

DURHAM CITY COUNCIL BUDGET WORK SESSION
Wednesday, May 25, 2022 @ 9:00 a.m.
In-Person Meeting

The Durham City Council held a Budget Work Session on the above date and time in-person with the following members present: Mayor Elaine O'Neal, Mayor Pro Tempore Mark-Anthony Middleton and Council Members Javiera Caballero, DeDreana Freeman, Monique Holsey-Hyman, Jillian Johnson and Leonardo Williams. Absent: None.

Also present: City Manager Wanda Page, City Attorney Kim Rehberg and City Clerk Diana Schreiber.

[CALL TO ORDER]

Mayor O'Neal welcomed her colleagues, staff and public to the meeting and deferred to Budget and Management Services Director John Allore for presentation.

Mayor Pro Tempore Middleton, Council Member Caballero and Williams were delayed from the start of the meeting.

Council Member Caballero arrived at 9:04 a.m.

Mayor Pro Tempore Middleton arrived at 9:05 a.m.

SUBJECT: BUDGET AND MANAGEMENT SERVICES – REVENUES
DIRECTOR JOHN ALLORE

Director John Allore welcomed all in attendance and introduced the *FY22-23 Proposed Budget Revenues* PowerPoint Presentation.

The presentation consisted of the following:

Key Issues

- General Fund Primary Revenue Sources: Property & Sales Taxes
- Property Tax Rate Increase - .60 cent
- Sales Tax Projections
- Fund Balance

- General Fund Revenue Summary & Budget to Budget
- Property Tax Rate Allocation & Growth
- Property Tax Projections from FY20-21 to FY22-23
- Property Tax Budget to Actual
- Sales Tax Collections & Budget to Actual
- Other General Fund Revenues
- Fund Balance
- GF Multi-Year Financial Plan from FY23 to FY28
- FY22-23 Priorities

Council Member Freeman inquired if the GF Multi-Year Financial Plan could be reworked to reflect ten years back to FY2013; in other words, past year projections going back to FY2013 to current versus actuals.

**SUBJECT: HUMAN RESOURCES – INTERIM DIRECTOR HUMAN RESOURCES
JOHN JJ SCOTT**

The presentation consisted of the following:

Compensation Highlights

- annualization to PD and Fire structure adjustments;
- 3% market adjustment for regular employees structures and salaries;
- full funding of pay for performance merit pay; i
- Inc livable wage to \$17.60;
- hard to fill position salary study and salary equity studies.

Sworn pay plan annualization

- Police \$5.3M

- Fire \$4.2M

Pay for Performance (Merit Pay)

- 4-6% added to base; restoration to annual budget

General Employee Structure & Salary Adjustments

- Structure percentage 7/1 structure; Pay for Performance 7/15; reclassified positions 7/29

Sample employee impact – examples

Applied on July 15 paycheck

Benchmarking; nclm 4.7% market adjustment; 3.7% merit;

Triangle JCOG survey;

Benefits premiums; had not increased benefits in two years; still compare favorably to 2017 premiums in many cases; no change in dental;

Wellness update; events being offered to earn max of 240 points.

Other changes; contribute to retirement plans increasing to 12.1% to general employees

FSA increased to \$2850;

Salary survey recommendation:

- FY23 target hard to fill positions; conduct equity study on current employee salaries;

- FY24; use finding to inform comprehensive salary study in fy24 (five years since last full study)

Council Member Williams arrived at 9:24 a.m.

Council Member Hyman stated the pay for performance plan was a good strategic plan for retention and recruitment and will employees have a rubric to determine where they fall in the increase.

Interim Director Scott confirmed there was a rubric.

Council Member Johnson requested a listing featuring the highest to the lowest paid salaries in the city.

Interim Director Scott stated that this information could be provided to Council.

Mayor Pro Tempore Middleton expressed congratulations to Interim Director Scott's work with special mention to the support received with pay for bilingual officers and city workers. He also inquired about the study on hard to fill positions: some on salary and others on rarified skill sets and credentialing.

Interim Director Scott stated that the study would be scoped out as a basis and there were multiple tools in the toolkit to address the troubled areas with a strategy to address the issues. He highlighted engineering and technological positions as being difficult to fill; and summarized costs would be approximately \$55,000 for both studies.

Council Member Caballero requested a listing of the positions that fell within the open plan and the step plan.

SUBJECT: FINANCE DEPARTMENT – FINANCE DIRECTOR TIM FLORA

Director Tim Flora introduced the Health and Risk Funds PowerPoint Presentation that highlighted two funds: Employee Insurance Fund and the Risk Fund.

The presentation consisted of the following

Employee Insurance Fund

Health Fund, Medical/RX Cash Flow Summary- Actual FY21, Projected FY22, Budget FY23, Projected 2024, 25, 26, 27

Risk Fund- Included Workers Comp Liability and Insurance Premiums for liability cases.

Risk Fund, Cash Flow Summary from FY21 actuals to FY26 Projected

City Facility Management

6 city facilities

Durham Arts Council

Carolina Theatre

Durham Athletic Park –

Durham Convention Center – represents joint venture with county 50/50 split; Spectra manages site

Durham Bulls Athletic Park – DBAP- city owned

Subsidize by city approx. 1.5M

Durham Performing Arts Center- managed by Nederlander, professional facilities management PFM.

Mayor Pro Tempore Middleton commended Finance staff for how well the city has been managed and asked about the city's self-insured status versus the NCLM health risk pool; and addressed a question increasing cap in CIP related to improvements at the Durham Bulls Athletic Ballpark.

Director Flora stated that smaller municipalities could not afford to self-insure themselves. Unlike a small municipality, Durham was able to accumulate reserve funds to handle the impact of health coverage for its employees.

Council Member Williams inquired if the funds put into the facilities, asked if they were being run in the red/black; and asked if the facilities could generate more revenue by maximizing their use.

Director Flora emphasized the city owned facilities but the staff of the facilities ran the programming; and identified the facility and if it was running in the black.

City Manager Page congratulated Director Flora on his first presentation after his hiring. She emphasized that each facility the city had an agreement with each; it was necessary to look into the details of the agreements with each facility. She emphasized that the terms of the various agreements/contracts were reviewed periodically.

Council Member Williams looked forward to meeting with the leaders of the facilities to see how the city could assist with better supporting the community.

SUBJECT: BUDGET AND MANAGEMENT SERVICES – CAPITAL IMPROVEMENT PLAN FY23 RECOMMENDATIONS - DIRECTOR JOHN ALLORE

Director John Allore introduced the PowerPoint Presentation that consisted of the following:

CIP Funding Plan

2023 CIP Process/timeline

Equity in the Budget Process

Prioritization Factors

Identifying demographic and disinvested areas

Weight and Scores of CIP Projects

General Fund FY23 Funding Plan Recommendations

IT Governance Projects

FY23 Enterprise Funding Plan

FY23 Fleet Replacement

½ Penny Funding Update

CIP Project Viewer/Dashboard- available to Council and public

Director Allore introduced his Budget staff.

Mayor O’Neal inquired if Council had questions.

Council Member Freeman complimented staffer Christina Tookes who mentored her on the intricacies of budget development; was pleased that equity, race, class and gender were factors in the implementation process; asked if there were equity factors involved in the projects that had been delayed; and compared the employment rate with the poverty rate. She also inquired about addressing existing sites that would not have new construction and requested Budget offer suggestions.

Director Allore responded to the equity issues related to the stormwater project CIP listing and that locations of the projects were of interest for equity reasons.

Mayor Pro Tempore Middleton expressed appreciation about the city’s reputation that related to equity commitments, switching order of projects and recognizing the need for re-prioritization in the CIP Plan.

Director Allore was extremely proud of the work of his staff in the area of green infrastructure and equity.

**SUBJECT: EQUITABLE AND GREEN INFRASTRUCTURE UPDATE –
DEPUTY CITY MANAGER OF OPERATIONS PORTFOLIO GROUP
BERTHA JOHNSON**

Deputy Manager Johnson introduced the item and complimented NIS Leadership and staff for their contributions to the presentation; the presentation consisted of the following:

Equitable and Green Infrastructure (EGI) Program Goals and Community Driven Plan

Background

EGI Engagement Timeline & Program

Community Allies- what is their role?

Neighborhood Selection

Points of Consideration

Data Sources

Districts 1 through 5

Example of Resident Proposal

Green Streets: Form of Sustainable Road Design w. permeable pavement

Rain Garden

Green Roof

Potential Project Categories: sidewalks, pedestrian safety and access improvements, bicycle facilities, trails.

Presentation, cont.:

Funding Capacity Considerations

Engagement was in its current phase.

Mayor O'Neal remarked how the Racial Equity Taskforce document was coming to life and appreciated the work.

Council Member Williams appreciated the presentation and was pleased that the technicalities were being brought to life, going from generalities to specifics. He spoke to wanting to publicize the plan, vision and direction while leveraging other resources/programs around the MPO.

Council Member Freeman appreciated NIS' contributions of public engagement and thanked the various departments involved in engaging the public. She added that if you want more community engagement, the reporting structure needed to be more qualitative and community based with the community's proposals being at the center.

Council Member Caballero appreciated the update; plans had been identified earlier by the city in the amount of \$50 million and felt there was an infrastructure hole and asked what was the plan around those projects. She understood it was that some of the funding for outstanding projects (trails) has not been funded for over 10 years.

City Manager Page responded that the plans created in 2017 and prior that did not have equity priorities; and stated the equity lens was applied to the new CIP, not on the old plans. This was an opportunity to invest additional funding beyond what was in the plan.

Council Member Caballero continued by asking if the Community Allies and outreach would be shown to residents in regard to which projects did not have funding.

James Davis, NIS, referenced the Community Allies would be subject matter consultants in their communities; to address questions related to the CIP, they would research the CIP information online and relay that information back to the community. He stated there would be transparency with the community as to what had been decided about which projects were moving along and which not.

Council Member Caballero asked if the Community Allies would be encouraging folks to connect with the Council appointed boards, committees, commissions and taskforces where many community plans were being drafted.

Council Member Williams spoke to starting an infrastructure fund comparable to the Affordable Housing and Durham Public Schools Funds; a fund that would allow developers to proffer thereby creating resources for safe and equitable infrastructure projects. The resource was necessary due to the high cost of infrastructure.

Mayor Pro Tempore Middleton addressed the raising of ½ penny in taxes to address historic inequities/disinvestment and noted that this was transformative legacy work; appreciated the allies bringing back needs of the community; excited by the work; and looked forward to as the funding builds up, and at what threshold should the funds be dispensed.

Council Member Caballero requested a time line for next steps and when would the next presentation be conducted.

Deputy City Manager Johnson noted that NIS brought forward a timeline for engagement and when projects would be brought forward; staff would come back during this period and be brought before Council for finalization.

Mayor O’Neal spoke to the lack of minority businesses or participation who could do some of the equitable work. For example, there were not black owned paving companies and wanted to use the information to take stock in which businesses were in Durham and which were not. She asked how did Council begin to create this type of business infrastructure while engaging in the equity infrastructure project process.

Deputy City Manager Johnson suggested that Director Pettigrew from the Office of economic and workforce development speak to the training and business development of minority owned companies that could complete the equity focused infrastructure projects in the future.

Mayor O’Neal announced a break from 11:07 to 11:23 am.

**SUBJECT: COMMUNITY DEVELOPMENT DEPARTMENT – DIRECTOR
REGINALD JOHNSON**

Director Johnson introduced his Assistant Directors Karen Lado and Terri Porter-Holmes and complimented the Community Development Department’s team members.

On behalf of the Citizens’ Advisory Committee, congratulations and acknowledgement was shared with Council Member Hyman on her elevation to the seat of At-Large Vacancy Council Member.

FY23 Community Development Department Presentation consisted of the following:

- Presented Organizational Chart – increase from 32 FTE to 37 FTEs;
- Performance Measures
- Resource Allocation Tables for Dedicated Housing Fund and Grants
- Budget Highlights:

Increase in budget for Multifamily Production/Preservation, Neighborhood Stabilization and Homelessness Services;
Results to include more rental housing, expanded technical assistance for homeless provides and issuance of RFPs for neighborhood small scale housing projection; and
Forever Home, Durham FY23 Budget approximately \$38.5 million.

Director Johnson detailed the proposed full-time employee requests. Council Member Caballero was appreciative that the Director made the full department request of five new FTEs and was supportive of the funding.

Council Member Williams asked if the city's efforts in homelessness and housing, were they working.

Director Johnson reinforced the significance of the challenge and spoke to the city's efforts to end homelessness of veterans, ensuring housing within 30 days. The resources were lacking to house all homeless within 30 days. As soon as corporations made their announcements of coming to the city, affordable housing initiatives become more difficult.

Council Member Williams inquired what would be used for housing for the employees of large corporations that had announced operations in Durham. He expressed his support for the work being done now and in the future in Community Development.

Council Member Freeman spoke to the need for familial income to be able to afford their housing, homelessness prevention initiatives, training opportunities and supporting families in being able to stay in their homes.

Council Member Freeman departed the meeting at 11:45 a.m.

Council Member Hyman appreciated the work by the Community Development Department and supported the new FTE request.

Mayor Pro Tempore Middleton asked about the \$38.5 million and how much of the funding translated into affordable housing units; and asked if any of the positions were related to the Forever Home program.

Director Johnson would follow up on the request on the financial information and confirmed that the five new FTEs were intended to support Forever Home program. Mayor O'Neal inquired how to integrate those disenfranchised by felony convictions into the housing programming.

Director Johnson appreciated the question and had discussed with staff how to be deliberate about including formerly justice-involved persons into programming. He added that couch surfing was not defined as homeless under the federal HUD guidelines.

Mayor Pro Tempore Middleton concurred with the Mayor's statement regarding justice-involved persons who have faced stigma and barriers to housing. He supported the city's work on guaranteed income and expunction.

**SUBJECT: OFFICE OF ECONOMIC AND WORKFORCE DEVELOPMENT –
DIRECTOR ANDRE PETTIGREW**

Director Pettigrew introduced his team from the Office of Economic and Workforce Development.

The FY23 Office of Economic and Workforce Development presentation consisted of the following:

Organizational Chart

Performance Measures

Resource Allocation Table- General and Grants

Budget Highlights

Durham YouthWorks Program

Momentum 360 Financial Academy Training Program

Durham Legacy Program and Registry

Hispanic Ecosystem and Outreach Program

Justice-Involved Transitional Jobs Program

Continuing Efforts

Brownsfield Environmental Assessments

Durham's Second General Business Survey

Council Member Johnson departed the meeting at 12:06 pm.

Mayor Pro Tempore Middleton appreciated the grants offered during COVID-19 and inquired about the status of the Built to Last program and its board composition; and spoke in support of shared economic prosperity.

Director Pettigrew would follow up with Council about the board composition and a program update.

Council Member Williams inquired about the Legacy Program and could a group retroactively participate in the program from budget cycle to cycle. He also asked about

eligibility for technical assistance for small business owners and about HUB certification support.

Director Pettigrew explained how the various programs were designed to assist small businesses with multiple stakeholders and spoke-like organizations; and confirmed that businesses in continuous operation for twenty + years were permitted in participating in technical support. He explained that the HUB Certification support programs involved the partnership of the Office of Equity & Inclusion, Office of Economic and Workforce Development and Finance Department; this partnership was designed to identify barriers that limit growth of HUB businesses in Durham, effectively conduct outreach and increase HUB-certified local firms.

Council Member Williams requested that the plan be formulated sooner rather than later; he spoke to engaging historically underutilized businesses, transportation construction and activating minority and women owned businesses and urged their identification. He also asked what was Durham doing to leverage economic growth that the State was experiencing and how could Durham take advantage of the projects.

Director Pettigrew explained how Durham County and Durham Chamber provided outreach, training, documentation of small business programs, and noted major companies coming to Durham had this expertise; and referenced the DEI (Diversity Equity and Inclusion) program in RTP and exchange of information and clients was being leveraged.

Council Member Williams explained his vision of Durham being an economic driver in North Carolina; asked what was Durham doing as it related to relationship building with major corporate entities; and expressed interest in dialoging with staff on revenue building. He also encouraged seeking a balance between corporate, national chains and local businesses.

Director Pettigrew concurred and supported staff playing a strategic role in current and future efforts.

Mayor O'Neal piggy-backed on Council Member Williams' remarks; asked how the city could be helpful in attracting businesses; addressed commercial centers such as Southpoint; and inquired about how to attract businesses.

Director Pettigrew expressed willingness to devise a more activist plan in determining which businesses were needed in designated areas.

Council Member Caballero stated that when the discussion takes place, encouraged there be trend analysis of how businesses were doing. She mentioned retail businesses were struggling.

Council Member Williams requested that labor be discussed at the local level with special mention of 'ghosting'; and expressed concerns about local businesses going out of business due to a deficit of staffing.

SUBJECT: COUNCIL COMMENTS

Council appreciated the information shared at the meeting and looked forward to the second day of presentations.

Mayor O'Neal adjourned the Budget Work Session at 12:37 p.m.

Diana Schreiber, CMC, NCCMC
City Clerk