

DURHAM



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CITY OF MEDICINE

June 15, 2015

Mayor Bell and Members of the Durham City Council:

I am pleased to present the Fiscal Year 2015-16 budget. This budget represents a significant effort towards accomplishing many of the initiatives identified in the City's Strategic Plan and Capital Improvement Plan (CIP). It is the result of a series of reviews and decisions that focus on where we have been, where we are and where we want to be in the next five to ten years. It thoughtfully places us on the path to achieving our strategic plan goals. The organization has developed a track record of open and honest dialogue, transparent decision making with a clear strategic vision. The budget continues investment in City infrastructure and maintains strong city services for a diverse and vibrant community. As described, the FY 2015-16 budget supports much for which our Durham community can be proud; a growing economy, quality services, responsive police, fire and emergency services. The City continues to invest in the priorities of the community including parks and trails, streets and sidewalks.

The investments made today will be expected to pay dividends, through increased economic growth, to support the City's vision to be the leading city in providing an excellent and sustainable quality of life. To accomplish this we need to collaborate with our community partners to support a safe community, in which residents and businesses can thrive, economic opportunities to provide resources and quality of life for our growing community. Underlying all of this is a commitment across the organization to foster a culture of innovation to address organizational and community issues. We will undoubtedly be continually challenged; however, as a community we will face those challenges together and emerge a stronger and more unified city.

Durham has an outstanding reputation for citizen participation in the budget process and has been nationally recognized. During this year's budget development process the City Council attended five "Coffees with Council" to gather input on the development of the upcoming year's budget and Capital Improvement Plan (CIP). Two Public Hearings were also held to receive comments from residents. The first, to receive input on priorities for the upcoming year, was held on March 2nd. The second Public Hearing was held on June 1st in conjunction with our annual e-Town Hall. This event was moderated by Ken Smith, the reporter/anchor at WRAL. Similar to last year, residents had an opportunity to submit questions in advance via e-mail, YouTube, Facebook and Twitter and hear City Council responses to those questions live on Durham Television Network (DTN) or via live stream on our website at DurhamNC.gov.



City Council budget retreats were held in February, which provided an opportunity for City Council members and Administration to discuss and confirm priorities for the upcoming fiscal year. Administration also briefed City Council on financial projections and major initiatives for the upcoming budget. The result of these transparent interactions yielded generally the same major community priorities, all of which are included in one or more of the Strategic Plan goals:

- Strong and Diverse Economy
- Safe and Secure Community
- Thriving and Livable Neighborhoods
- Innovative and High-Performing Organization
- Stewardship of City's Physical and Environmental Assets

City Council adopted budget guidelines to inform the development of the budget. These guidelines, along with the strategic plan, served as the framework for developing the budget, and included:

- The tax rate for the general fund should not exceed 34.34 cents (per \$100 assessed value), except as follows:
 - A portion of the tax rate may be transferred from the debt service fund to the general fund to supplant the loss of privilege license or sales tax revenue if the General Assembly does not provide a replacement revenue source.
 - A tax increase up to 1 cent (per \$100 assessed value) will be considered to fund priority public safety needs supported by data and strategy.
- The tax rate for debt service and cash funded capital shall not exceed 14.02 cents (per \$100 assessed value).
- The tax rate for the Solid Waste Fund shall not exceed 5.89 cents (per \$100 assessed value).
- Funding of the Downtown Business Improvement District (BID) will continue with a tax rate appropriation of 7 cents (per \$100 assessed value) on the property within the boundaries of the BID.
- The tax rate for the dedicated Housing Fund shall be 1 cent (per \$100 assessed value) property tax.
- The tax rate dedication for Parks and Recreation improvements shall not exceed ½ cent (per \$100 assessed value).
- The Transit Operating Fund will continue with a tax rate appropriation of 3.87 cents (per \$100 assessed value) property tax.
- General Fund savings balance will not be projected to fall below 12% at the end of FY2015-16. Projected General Fund balance over 12% may be considered for one-time (non-recurring) expenditures.
- Non-recurring funds should not be directed toward recurring uses.
- Fees adjustments will be considered, as appropriate, to align fee revenues with cost of services for better cost recovery rates.
- Proposed water and sewer rate increases will not exceed an average of 3.0%.
- Stormwater rates will remain constant for FY2015-16.

- Pay and Benefits:
 - Pay for Performance (P4P) pay plan for General employees (average increase from 3.0% to 3.5%)
 - Pay Plan for sworn Police and Fire employees (3.5% average)
 - Supplemental Retirement - 401K – increase from 4.5% to 5.0%
 - Medical and Dental insurance – the priority will be to limit increased costs for the City and employees while maintaining the actuarial viability of the Medical & Dental Insurance Fund
- Priority will be given to those requests that support strategic plan initiatives.
- Sidewalks will be given the highest priority in the Capital Improvement Plan (CIP).
- Funding for deferred maintenance shall be increased by \$100,000 from \$500,000 for FY2014-15 to \$600,000 for FY2015-16.
- The dedicated street resurfacing fund shall be increased by \$1,000,000, from \$1,000,000 for FY2014-15 to \$2,000,000 for FY2015-16.
- Expansion of public transit services will be evaluated within the 3.87 cents (per \$100 assessed value) tax allocation and the ½ cent sales tax allocation for transit.
- Fleet funding will not exceed \$3,000,000 for the General Fund.
- New positions will only be funded for a partial year when warranted by the timing of the actual operational impact on the budget.

BUDGET OVERVIEW

The total **budget** for **FY2015-16** is **\$388.2 million** compared to \$389.9 million for FY2014-15, a **decrease of \$1.7 million** (0.44%).

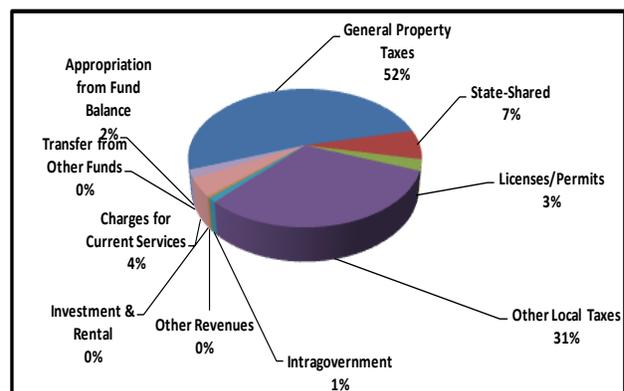
GENERAL FUND

The **General Fund budget** (which provides funding for core city services) is **\$171.8 million** and represents a **3.2 million (1.83%) budget decrease** from the FY2014-15 budget of \$175 million.

Revenues (budget-to-budget)

The General Fund shows:

- A **5.9% decrease in property tax revenues** recognized in the General Fund.
- A **5.9% increase in sales tax revenue**.
- A **99.6% decrease in Business Licenses** revenue due to the NC Legislature's actions to eliminate this revenue source.



- An overall increase in State Collected Local Government Revenues of 0.2%.

- A 0.7% increase in Powell Bill revenues
- A 3.0% increase in Beer and Wine tax
- A 1.7% decrease in Telecomm and Video Utility Franchise tax
- A 15.3% increase in ABC revenues
- A **295.4% increase** in transfer from **fund balance**.
- A **7.4% increase** in **inspection fee** revenues and a **5.3% increase** in **planning fee** revenues.
- Due to the substantial savings in Fiscal Year 2014-15, the City is projected to have a 23% general fund reserve to safeguard against economic uncertainty or emergency conditions.

Property Taxes

The property tax rate will remain the same at **59.12 cents** per \$100 of assessed value.

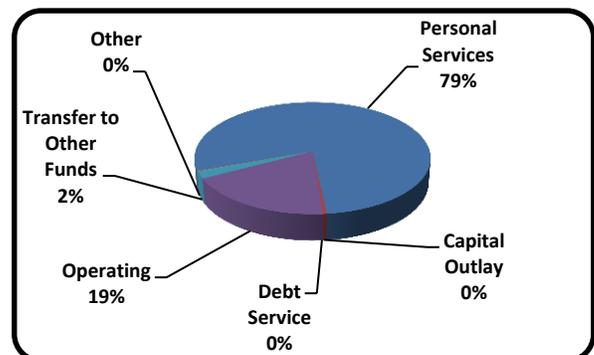
The tax rate is allocated as follows:

- **35.38 cents per \$100 for General Fund operations**
 - Decrease of 3.05 cents
 - Decrease of 4.15 cents per \$100 (reallocated to the Solid Waste Fund)
 - Increase of 1.00 cents per \$100 from the Debt Service Fund to partially make up for the loss of privilege license revenue (\$2.9M)
 - Increase of 0.10 cents per \$100 for continuation of Staffing for Adequate Fire and Emergency Response (SAFER) grant
 - Includes 0.50 cent continued funding for park and trail maintenance
- **13.02 cents per \$100 for Debt**
 - Decrease of 2.8 cents per \$100 of assessed value
 - Decrease of 1.70 cents per \$100 reallocated to the Solid Waste Fund; previously the contribution was transferred from the GF.
 - Decrease of 1.00 cents per \$100 reallocated to the General Fund to cover a portion of the loss of privilege license revenue
 - Decrease of 0.10 cents per \$100 reallocated to the General Fund for continuation of SAFER
- **5.85 cents per \$100 for Solid Waste (new for FY 2015-16)**
- **3.87 cents per \$100 for Transit**
- **1.0 cent per \$100 for Dedicated Housing Fund**

A tax rate of **59.12 per \$100 assessed value** generates a tax bill of **\$986.12** on a house valued at **\$166,753**, which is the median house value for the City of Durham according to the Durham County Office of Tax Administration.

Expenditures (budget-to-budget)

- **Personnel** expenditures increased by \$3.96 million (3%).
- **Operating** expenditures increased by \$1.2 million (4%)
- **Transfers** decreased by \$7.26 million (59.5%) due to the transfer to the Solid Waste Fund being replaced by the tax rate allocation.



WATER AND SEWER FUND

The **Water and Sewer Fund** budget of **\$88.7 million** adequately supports water and sewer operations and increased infrastructure debt service costs, a \$3.4 million increase over last year.

Revenues

Moderate increases for water and sewer volume charges and service charges are budgeted for FY2015-16. The total rate increase to **the average customer is about 3%**. Rate changes will become effective July 1, 2015, with implementation in the August and September billings.

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These rate changes account for the increase in water and sewer user revenues over the FY2014-15 budget. Lower consumption continues to drive customers into the lower rate tiers. Overall Water and Sewer Fund revenues (excluding use of fund balance) are budgeted to increase 4%.

Expenditures

Water and wastewater Capital Improvement Program (CIP) projects total **\$69.19 million to improve the infrastructure** required to ensure adequate water supply, treatment and delivery for FY2015-16. A \$19 million transfer to the CIP is planned for FY2015-16, about \$2.9 million more than the amount transferred in FY2014-15.

Operating expenses are projected to decrease by about \$60,000 (0.2%).

HIGHLIGHTS OF THE FY2015-16 BUDGET

The city aligns all of its activities with the citywide Strategic Plan goals (1) Strong and Diverse Economy (2) Safe and Secure Community (3) Thriving, Livable Neighborhoods (4) Innovative and High-Performing Organization and (5) Stewardship of City’s Physical and Environmental Assets.

INNOVATIVE AND HIGH-PERFORMING ORGANIZATION – Provide professional management that encourages a culture of innovation, collaboration, and transparency to deliver quality services through an exceptional workforce.

Leadership Development

- In Fiscal Year 2014-15 the City established a new **Executive Leadership Academy (ELA)**. This budget includes funding to expand that program to Assistant Directors and to focus on a full strategic approach for **aligning the leadership development strategies, programs and effective methods to target the leadership skills** needed to lead the City.
- To create shared leadership learning outcomes, our strategy includes understanding the **context through dialogue with executives** and **review other key feedback** such as the Employee Satisfaction Survey, Performance Feedback and 360 Feedback.
- Each leader will have an **individual development plan** and we will use a group leadership development plan and profile as a result of our 360 and other context information that will support the creation of a focused leadership learning curriculum
- Our goal is to have an **inclusive leadership development strategy and programs for all levels** of leadership (Emergent Leaders; New Supervisors; Managers, Assistant Department Directors, Department Directors and Executive Team).

Employee Compensation and Benefits

- Funding is provided to support an average **general employee pay increase of 3.5%** and to support **police (3%-5%) and fire (3%) pay plans**.
- The City's contribution to the employee **401K** provides additional retirement savings for employees. This budget includes an increase in the City's contribution to **5.0%** from **4.5% of eligible employees' salary**. State statute requires local governments to contribute 5% for sworn law enforcement officers.
- In accordance with State Statute, the retirement rate for general employees decreased from **7.07%** to **6.67%**. Law enforcement officers also experienced a decrease from **7.41%** to **7.15%** for the **Local Government Employees Retirement System (LGERS)**.
- **One of the objectives of our Strategic Plan, Goal 4: Well Managed City is to establish an exceptional, diverse, healthy and engaged workforce.** Our focus has been on greater analysis of benefits plan design, claims trends, and medical costs to ensure that health care costs are managed to the greatest extent possible. This is a nearly \$30 million fund insuring over 5,184 people. Administration also collaborated with the insurance broker to assist in identifying ways to reduce the cost of health insurance while continuing to provide a quality insurance plan for its employees. Due to the efforts above, **health insurance premiums are projected to increase by 3%, and Dental insurance premiums are projected to increase by 5.0%** for FY2015-16.
- As a result of program prioritization and the resources required, a total of **4 positions** will be **permanently eliminated**. Additionally, based on program prioritization and needs, funding is included for a total of **7 new positions**.

Strategic Plan

- The City's Strategic Plan is currently going through a **biennial update**. During the ten month process, we have sought input and direction from City Council, residents, employees, and other community stakeholders. Goals, objectives, outcome measures, initiatives and key priorities have all been assessed, with new measures and initiatives added. An important component of the update has been to **engage our residents, stakeholders and City Staff** in an effort to understand their **vision of the five strategic plan goals** and their **ideas for specific projects and activities**. Information obtained from the visioning sessions and surveys was used to guide the strategic plan update.
- The Strategic Plan outcome measures, objectives, intermediate measures, and initiatives have all shown **significant progress since the original adoption of the plan**. During FY 2014 and into FY 2015, a majority of the current initiatives are meeting or exceeding



target. In addition, **38 of the 91 initiatives have been completed**. The organization is trending in the right direction, but new initiatives from an updated plan are needed to continue this momentum.

Technology

- **AT&T and Google are preparing to install high speed fiber networks throughout the City** that will provide internet speeds up to 100 times faster than current connections. Funding is included for **contractual services to assist Public Works with the anticipated increase in permitting, utility location, and construction inspection** that will occur as companies install the high speed fiber network.
- The City and County will continue their partnership on **the shared Open Data project**, which will support both jurisdictions' goal to use technology to foster open, transparent, accessible, and collaborative government by sharing data freely. Funding is included for the Open Data portal and a consultant to implement the program which began on June 22nd.
- Funding is included for a **Smartphone application** for Durham One Call which will enable residents, businesses, and visitors to engage the City for non-emergency services and inquiries at any time.
- The City Clerk's Office will collaborate with Technology Solutions to enable the submission of **applications to boards and committees through the City Website**.
- This budget includes funding to enable **3D modeling of the City's GIS database**. 3D modeling will enhance developers and reviewers ability to see the impact of proposed development.
- Funding is included to continue the software integration, true-up licensing fees and annual maintenance costs for the newly implemented **NeoGov Applicant Tracking** system.
- One time funding is included for a **Performance Management System software** package. Durham has outgrown the current system and will need to either upgrade the current system or purchase a new one to include additional capabilities that Durham needs to move performance management forward. This tool will be a more **comprehensive approach that links budget, performance measures, and strategic planning efforts** all together so that managerial decisions can be made using a wide range of data. The software selected will report progress made on the citywide measures and initiatives, providing a **snapshot of performance to our residents** as well as provide a better tool for staff to use data to make better informed decisions.
- Funding is included for the purchase of an **Asset and Space Management System** for General Services. This system will allow for the tracking of City's assets as well as assist the department with addressing long-range repair and maintenance schedules.

An update of the **General Fund multi-year financial plan** was completed in November 2014. It provided information to clearly identify the gap faced at the beginning of the budget development process. This is a crucial component of planning for the future as this plan projects the financial impact of achieving the objectives in the Strategic Plan.

Employee Satisfaction Survey

The City's **biennial Employee Satisfaction Survey** launched in January 2015 with an **overall participation rate of 79% in Part I-General Survey and 77% in Part II-Direct Supervisor** (70% participation rate is excellent—80% is Best in Class). With a new vendor, new survey and technology we have embarked on a comprehensive rollout strategy for leaders and employees to understand the survey results. Our survey results **reinforced the following key strengths**: Employees are actively engaged by their supervisors, enjoy their work and its impact on the community, co-worker comradery and highly value their benefits package. The **challenges and opportunities for improvement** include: display and appreciation from City and Department Management, consistent

and fair application of policies and procedures (for promotions, performance management), job growth and advancement opportunities and a review of pay balanced against role, responsibilities and expectations. The target for ideas and completed action plans, City-Wide is September 1.

Resident Satisfaction Survey

The City's **biennial Resident Satisfaction Survey** will be launched this fall with a projected completion of January 2016. Starting in 1999, the City of Durham has conducted **a total of seven resident satisfaction surveys**. The survey results help the City determine priorities for the community as a part of the Strategic Plan and the ongoing budget planning process.

Durham First – Culture of Service

The Culture of Service organizational renewal and employee engagement effort continues to serve all 3 areas: self, co-workers, and community with the current committees focused on a variety of engagement and appreciation activities. The Durham First Steering Committee is reviewing current opportunities in an effort to **renew and rebuild OD and Talent Development Strategies and Programs**. Our work with the Culture of Service Strategy Team leads will continue to support any efforts for *service to co-workers* regarding possible action plans to address the results of the Employee Satisfaction Survey.



Communications

- Public Affairs conducted a **Communications Assessment** in FY 2014-15 to identify opportunities for improving organizational structure, accountability, and communications alignment and planning. The City has begun implementing some of the no-cost recommendations and will continue to do so in FY 2015-16.
- **One additional Customer Service Representative** has been funded for FY 2015-16 in Durham One Call in response to higher call volume and increased wait time for calls to be answered.
- Funding is included for a **Customer Service Assessment** to review how customer service is performed across departments, and to identify opportunities to improve efficiencies and standardize performance standards.

Accountability - The City continues to maintain its excellent fiscal status evidenced by:

- A continuing **AAA bond rating** by all three rating agencies, the highest measure of financial security and one attained by only 36 of the nation's more than 22,500 cities;
- **Unqualified opinions by independent auditors** of the City's financial statements and compliance with major federal and state grants;
- A **strong Audit Services department**, ensuring compliance with applicable laws, policies and procedures, in addition to operating a "fraud, waste and abuse" hotline;
- Continued effort to develop meaningful **performance measures** for all programs and services to communicate the return on the taxpayer's investment. These measures will also help us to continually improve as an organization by monitoring progress toward our stated goals.

Awards and Recognitions – The City continues to be recognized for its best practices.

- In 2014, The **International City/County Management Association (ICMA)** recognized the City of Durham with the **Certificate of Excellence** from the ICMA Center for Performance Measurement, for superior performance management along with leadership in continuous improvement and community engagement. Durham is one of only 29



- jurisdictions in the United States to receive this honor and the only one in North Carolina.
- The City of Durham ranked 17th place for having **the Best Managed Government Fleet in the nation** by 100 Best Government Fleets.
 - The City of Durham ranked 4th **Digital City in the United States** among cities with a population of 125,000-249,999, by the Center for Digital Government.
 - The **North Carolina City and County Communicators (NC3C)** awarded the City of Durham **first place in the Electronic Communications** category for the City Manager's Newsletter.
 - The North Carolina Chapter of the **American Council of Engineering Companies (ACEC/NC)** recognized **the American Tobacco Trail Pedestrian Bridge** as the 2015 Grand Award Winner for Engineering Excellence in Structural Systems.
 - **The Carolinas Parking Association** awarded the City first place in the **2014 Awards of Excellence for Parking Innovation** for the City's Comprehensive Parking Study. The Awards of Excellence recognize outstanding parking and transportation related projects within North and South Carolina.
 - **The National Association of Town Watch** ranked Durham 11th among cities with a population of 100,000 to 299,000 for the City's observance of **National Night Out**. Cities were evaluated on their overall National Night Out campaign, neighborhood participation, law enforcement involvement, media and promotional campaigns, and special events.
 - The Government Finance Officers Association (GFOA) presented the **Distinguished Budget Presentation Award** to the City's Budget and Management Services department for its 2014-2015 fiscal year annual budget. The GFOA's Distinguished Budget Presentation Awards Program is the only national awards program in governmental budgeting and more than 1,424 entries were submitted for this award.
 - **The National Community Development Association** awarded the City of Durham's Southside Revitalization Project the **Audrey Nelson Award** for the City's outstanding use of federal Community Development Block Grants (CDBG) and Home Investment Partnerships Program (HOME) funds. The Audrey Nelson Awards honor communities which exemplify outstanding achievement in service to neighborhoods and their lower-income residents.
 - The Purchasing Division was awarded the **Sustained Professional Purchasing Award (SPPA)** for 2014. The SPPA is the highest award a purchasing department or division can obtain within the Carolinas Association of Governmental Purchasing (CAGP). The award recognizes sustained excellence in purchasing standards during the previous calendar year. The criteria for the award include the use of technology, minority outreach, staff certification, customer training, vendor training, and the use of recycled products.
 - The City's Comprehensive Annual Financial Report (CAFR) was acknowledged by the **Government Finance Officers Association (GFOA)**. The City's Fiscal Year 2013-14 CAFR was recognized with the **Certificate of Achievement for Excellence in Financial Reporting**, the GFOA's highest form of recognition in the area of government accounting and financial reporting. Durham is one of only two Municipalities in North Carolina to win this honor.
 - The **Government Finance Officers Association (GFOA)** recognized the City's Citizen Financial report for **outstanding achievement in popular Annual Financial Reporting**. The City of Durham is the only North Carolina Municipality to hold all three National awards from the Government Financial Officers Association.

SAFE AND SECURE COMMUNITY – provide safe and secure neighborhoods which are fundamental to the quality of life and economic vitality of the City by helping the community enjoy a strong sense of personal safety.

Public Safety Services - Crime continues to be a concern of most residents. Feeling safe and lowering the crime rate continue to be important issues voiced by the Council and Durham residents during the “Coffees with Council” and other public input meetings. Ensuring that the Police department, Fire department and Emergency Communications Center (911) are staffed and properly equipped to protect our citizens continues to be a high priority in the FY2015-16 budget.

- Funding is included in the Fire Department’s budget for a **distance learning solution** reducing the number of times fire units are required to be taken out of service for continuing education.
- Funding is included to replace outdated **extrication equipment** (phase 2 of 4) in the fire department in order to adequately deliver safe and timely emergency services.
- Funding is included in the Emergency Communication Department to replace the existing **radio system analyzer test equipment** to support the new Motorola Radio System.
- Funding is included to support contracts with the Administrative Office of the Courts (AOC) for a **Domestic Violence Judge, Domestic Violence Assistant District Attorney, Witness/Victim Legal Assistant, and Gang Assistant District Attorney**.
- Funding is included for the joint City/County **Gang Reduction Strategy** initiative. The City contributes 50% for this initiative.
- The Transportation department has various functional activities that support Crime Prevention. **Funding is included to maintain existing lighting and provide additional lighting** in both **residential and thoroughfare areas**.

THRIVING AND LIVABLE NEIGHBORHOODS – strengthen the foundation, enhance the value and improve the quality and sustainability of neighborhoods.

Housing and Code Enforcement - Vacant and boarded properties continue to affect many neighborhoods in the community and are tied to property value decline and increases in crime.

- Neighborhood Improvement Services will pilot a new initiative to **secure open and dilapidated properties using cutting edge clear polycarbonate panels**. The goal is to improve the City’s aesthetic appearance and to assist the police with crime prevention. The department’s focus is to target proactive code enforcement resources primarily in City Council designated areas of the City.
- The **Code enforcement** office will continue to focus on compelling property owners to remediate code violations. The primary focus of FY2015-16 housing code enforcement will be the continued proactive inspection of rental property (PRIP) and remediation of boarded residential structures. To this end, funding is included for a **Code Enforcement Supervisor** to better manage the activities and services provided by this vital team.
- Neighborhood Improvement Services will continue to **enforce compliance** at substandard properties, **remediate unsafe houses, clean up weedy lots and remove graffiti and abandoned vehicles** from neighborhoods.

Targeting Distressed Neighborhoods – Staff continues to take a holistic approach to improve Durham’s most distressed neighborhoods.

- Funding the **Dedicated Housing Fund** with 1 cent (per \$100 assessed value) of the property tax rate to address housing needs.
- In FY2015-16, implementation of the **Southside Redevelopment (Phase I) project** will be nearing completion. The construction and sale of 15-48 additional homeownership units be complete well ahead of the initial three year schedule. The **Lofts of Southside** is expected to be completely leased. In addition to continuing with homeownership construction and sales, site preparation and infrastructure improvements associated with a **Southside (Phase II)** of homeownership development will be underway. Durham Community Land Trustees (DCLT), a local nonprofit, has applied for Low Income

Housing Tax Credits in partnership with McCormack Baron Salazar for the second phase of the mixed-income rental development.

- In support of the City's strategic initiative to address livable neighborhoods, **Community Development** will increase the number of houses served under its **Urgent Repair Program**. This program serves owner-occupants who are age 62 or older, or disabled and meet the income threshold.
- **The Neighborhood Compass/Community Indicators** is a collection of data on a wide set of variables (social, physical, crime, economic, etc.) that evaluates the quality of life in Durham neighborhoods and helps City government allocate resources and establish partnerships to increase accountability and target services to improve community conditions. The Compass was released to the public in May 2014 and included 41 measurements of neighborhood quality of life, the built and natural environment, essential demographics and more. Currently, the Compass includes 48 measures and in FY 2015-16, it will see further improvements and expanded public engagement.
- **Bull City Playstreets** events are a high-impact, low-cost way to encourage healthier behaviors by taking what we already have in our communities to help kids get active. The program was grant funded for two years with a mandatory General Fund support for the last year. The success of the program led the Department to develop an alternative way to continue this program with existing appropriation. The development of **Playstreet Mini Grants** have expanded the City's reach/outreach with the project by offering small mini grants to neighborhoods to design and conduct Playstreets in six low-income neighborhoods. The small mini grants have been used by the neighborhoods to leverage other funds and resources.
- A total of **\$2.2 million** is being dedicated for **Parks & Recreation Capital Improvement projects** (CIP) through debt service, impact fees and pay-go funding. Projects included in the funding are: Aquatic upgrades, athletic courts, parking lot upgrades, baseball field lighting, field renovations, and playground upgrades.
- The **Dedicated Park and Trail Maintenance Funding** that was approved in FY2015 - 16 continues to be used for operations, inspections, and deferred maintenance needs.

Transportation and Public Works

- **The DurhamWalks! Plan** update is funded. **The Departments of Transportation and Public Works** are working jointly to not only get the plan updated, but plan for the implementation as well. The City is providing the necessary **\$25,000** match for a \$100,000 grant to fund the plan update. The updated plan will allow for better prioritization of **sidewalk**, and other **bicycle and pedestrian** related projects.
- **Transit Services and GoDurham** (formerly Durham Area Transit Authority (DATA)) – The budget includes **3.87 cents per \$100 of the property tax rate** to provide continued funding to core transit services. Funding from the new ½ cent sales tax and \$7 motor vehicle fee enacted in 2013 for **Bus service improvements** helped to increase the frequency of bus services on overcrowded routes. These revenue sources in the FY2015-16 budget provide funding for needs identified in the **Bus and Rail Investment Plan** and the **Designing Better Bus Service Plan** and include **increased frequency** to ease overcrowding, **improvements to bus stops and facilities**, and **security enhancements**. **Fare free transit service on the Bull City Connector** continues providing fast, frequent fare free transit service between Duke Hospital, Downtown and Golden Belt. This service is provided in partnership with Duke University. Beginning August, the route is expected to be modified slightly to improve on-time performance and ridership. Efforts continue to develop and implement a **regional plan for transit**, including but not limited to integration of light rail, commuter rail, high speed rail and bus following a successful referendum in Durham in November 2011 for a ½ cent sales tax to support transit service improvements.

Solid Waste Services

- New for FY 2015-16, a portion of the tax rate (**5.85 cents** per \$100 assessed value) will be dedicated to the **Solid Waste Fund**. This will replace the former transfers from the General Fund and the Debt Service Fund.
- **New Transfer Station** – Construction on a new 15,000 sq. ft. transfer station at the City's Waste Disposal and Recycling Center (WDRC) is currently in progress and anticipated to be complete in the late fall of 2015. Waste Industries, LLC. is constructing the facility at no cost to the City, and will operate the new Transfer Station upon completion. **This is an approximate \$3.4 million capital investment by Waste Industries.** The City will assume ownership of the new facility once a Certificate of Occupancy has been issued.
- Solid Waste Management received funding (\$70,000) to conduct a **Waste Characterization Study** in FY 2015-16. This will allow the City to better understand what is contained in waste streams, and strategically address waste diversion and reduction efforts in the future.
- The monthly **Yard Waste fee** of \$6 increased to **\$7.50** to allow this optional service to recover the costs of providing the service.
- A **new truck wash** is part of the Capital Improvements Program and will be financed through debt service in the Solid Waste Fund. This will create efficiencies in Solid Waste operations.

Protecting the Environment - The City maintains an enhanced focus on sustainability to reduce greenhouse gas emissions and protect our environment.

- The City will launch a **Green Business Challenge and Recognition program** to encourage businesses to take more voluntary efforts to reduce their environmental impacts and recognize those that lead in this effort.
- The City will **expand litter prevention efforts** and **reduce litter-related waterway contamination** by engaging residents and partners to reduce litter accumulation along streets, parks and streams. This will be achieved through the second phase of the litter prevention pilot program which was funded through a grant to Keep Durham Beautiful.
- The General Services **Energy Management Program** has provided comprehensive energy review of plans for renovation and new construction and has **completed or initiated 21 energy improvement projects through the energy management CIP**. Once complete, the energy management CIP promises to save the city over \$130,000 in operational dollars annually.

Youth Programs - Providing year-round positive activities for youth is a continuing priority. Our goal is to engage youth through our city departments and support of local non-profits. The following are highlights of activities for youth, teens and others:

- Parks and Recreation will continue to **offer youth care programs (Afterschool, Summer Camp, Intersession camps, and Fun Days)** offered throughout seven City Recreation Centers (Irwin R. Holmes, Sr. Recreation Center, Edison Johnson Recreation Center, Weaver Street Recreation Center, Walltown Park Recreation Center, W. D. Hill Recreation Center, East Durham Recreation Center, and the W. I. Patterson Recreation Center), two shared-use sites (Holton Career and Resource Center and Community Family Life and Recreation Center at Lyon Park), and one outdoor park (West Point on the Eno).
- Parks and Recreation will continue **youth and family-oriented athletic services**. For example, Jr. NBA/Jr. WNBA and other youth basketball programs provide opportunities for nearly 600 youth. The Durham Girls Soccer League provides soccer programming for just over 300 youth. **Outdoor recreation program offerings** include: low ropes course programs at Spruce Pine Lodge, high ropes Discovery course programs at Bethesda Park, the adventure outings (kayaking, canoeing, etc.), community campouts, and community campfire programs.

- The City Manager's Office will continue its partnership with Durham County and Durham Public Schools to fund **two positions for the Durham System of Care, at a cost of \$70,000 to the City**. These positions facilitate the planning and implementation of programs which aim to **improve opportunities for at-risk and high risk youth**. These positions will work to implement the recommendations provided by IBM in its study of local youth services. A portion of the funding will also support strategic plan consultation to ensure that the positions are implementing IBM's recommendations as planned.

Arts and Culture – Durham's arts and culture is enriched by its history, heritage, and diversity. Thoughtful investment in arts and culture initiatives also generate significant economic benefits for cities.

- The City will continue its management agreements with the **Carolina Theatre**, the **Durham Arts Council** and **St. Joseph's Historic Foundation** for \$635,000, \$649,500 and \$292,000 respectively. In addition, funding is included to support the continuation of **public art** facilitated through the City's **Public Art Policy**. Funding is also included for the establishment of a **Durham Sports Commission**,

A STRONG AND DIVERSE ECONOMY – maintain and grow a strong and diverse economy through a variety of business, industrial and employment opportunities to benefit the entire Durham community.

Downtown Revitalization and Parrish Street - The Office of Economic and Workforce Development (OEWD) will continue efforts to engage business interests in neighborhood Revitalization, Downtown Development and development in other targeted strategic areas will continue to be pursued under the guise of the City-County Joint Economic Development Strategic Plan.

- This budget allocates **\$137,467 for Downtown Revitalization** to provide grants, incentives, professional services and special event-related costs to build economic strength in the expanded Downtown Tier.
- This budget allocates **\$121,171 in Parrish Street** funds for Building Improvement Grants, Retail, Service and Professional Grants, Historic Parrish Street Forum operating expenses and associated educational programming to further preserve the history, highlight the unique character, and promote the future of Parrish Street.
- An **additional \$100,000** is allocated for **Neighborhood Revitalization** projects.
- OEWD will also be an **active participant in the updating of the Downtown Durham Master Plan** and various Neighborhood Revitalization Plans. Emphases will be placed on **live-work-play spaces, high growth industries and a desire to build capacity amongst small businesses**, including those owned by people of color and/or women.

Job Preparation and Placement - The Office of Economic and Workforce Development (OEWD) will continue to provide services based upon the Durham Workforce Development Board FY2015-2017 Strategic Plan delivered through the NCWorks Career Center System to connect Durham businesses with local talent.

- This budget allows for OEWD to **provide high quality services to businesses** in conjunction with partnerships with the Greater Durham Chamber of Commerce, Durham Technical Community College, North Carolina Central University, Duke University and Healthcare System, Downtown Durham, Inc. and the City's Office of Equal Opportunity and Equity Assurance. OEWD will also work with other not-for-profit and governmental entities that provide resources related to the recruitment, retention, expansion and startups of businesses.
- OEWD will continue with **state-mandated integrated service delivery** to help improve customer service and create a seamless delivery system to assist jobseekers with the

services they need and help connect businesses to qualified workers. This will be achieved through the NCWorks Career Center System which focuses on **preparation, training, placement and retention of Durham residents** in career opportunities, especially those in high growth industries.

- \$200,000 is earmarked for the **Made in Durham** taskforce. The taskforce requested funding from Durham Public Schools, Durham County, and the City of Durham with the remaining balance to be raised by the private sector. The focus of the taskforce is to provide an education and training system that prepares youth to attain successful employment opportunities in the Triangle region.

Youth Employment Opportunities

- City, County and Durham Public Schools Departments, as well as private sector for-profit businesses and not-for-profit agencies will continue to hire youth for year round jobs through **Durham YouthWork Internship Program**, a partnership between the City of Durham, Durham County, Durham Public Schools, the NCWorks Career Center System, Durham Workforce Development Board, and private sector businesses.
- An **interlocal agreement** with **Durham Public Schools** will provide \$75,000 to place up to 50 students in summer work opportunities related to their **Career and Technical Education** goals. Students must be considered low-income to be eligible.
- Parks and Recreation provides a **free aquatic school** to train teens to attain lifeguard certifications, **leading to potential employment with the department**.
- **Job skills trainings** (Safe Sitter, Job Readiness Programs) are offered for teens at many recreation centers. **Campus tours** offer teens an opportunity to visit and learn about programs at local colleges.

STEWARDSHIP OF CITY'S PHYSICAL AND ENVIRONMENTAL ASSETS – thoughtful planning and operations that ensure the long-term viability of the City's infrastructure, facilities, and environment.

The **FY2016-2021 Capital Improvement Program (CIP)** is presented to the City Council in a companion document to the FY2015-16 annual budget. The capital improvement budget **includes \$87.9 million for new projects and to complete existing projects**. Funding is provided through impact fees, Water and Sewer revenues and revenue bonds, General Fund financings, pay-as-go funding, and Stormwater fees.

Funding is included for **\$12.9 million in General Fund capital projects** for projects that were deemed a priority and essential to the City's capital infrastructure needs. The remaining **\$75 million of CIP funding was dedicated to Water and Sewer and Stormwater** enterprise projects. The City is committed to providing complete and ongoing communications to citizens and the City Council about the progress of all projects. To monitor the status of any capital project, citizens can visit our website at (<http://www.durhamnc.gov/cip>).

During the bond campaigns in 2005, 2007 and 2010, voters were informed of possible tax increases to pay debt service on bonds issued for projects. **The FY2015-16 budget includes 2.80 cents per \$100 tax decrease for debt**, mainly due to pay down in principal of bonds.

The CIP budget includes:

- **General Capital Projects:**
 - \$1.12 million for Cemeteries Upgrades

- \$0.54 million for Citywide Security Upgrades, Ph. I (address security issues at Fleet, Solid Waste, GS, DPR and PWOC)
 - \$0.50 million for Energy Management Projects (City Hall HVAC/Lighting)
 - \$0.12 million for Facilities and Operations Fall Protection Safety (addresses OSHA safety issues for GS staff)
 - \$0.64 million for Aquatic Updates (address dehumidifier repairs Edison Johnson and Campus Hills pools)
 - \$0.36 million for Athletic Court Renovations (address Northgate, Hillside and Oval Park tennis and basketball courts)
 - \$0.18 million for Indian Trail Park (playground equipment upgrades)
 - \$0.73 million for Fire Admin. Bldg. Updates (addresses HVAC/Roof, etc.)
 - \$1.0 million for Fire Station #18 (land acquisition)
 - \$0.13 million for Solid Waste Annex and Truck Wash Study (Solid Waste Fund)
 - \$0.39 million for Parking Garages (elevator modernizations at Centre, Corcoran and Chapel Hill St. decks)
 - \$0.02 million for Public Art
 - \$0.18 million for Failed & Struggling Development Infrastructure
 - \$0.76 million for DurhamWalks Plan (new sidewalk design only)
 - \$0.50 million for sidewalk repair (citywide sidewalks and curb/gutter repairs)
 - \$4.114 million for Federal and State Matching Funds projects
 - \$0.57 million for Miscellaneous Thoroughfares (installation of pedestrian signals at various intersections)
- **Parks, Recreation and Open Space Impact Fees:**
 - \$0.12 million Aquatic Upgrades (Citywide Aquatic Master Plan)
 - \$0.16 million for Birchwood Park repairs (Parking Lot Upgrades)
 - \$0.22 million for baseball field lights at CM Herndon park
 - \$0.23 million for baseball field lights at Crest St. park
 - \$0.12 million for field renovations/expansion at Morreene Rd. park
 - \$0.10 million for amenity expansion study at Snow Hill park
 - \$0.10 million for upgrades at Twin Lakes park
- **Stormwater Projects:**
 - \$6 million to address flood plain management, drainage repairs, retrofits and major stormwater infrastructure
- **Water and Sewer Projects:**
 - \$69 million for water and sewer improvements including water and sewer rehabilitation, distribution, water residuals, and construction.
- **Fleet:**
 - \$5.6 million for General Fund, Solid Waste, Stormwater and Water Management fleet vehicles.
- **Street Maintenance:**
 - **\$2,000,000** to address annual **ongoing maintenance of streets and sidewalks**. The allocation was increased by \$1,000,000 from the previous fiscal year.

Other capital needs will be met in the operating budget:

- **\$600,000** for **deferred maintenance** to continue to address needs outside of the CIP. All deferred maintenance projects have been prioritized and funding will be applied in priority order.

- Funding is included in Public Works to address emergency road repairs following water main breaks.

CONCLUSION

As the nation emerges from a period of economic challenge, Durham is uniquely situated to become a leading urban city with a resurging downtown, blossoming neighborhoods, new commercial development and increasing employment opportunities for our residents. The City faces several challenges that will require a comprehensive, coordinated approach. One-fifth of Durham residents live in poverty and many of them are youth. An increasingly diverse population requires creative approaches to providing programs and services in order to effectively create an improved quality of life for all of Durham's residents, workforce and visitors. The surge in new development and economic activity must be balanced with environmental and neighborhood preservation. The City must be able to attract and retain a quality workforce that can meet the high service expectations of our community. And above all else, the City must maintain the fiscal discipline necessary to balance all of these complex needs. It is a simple fact that there will not be enough financial resources to address all issues and desires. We must embrace partners and leverage our resources to maximize the impact on the community.

In the coming years, we must continue to make community safety and its various components our top priority. To that end, we need to identify resources to address police staffing needs, fire disaster response and facility needs; build strong neighborhoods by providing opportunities for children and adults to enhance their role in society; sustain a clean environment; reduce blight; restore the infrastructure; and further develop the City's diverse workforce. Although the challenges seem beyond reach, we have been successful against challenges in the past, and I am confident we will do so again. Although we cannot solve all problems overnight, the FY2015-16 Budget represents the first steps on that path. The updated Strategic Plan aligns with the budget to continue a thoughtful approach to finding long term solutions to our challenges and accomplishing success.

Employees were recently given the opportunity to participate in a satisfaction survey to share their thoughts on a variety of different topics. Summaries from this survey were shared with you previously but I would be remiss if I did not admit to being somewhat disappointed in some of the results. While the City is doing well in some areas, the survey revealed a need for improvement in others. I am deeply committed to improving employee satisfaction in this city, not only because it's the right thing to do but because when employees understand the significance of what they do and their unique role in the bigger picture, then they provide a service much greater than anything I can do as a City Manager.

We have been progressively moving from traditional organizational management to performance management, ushering in a new era of more informed planning and decision-making with a focus on the results the community receives from its investment in City programs and services. Quite simply, it enables us to answer the question: What is the public getting for its money? A comprehensive performance-based management approach is aimed at managing resources more efficiently and in a more transparent manner to better communicate with the community. The performance-based program structure currently utilized in the budget book is an example by which the City can tell its story to the residents and businesses to increase understanding and appreciation of the services provided to the community.

In addition, the City is using benchmarks to see how its performance compares to other cities and national standards. With these comparisons, progress can be measured not only against ourselves but also in relation to similar sized cities across the country. These tools will help identify ways to invest dollars more wisely, to become more efficient and to improve services. At the end of the day, Durham residents will be able to see what benefits City staff is providing through the use of

community resources, and decision makers will have the opportunity to make more informed decisions on where to invest the public's tax dollars.

Over the past several years, through the vision and leadership of the Mayor and City Council and the dedication of every City employee and our partners throughout the community, Durham has truly evolved into a city rich in opportunities and community resources. On a daily basis, through the myriad programs and services provided through the City, an environment in which the entire Durham community can live healthy, safe and secure lives is growing. Our Mayor and City Council have continually made the difficult decisions for the betterment of the entire community. With this resolve, it is imperative that we continue to solve current issues with forward thinking solutions to position the City and the community for a better future.

I look forward to working with the Mayor and City Council as we continue to address the fiscal challenges posed by an uncertainty in the General Assembly and approaching cost increases. My appreciation to the management team for their creativity and prudent management, to all City employees who have continued to provide the best service possible with limited resources, and to all departments for all their good work in developing this budget. In closing, special recognition and thanks are provided to Budget and Management Services Director, Bertha Johnson and the entire Budget and Management Services staff as they have been at the forefront of not just the budget development process but also the continued execution of our Strategic Plan and Organization Development efforts.

Last week this nation quietly celebrated the 70th anniversary of the Victory in Europe; it seems timely to end with a quote by a man so pivotal to the success of that war. Dwight D. Eisenhower once said "Neither a wise man nor a brave man lies down on the tracks of history to wait for the train of the future to run over him." Durham will not lie down and simply wait for the future to happen but will work diligently to make Durham the leading City in providing an excellent and sustainable quality of life for its residents to live, work and play.

Great things **are and will** continue to happen in Durham!

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Thomas J. Bonfield". The signature is fluid and cursive, with the first name being the most prominent.

Thomas J. Bonfield
City Manager