

**State of the County
Chairman Fred Foster, Jr.
7th Annual State of the County Address
April 8, 2013**

Hello and thank you for watching this State of the County report! If you follow Durham County Government, you will notice that we are sharing with you this informative report in a slightly different format than we have used in the past. It is our hope that you will enjoy our broadcast message this evening.

With this message, I will mention some of the successes that have been experienced during the past year by our dedicated management and staff. In addition, I will highlight some very real challenges that we are facing as we plan our budget for the coming fiscal year. Finally, I will share my thoughts about how I believe we should move forward in this still challenging fiscal environment.

We all know that we live in a vibrant community that enjoys national recognitions and accolades each year. The national media continue to spotlight Durham as a great place to live, learn, work and play. In January, the New York Times featured our beloved community in its “36 Hours Community Series”. They sampled our unique Durham lifestyle with visits to such favorites as Dame’s Chicken & Waffles, Durham Central Park and the famous food trucks, Nasher Museum, Fullsteam Brewery, Durham Performing Arts Center and more.

Other recent awards that celebrated our community include recognition as the #1 Large County Best Positioned for Growth in 2012, by the 4th Economy Community Index, and a U.S. News and World Report that ranked Duke University #8 on the list of 2013 National University Rankings. Also, the National Center for Urban School Transformation presented R. N. Harris Elementary School with the 2012 National Excellence in Urban Education Award.

Certainly this list only scratches the surface of our large and growing number of accolades. But more importantly, it clearly amplifies how others continue to discover what we have known for years. Durham is a dynamic, welcoming community with an enviable quality of life.

Durham County Government is led by outstanding management, department heads and staffs who bring excellence, cutting edge thinking and vision to the task of serving our residents. Durham County continued to attract new leaders in 2012 including **Cora Wilson** as our Human Resources Director, **Lois Harvin-Ravin** as our Veterans Services Director and **Michael Becketts**, who was selected to lead the Department of Social Services. The impact of their dynamic work is already being recognized in the county both internally and externally. They have truly hit the ground running.

In addition to our new leaders, our talented administrators and department heads also garnered coveted recognitions from their peers last year for many of their achievements.

Deputy County Manager **Lee Worsley** was elected vice president of the International City and County Management Association (ICMA) Executive Board. ICMA focuses on the creation of excellence in local governance by developing and fostering professional local government management worldwide.

Tax Administrator **Kimberly Simpson** received the 2012 Outstanding Tax Collector Award by the NC Tax Collectors Association. And by the way, Kim's staff achieved a very positive tax collection rate of 98.86% last year, which helped us preserve service delivery in the current budget.

Gayle Harris, our Public Health Director received the 2013 Ham Stevens Award from the North Carolina Association of Local Health Directors. Ms. Harris was recognized for her leadership within NICALHD and for her 40 years of service to our community as a nurse, community volunteer, civic leader and the county public health director.

One visible organizational change occurred last fall when Durham County Government unveiled a new brand to better position the county for the future. This new graphic representation replaced the historic seal, and now helps showcase the new direction of Durham County:

Innovative, passionate, leading, accountable, proactive, and confident. I am sure you have seen our new “DEE CO” appear throughout the community on our new ambulance, our sheriff’s Dodge Charger, electric cars, our vans and trucks and more.

In collaboration with the new brand, our new Durham County website was also launched to enhance the experience of our users. Our new website contains updated tools for ease of use, modernized functionality and organization, and promotes a consistent and vibrant branding, conveying the real spirit of Durham County to the community and beyond. Be sure to visit our new site at www.dconc.gov.

During the past year, Durham County continued to expand our physical locations with the completion of one of our most ambitious capital projects...the new 11 story Courthouse and adjacent parking deck. The court system began operations in the new structure on February 11th, by literally moving an entire court operation in one weekend.

On March 10, the community gathered on a beautiful Sunday afternoon for the ceremonial ribbon cutting and formal dedication of the milestone building. The building is also home to our Durham County Sheriff’s Department and other court related agencies.

Other ongoing capital projects include the continued construction of the final phase of the Human Services Building, programming/refurbishing for the “now vacant” Judicial Building, a County storage facility, technology upgrades, land acquisition and more.

The County Manager and staff presented the first review of the Durham County FY2014-2023 Capital Improvement Program on March 7th. As you know, this is a long range plan that guides the development and construction of our public facilities, including schools and other key projects. The document also includes recommendations on how the projects will be financed over time.

The Capital Improvement Plan is revised every two years. During a recent meeting with the Board of Education, we had a collaborative discussion about the level of need, and the timing of any future related bond issues that will come forward in the CIP. Durham Public Schools' needs will certainly become a major part of our final plan. Our Board is expected to finalize the program later this month based on our County Manager and staff proposals.

Coming off the heels of the worst economic downturn our nation has seen since the great depression, we continue to see a slow, steady uptick in positive financial indicators for this community. Yes, our unemployment rate suffered at the height of the downturn as in other communities. But we are at 7.5%, slightly below 7.7% national average. But we are not out of the woods yet.

At our Board's budget retreat earlier this year, we heard from N C State Economist Dr. Michael Walden, who said he believes the labor market is improving, and will continue to improve, pointing to the state's increase in employment levels. Just a few weeks ago, we learned that our state's unemployment rate continues to lag and even moved up from 9.4% to 9.5% in the latest report.

The message to remember is that, while Durham is doing better than many of our counties, we are still in an uneven economic recovery. We need good-paying jobs for those with skills, and more training programs for those seeking employment.

The word "sequester" was not often in our vocabulary this time last year. However, as of March 1st it has become one of the most used and abused words in our nation. Because Our President and Congress were unable to strike an agreement, our nation is now dealing with \$85 Billion dollars' worth of cuts to federal budgets in critical services and programs. From mental health, to head start, to unemployment benefits, these required cuts will eventually impact our most vulnerable the hardest. Possible cuts to other areas such as food safety, and emergency disaster response may potentially have far reaching impacts for our entire nation. While the debate continues in Washington, we simply don't yet know the full impact of the sequester cuts, and how it will affect our state, or Durham County.

Closer to home, our Governor McCrory began directing his department heads to begin the belt tightening process in early March. This was, he said, largely to help the state manage its Medicaid debt. He directed department heads and Cabinet secretaries to stop most employee salary increases, reduce purchases and travel, and to increase collection of outstanding revenues

Then on March 20, the Governor presented his two year budget. In summary, he focused on funding for the economy, education, and state government efficiency. He pledged no new taxes for our citizens, saying it is the wrong time to increase taxes. We don't know the full impact of Governor McCrory's recommended budget, but we do have one indication that school construction lottery funding to counties will likely remain below the statutory amount we need. There has already been movement to reallocate lottery funds from construction to school technology and pre-k slots. With any program changes made at the state level, we know we will have to absorb any cuts to critical programs right here in Durham.

This is yet another message we heard from our retreat. It was echoed from several of our department heads who receive state funds and manage state mandated programs such as elections, mental health, law enforcement and public health.

As decision makers of Durham County Government, this Board of County Commissioners is entrusted with ensuring that we maintain a service level that meets the needs of our residents. Given the state of the economy overall, coupled with yet unknown levels of federal cuts and state cuts, I am concerned about the discussion and philosophy we bring to the budget process this year.

You have probably read that our Durham County manager and staff have recommended a significant increase in the property tax rate in the coming budget cycle. This increase is earmarked to pay debt service on our new buildings that line the landscape. Make no mistake; Durham County will of course handle its obligations with respect to financing these structures.

I will tell you that I am asking the County Manager and staff to look internally for ways to cut the potential level of increase in the county's tax rate. I know that we are a financially well managed county. We continue to be among a select group of county governments that hold a Triple A bond rating from the financial rating agencies. A triple A rating allows Durham County to borrow money at the lowest rates available which is a tremendous benefit to our taxpayers. It is critical that our actions during this budget process preserve that benefit.

As Chairman of this Board, I am firm in my belief that we must look critically at all of our services this season. Overall, we must evaluate their efficiencies and make some hard choices about cutting back on some levels of service in some areas.

Our board will be looking for a budget that is lean, but still able to handle our community's critical needs and priorities. It is critical that we work to streamline our services to maximize efficiency where possible. We know it is challenging to our Department heads to maintain the core and integrity of their services while also reducing the dollars they request but it must be done. If we are to achieve the goal of no tax increase for our taxpayers, everything must to subject to review.

The bottom line is this. We will bring all of our resources to bear to maximize and maintain service delivery levels for Durham County residents to the best of our ability, while simultaneously minimizing changes to our tax rate. We must find a delicate balance as we move forward in this still recovering economy.

At the end of the day we will continue to fund our Durham Public schools operations and capital needs. We will serve our most vulnerable citizens, our youth and our seniors. We will protect our built and natural resources. We will work with our economic development partners to attract companies with jobs that are a good fit for Durham and its residents to promote growth and prosperity. We will support transportation and its infrastructure. We will protect the health, safety and well-being of our residents.

Durham County is a collaborative community that faces its challenges together. The citizens expect nothing less than our best effort in this endeavor.

In closing, let me say that I look forward to working through these challenges and preparing a responsible budget that will keep our community vibrant, productive and fiscally sound. We have the skills, we have the will and we have the resolve to keep Durham County moving forward.

Thank you!