preparation for upcoming Federal primary elections and the possibility of four total election events the Board of Elections budget reflects a significant increase in related personnel and operating costs. Funding for Temporary and Part-Time positions is included to accommodate the increased use of one-stop and early voting sites and an increase to Election Poll Workers, while a FY 2018-19 mid-year created position (Elections Specialist) was fully funded for the upcoming year. Additional revenue from municipal elections conducted by Durham County Elections will offset some of these increased costs.

General Services

Properly maintaining a growing amount of County owned physical resources is a continuing effort in maximizing efficiency with limited resources. Our General Services department continues to do an amazing job in providing security, janitorial, electrical, HVAC and general support for 79 of buildings and 1,833,046 square feet.

The FY 2019-20 budget for General Services includes support for the reopening the Main Library Branch and continued support for the recently renovated and opened second Administration Building (Admin. II). To control the increased cost to the County, General Services reallocated significant funds to ease the impact of the Main Library reopening with two additional staff being reallocated from other programs to support the additional square footage.

In support of budget realignment and funding reallocations General Services made the decision to eliminate two internal service programs (Pest Control and Sign Shop). Personnel will be reallocated to other General Services functions, including one staff member reallocated from the Sign Shop to fill the current request for additional Janitorial staff.

Within the General Services Solid Waste division, the County annual solid waste sticker fee will remain at \$158.81, which is the same level as the prior three fiscal years, while also including 1 FTE for a Roll-off Truck Driver for hauling of its containers. The addition of this dedicated personnel will allow Durham County to eliminate a \$110,000 contract with the City of Durham.

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 and requires additional funding allocations to Information Services and Technology support county-wide critical software maintenance for the Microsoft Enterprise Agreement and Office 365. Majority of the \$1.7 million costs were funded in the capital budget in previous fiscal years. The allocation allows Durham County business departments to retain and maximize useful Microsoft Office. Further, it supports critical cloud services including email, scheduling, collaboration tools, and the benefit of cloud-based services supporting business continuity and disaster recovery. Cloud services continuously evolve to improve and expand capabilities increasing effectiveness and efficiency in business departments. Most importantly, it reduces on premise servers and the associated support cost and increases protection from hardware failures, loss of services, and increases security against data loss and theft. To meet this increasing demand the IS&T budget supports increases in software licensing and maintenance for FY 2019-20.

Capital Improvement Plan Update

The 2020-2029 10-year Capital Improvement Plan (CIP) has been reviewed by staff and was adopted by the Board in June. The CIP will be used as a guiding document for expected capital projects for the next several years. There are two fundamental parts to any CIP: 1) project scope and timing, and 2) financial support of capital project related debt. 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 2020-2024 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.

What does influence the FY 2019-20 budget is the amount of "Pay As You Go" funding allotted to active projects. While the amount of PAYGO funding for the upcoming year is higher than normal I am happy to note that the dedicated property tax rate for the CIP does not increase from the revenue neutral tax rate amount of 8.61 cents. In other words, we are able to support these project needs as well as support annual debt service payments with already existing dedicated revenue sources.

Conclusion

This FY 2019-20 Durham Board of County Commissioners Approved budget is akin to a successful tightrope walk. It's all about being fit, balanced, well planned, with solid support, and vision. Fiscal constraints, even for thriving communities like our own, continue to create difficult choices for our employees, department directors,

Goal Area	FY2019-20
Goal 2	\$500,000
Stanford L W. Water Intrusion R	\$500,000
Goal 3	\$6,865,201
Sheriff Firing Range Upgrade	\$757,608
Public Safety & Service Complex	\$684,180
New Youth Home	\$1,770,833
EMS-Equipment Replacement	\$2,700,000
EMS-MLK Blvd (4 Bay)	\$18,000
EMS-Station 19 Co-location	\$734,580
Multi-Dept. Radios & Towers	\$200,000
Goal 4	\$2,217,403
Alliance Behavioral Backfill	\$917,400
DSS Main Renovation	\$800,003
Open Space Land Acquisition	\$500,000
Goal 5	\$7,156,848
GS-County Bldg HVAC Replacement	\$541,775
GS-County Bldg Roof Replacement	\$574,223
GS-County Building Envelope	\$403,744
GS-County Security Improvements	\$334,162
GS-County Stadium Upgrades	\$338,456
GS-Leased Convenience Sites	\$623,050
GS-Owned Convenience Sites	\$439,671
GS-Parking Lot Replacement	\$297,179
GS-Parkwood Buildings Support	\$337,643
DCo-SAP S4 HANA	\$250,000
IT-Hardware Replacement Sched.	\$3,016,944
Total	\$16,739,452

management and the Board. Going forward, the manner in which we all balance the varied and numerous needs presented by our residents will determine our future. The use of actionable data will be the lynchpin that informs our difficult decisions and give guidance about the best choices. Our Managing for Results program seeks to support those hard decisions with actionable metrics that can support current decisions and future planning.

As an organization, it is our aim to utilize our technology systems, the data and our strategies to be the best at analyzing the data, making good decisions, and ultimately telling our story. As we move along this Managing for Results continuum, we will be fully poised to be a High Performing Organization that produces the best outcomes for Durham.

This budget also represents continued multi-faceted support for education and workforce development. And while a developing sense of coordinated “Cradle to Career” services is driving funding across new positions and existing departments, funds also continue to support and enhance existing primary services such as Social Services, Public Health, and Public Safety functions.

Durham County continues its accelerated economic growth and strong reputation based on world-class educational opportunities, health care, and cultural variety, and while the Board is rightfully proud of the Durham County government’s role in supporting these successes, they also continue to focus their efforts, attention, and monetary support towards helping various populations that have not been lifted as high by the County’s economic growth. Everyone in Durham County matters and the FY 2019-20 Board approved budget supports that philosophy.

Sincerely,

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

Wendell M. Davis



Revenue Neutral Property Tax Rate for DCo* (per state statute)

* See revenue highlights section for more details

77.79¢ to 68.92¢



The Tax Rate for FY 2019-20

71.22¢ per \$100 valuation



an increase over the Revenue Neutral Rate to

2.3¢ per \$100 valuation

Property Tax collection percentage remains at 99.60%



Sales Taxes revenue are estimated to increase 4.19% from the current year approved budget

Total # of Durham County Employees (Full-Time Equivalents)

2,092.54



increase 27.42 (*7.5 grant funded)

State mandated increase in County contribution to the Local Government Employees Retirement System (LGERS) from

7.80% to 9.00%



and 8.50% to 9.70%

for Local Law Enforcement Officers (LEO)



Pay-for performance salary increase range, for employees for FY 2019-20, continues at

2% (meets expectations) or 3% (exceeds expectations)

\$3.1 million in funds



are reserved for implementation of the Class and Compensation study recommendations for non-Public Safety employees

DCo is moving to Cigna as the administrator of our Health Insurance process





\$3.1 million increase in Benefits Plan expenses



The General Fund balance appropriation increased minimally from

\$16.69 million to \$17.37 million

Ongoing current expense funding to Durham Public Schools increases **\$7.25** million or **5.2%**  to **\$145,970,717**

 Local Expense per Pupil Funding increases to **\$3,647**, up **\$205** from FY 2018-19

Durham Technical Community College funding increases by **4.5%** or **\$341,955**



Overall DTCC will receive **\$7.9** million in DCo support

\$1.6 million increase in funding for Durham County's Pre-K initiative, totaling, **\$5.25** million



North Carolina Museum of Life and Science current expense funding stayed flat: **\$1.77** million



40 Replacement Vehicles are being purchased for the Sheriff's & EMS Departments

\$2.42 million



40 nonprofit agencies are being approved in the nonprofit funding program in FY 2019-20 at a total of **\$704,000**



5 Target Areas



Goal 1 Target Area
Increase Family Success and Prosperity **\$367,500**

Goal 2 Target Area
Increase the Number of Healthy Years Lived **\$199,500**

Goal 2 Target Area (added FY2018-19)
Provide Access to Sufficient and Health Food **\$90,000**

Goal 3 Target Area
Improve Life Outcomes for Those involved in the Criminal Justice System **\$37,000**

Goal 4 Target Area
Protect Natural Resources **\$10,000**

Debt Service decrease **\$9.85** million to **\$64** million

with dedicated property tax staying at the revenue neutral rate of **8.61¢**



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).

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

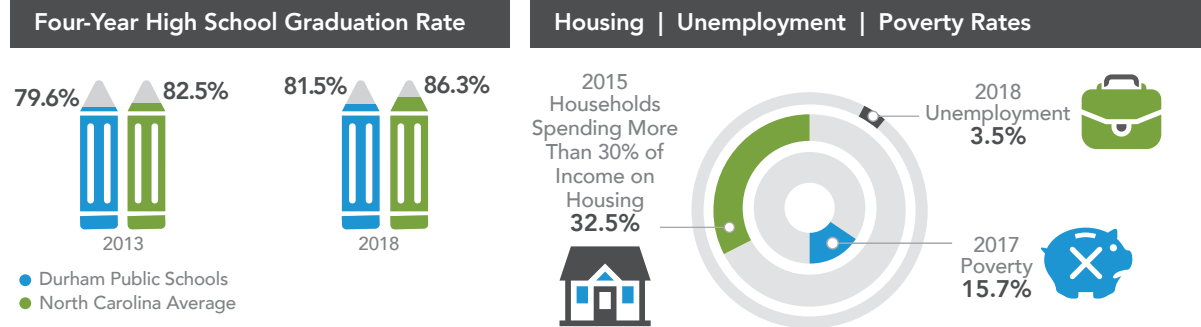
Goal Statement: An effective organization committed to continuous innovation, exceptional customer service, transparency and fiscal responsibility.

Goal Objectives

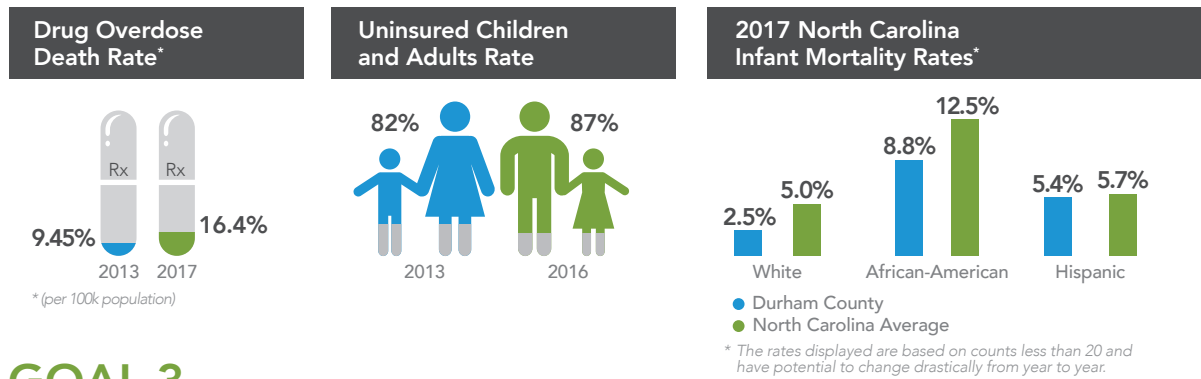
- Customer Engagement and Responsiveness** – Bolster engagement and responsiveness to both internal and external customers
- Talented Workforce** – Attract, recruit and retain talented workforce
- Sound Business Systems** – Ensure sound fiscal, operational and technology systems
- Performance Management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



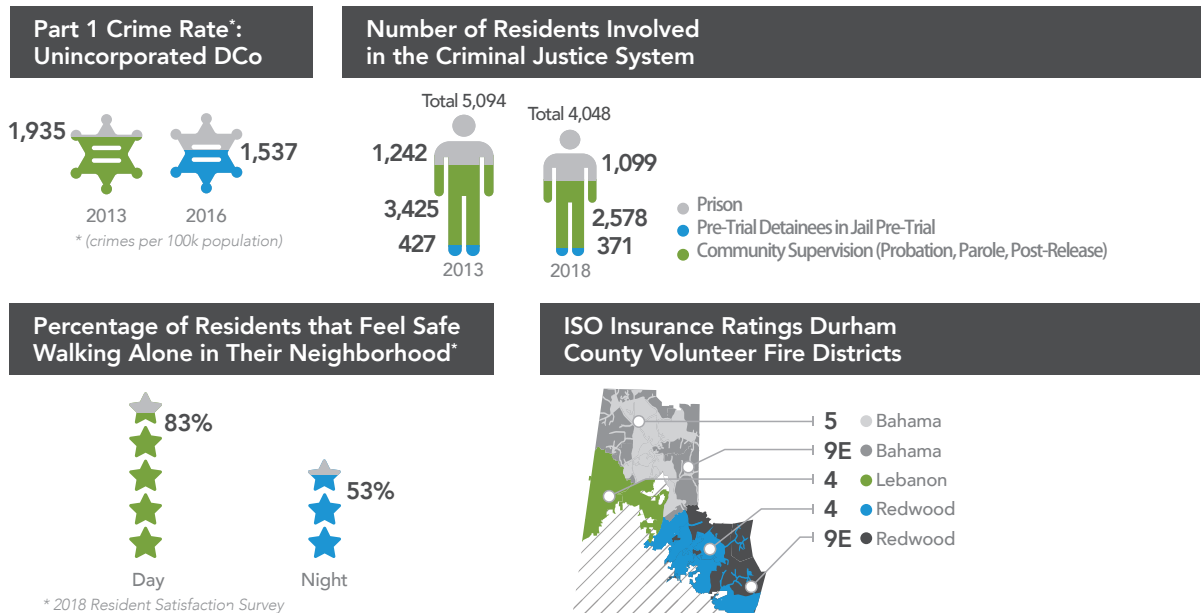
GOAL 1
Community Empowerment and Enrichment



GOAL 2
Health and Well-Being for All



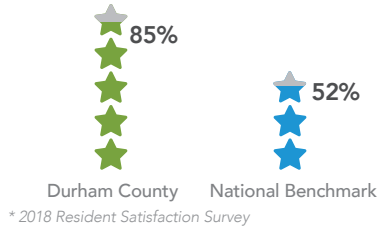
GOAL 3
Safe Community





GOAL 4
Environmental Stewardship and Community Prosperity

Percentage of Residents Who Said the Community is a Good Place to Live* **Employment Growth**



GOAL 5
Accountable, Efficient, and Visionary Government

Percentage of Residents Who Were Satisfied with the Quality of Services Provided by the County* **Percentage of Residents Who Said the Value Received for Local Taxes and Fees is Good or Excellent***



Bond Rating

 **Maintain Durham County Triple A Bond Rating**

* SOURCES
 DPS High School/ 4-year Graduation Rate: www.ncpublicschools.org
 Percentage of households spending more than 30% of income on Housing: Housing and Urban Development
 Percentage of Unemployment: US Bureau of Labor Statistics
 Percentage of Families in Poverty: US Census Small Area Income and Poverty Estimates
 Drug Overdose Death Rate: www.wonder.cdc.gov
 Percentage of uninsured Adults and Children: US Census Small Area Health Insurance Estimates
 Infant Mortality rates by race/ethnicity: North Carolina State Center for Health Statistics
 Part 1 Crime Rate for unincorporated Durham County (violent and property crime): NC State Bureau of Investigation
 Number of residents involved in the criminal justice system: NC Department of Public Safety
 Percentage of Residents that reported that they feel very safe or safe (day/night in neighborhood), according to the Resident Satisfaction Survey: 2018 Resident Satisfaction Survey
 ISO Insurance Ratings for each fire department: Durham County Fire Marshal
 Percentage of residents who rated the community as good or excellent as a place to live, according to the Resident satisfaction Survey: 2018 Resident Satisfaction Survey
 Employment Growth: NC Office of State Budget and Management
 Percentage of Residents who were very satisfied or satisfied with the overall quality of services provided by the County: 2018 Resident Satisfaction Survey
 Percentage of Residents who rated the value received for local taxes and fees as good or excellent: 2018 Resident Satisfaction Survey
 Maintain Durham County Triple A Bond Rating: Moody's Investors Service, Inc. and Standard & Poor's (S&P) Global Ratings

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