

**DURHAM CITY COUNCIL VIRTUAL BUDGET RETREAT
THURSDAY, FEBRUARY 12, 2021 @ 10:00 am
VIA ZOOM**

Present: Mayor Steve Schewel, Mayor Pro Tempore Jillian Johnson and Council Members Javiera Caballero, Pierce Freelon, DeDreana Freeman, Mark-Anthony Middleton, and Charlie Reece.

Also present: Interim City Manager Thomas J. Wanda Page, City Attorney Kim Rehberg, City Clerk Diana Schreiber; and Department Heads were in attendance.

[CALL TO ORDER]

Mayor Schewel called the meeting to order and thanked everyone in attendance.

John Allore, Assistant Director of Budget and Management services, welcomed everyone to the meeting and introduced the layout for the meeting and gave an overview of the content.

Council Member Reece expressed excitement that Council Member Middleton was vaccinated for COVID-19 as a way to encourage those in black and brown communities to get vaccinated as well. He stressed the importance of the vaccination among all residents.

[AGENDA ITEMS]

PRESENTATION: RACIAL EQUITY BUDGET TOOL AND BUDGET ENGAGEMENT

Tony Thompson and Erin Parrish of Budget and Management Services gave a presentation and spoke to the following: racial equity, collaboration with other departments, interviews conducted with different municipalities, various trainings, the GARE tool, resource allocation, thinking critically about advancing racial equity, and identifying burden groups of various racial groups.

Council Member Freeman appreciated the layout of the work on why racial equity was so important and asked if an ordinance would be helpful that would enumerate what to look for on how to operationalize the racial equity data.

Ms. Parrish stated that the racial equity taskforce gave the department a good blue print on things to look for as it pertained to racial equity.

Council Member Freelon, asked if the water management racial equity lens was included in the presentation.

Mr. Thompson stated that water management was collaborative with BMS and was in mind when the presentation was put together.

Interim City Manager Page noted that the city had a racial equity enterprise plan and would look to have one specified in each department.

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Mayor Schewel asked what the future roll out would look like.

Mr. Thompson stated that the roll out would include the ability to expand capacity for future requests.

Mayor Pro Tempore Johnson asked if the city was using racial equity tools in order to determine which budget requests got funded and how.

Ms. Parrish stated that a small multi departmental team was to analyze the requests to ensure racial equity and then decided from there.

Mayor Schewel asked what ways were the requests evaluated in regard to race.

Ms. Parrish stated that they were looking at black and latin x communities.

Council Member Caballero asked if they had been thinking about other communities, such as disabled people, etc.

Ms. Parrish stated that they were taking everyone in to account.

Mayor Schewel expressed his support for the work and encouraged staff to advise council in any other ways that they could be of support.

PRESENTATION: FALL 2020 OUTREACH

John Allore, Assistant Director of Budget and Management Services gave a presentation and spoke to the following: videos were created on outreach efforts regarding the budget development process (a short excerpt of the video was played), the collaboration with other community stakeholders, utilizing virtual tools, various social pin points, and outlined budget process.

Mayor Pro Tempore Johnson asked if it was better to have community conversations in the fall as opposed to the spring and to bring in the county or school district earlier on.

John Allore, stated that he was aware of that desire and that it was on the table for the fall to allow for more resident feedback.

The Council gave a virtual thumbs up for approval of facilitating community conversations in the fall.

Council Member Caballero suggested still including the virtual component of the conversations even if the COVID-29 pandemic improved.

Council Member Freeman thanked staff for the information.

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Bertha Johnson, Director of Budget and Management Services also thanked staff and noted that the budget had critical components of all projects.

PRESENTATION: FINANCIAL PROJECTIONS

Bertha Johnson, Director of Budget and Management Services gave a presentation and spoke to the following: the general fund, water/sewer components, debt services, the primary fund, the current 53.17% tax rate, revenue that came from all types of taxes such as property and sales tax, 51% of the budget was designated for public safety (all emergency services), community building accounted for 8.8% of the budget, there was an 185k difference between the current year and last year, the city was doing better than was projected when the covid-19 pandemic first hit, inspection fees, the large portion of sales tax that came from construction work, the budget outlook, the 674k deficit, budget requests from departments that totaled 17 million dollars, the 11 council budget requests that totaled 2 million dollars, budget schedules, no increase on health insurance or dental insurance, the fund balance was projected to be at 24% and noted that the budget needed to be adopted by June 30th.

Mayor Schewel was happy that the city was doing better than initially projected.

Council Member Reece noted the budget deficit was 753k in the previous year and while the current year was not that far off, the council would still face hard decisions.

Council Member asked for confirmation that the city was actually doing better than the department thought last year.

Ms. Johnson confirmed that the city was doing better than her department thought it would the previous year.

Council Member Freelon asked Mayor Schewel if his previous budget concerns on other matters were alleviated since the city was doing better than expected.

Mayor Schewel stated that while the city was in better shape than expected, there were still other factors that were not yet accounted for. He noted pay for performance increases to City staff, city council budget requests, and police reform work as examples.

Mayor Pro Tempore Johnson asked if the city could expect to receive any federal aid.

Ms. Johnson, stated that additional resources would be ideal, but how they were to be used was the most critical.

Mayor Pro Tempore Johnson asked if any new requests could have been handled by carry over funds

Ms. Johnson stated that the city did not do that process in the current year, but would implement it back in the upcoming year.

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Mayor Pro Tempore Johnson asked if the city had a property tax chart that looked at other cities around the country.

Ms. Johnson advised that her department would work on providing that data to council.

Council member Caballero noted that the city did not increase employee pay last year due to constraints and council was not happy about having to make such a decision knowing how hard city staff worked. She also asked if the City took into account the 2023 Durham County revaluation.

Ms. Johnson stated that the Durham County revaluation was not taken into consideration until a closer budget year.

Council Member Freeman appreciated the presentation; noted that pay increases could be modified for city staff; and agreed that priorities regarding the budget should have been based on racial equity lens.

Council Member Middleton thanked his council colleagues for their comments; noted that a government could be doing well while the average person was not; and spoke to pay raises for city staff needing to be at the top of mind even though they had not been factored in yet.

Mayor Schewel echoed the comments made by Council Member Middleton.

Council Member Freeman asked that the data be separated by race and noted that single parent and single elderly households should have also been considered.

Mayor Schewel asked if pay raises were built into multiyear projections.

Ms. Johnson stated that they were not included in the current year, but were included in the projected 2023 budget. She stated that because no increases were included last year, the department did not want to presume that council was going to want to have it included in the current year budget since all of the information had not been collected.

PRESENTATION: CIP AND DEBT

John Allore, Assistant Director of Budget and Management Services and David Boyd, Director of Finance gave a presentation.

Mr. Allore thanked Vivian Cruz for helping with the meetings from behind the scenes.

Mr. Allore and Mr. Boyd spoke to the following: the fundable CIP, capital projects, process of maintaining a contingency reserves that ranged from 500k to 1.5 million dollars, suspension of CIP for FY 21, timeline of the budget, stat governance meetings, review of CIP projects, recommendations made to the City manager's Office in April, the fund

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balance, cash funding new capital projects, maximizing projects without running out of money, installment financing debt; affordable housing bond; and noted that the proposed budget was needed by May 17th.

Mayor Schewel asked about Fleet Services requests.

Mr. Allore stated that the city had a commitment to replace what they already owned, however they did not want new requests taking over that program.

Mayor Schewel asked if the 10-year plan reconciled with the balance sheet.

Mr. Boyd confirmed that the 10-year plan was reconciled against the balance sheet.

Council Member Freeman asked if there was a spreadsheet that indicated how much debt the city was carrying in total.

Mr. Body responded that the current data assumed that the city was already paying on all current debt.

Mayor Schewel requested a snap shot of all city debt for council.

Mr. Boyd stated that the 11 % tax rate was sufficient to cover any existing debt that the city has.

Council Member Middleton commended both Mr. Allore and Mr. Boyd for providing the information that council asked for. He also asked when and if the council had the flexibility to reallocate items in the CIP, even if that ability was years away.

Bo Ferguson, Deputy City Manager stated that the CIP was able to change with council priorities. However, current work would have to stop in its progress in order to shift to do something else.

Mr. Boyd reiterated the sentiments that Mr. Ferguson expressed.

Mayor Schewel asked about the funding for long meadow pool.

Mr. Ferguson advised that a new aquatics facility would be replacing that pool, but it was not going to be in the exact location.

Council Member Reece asked a Clarifying question about the term 'microwave upgrade'.

Mr. Boyd advised that it was a radio system improvement.

DISCUSSION: ECONOMIC IMPACTS

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Dr. Michael Walden, an economist at North Carolina State University gave a presentation and spoke to the following: the economy of the Raleigh-Durham triangle area, the economic and structural impacts of COVID-19, optimism for the local economy, job change number pre and post pandemic, taxes, unemployment, impacts by employment sectors, economic growth impacts, future trends, and gross domestic product numbers.

Council Member Freeman appreciated the breakdown of the information and asked if there were any predictions on 'baby boomers' and the impact of the economy on them.

Dr. Walden responded that the referenced demographic could become more prominent factors in the economy by being higher volume consumers.

Council Member Freeman asked if Dr. Walden had any suggestions on future vehicle technology investments.

Dr. Walden responded that gas taxes and maintenance of the roads were factors that needed to be considered and that the topic was something already being considered by the North Carolina General Assembly.

Mayor Schewel asked what could be done to recover the small business community after the effects of COVID-19.

Dr. Walden responded that setting up Capital Funding at a state and national level could assist with the recovery of small businesses.

Mayor Schewel thanked Dr. Walden for attending the Budget Retreat.

DISCUSSION: AFFORDABLE HOUSING BOND

Mayor Schewel opened the discussion for the Affordable Housing Bond and asked what the tax rate would have been to residents in the current year.

Mr. Boyd responded that the 1st round of debt was 45 million dollars and it was to be paid in 2023 and another 50 million dollars would be due in 2025. At that rate the increase in FY 22 to cover both rounds of debt would be 1.38 cents and 1.50 cents if they waited until the following year.

Mayor Pro Tempore Johnson asked why the numbers changed from the previous year.

Mr. Boyd stated that interest rates were lower.

Council Member Freeman asked a clarifying question as to whether the 1.38 cents tax rate increase would be separate or included in resident taxes.

Mr. Boyd advised that the 1.38 cents would be separate for the dedicated housing fund

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Council Member Reece noted that due to the small difference between the 1.38 cents and 1.50 cents that he believed the city could wait to move forward until the following year.

Council Member Middleton expressed support for moving forward with the tax increase for the Affordable Housing Bond due to the overwhelming support by voters.

Mayor Pro Tempore Johnson supported waiting due to residents being in tight economic situations due to COVID-19, but would support the will of council.

Mayor Schewel supported the tax increase in the current year.

Council Member Freeman supported waiting another year on the tax increase.

Council Member Freelon asked what the total difference would be for residents if the council waited until the following year.

Mr. Boyd estimated that the difference would be roughly 31 dollars to 34 dollars if the council waited.

Council Member Freelon supported the tax increase in the current year.

Council Member Middleton stated that anybody that supported the bond supported a tax increase, especially since it spoke to the core values of the City of Durham.

Council Member Reece stated that even with the tax increase, no actual buildings would be erected in the current year and that the question of waiting or not was more of a timing concern.

Council Member Caballero supported the tax increase in the current year.

Mayor Pro Tempore Johnson noted the will of the majority of the council wanted to move forward with the Affordable Housing Bond tax increase in the current year.

Mayor Schewel asked for a 'thumbs up' by council to move forward with the 1.38 cents tax increase for the Affordable Housing Bond.

Council decided to move forward with the tax increase in the current year.

DISCUSSION: GREEN INFRASTRUCTURE BOND

Interim City Manager Page asked Mr. Boyd to speak to the enterprise improvements.

Mr. Boyd advised that various projects could have been considered, but operational expenditures were not included.

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Mayor Schewel asked if things such as, sidewalks, trails, and bicycle infrastructure were examples of projects that could be applied to the proposed bond.

Mr. Boyd advised that they were.

Council Member Freeman asked if things such as traffic marking and street lights were also examples of projects that could be applied to the proposed bond.

Mr. Boyd advised that they were not. He also stated that the proposed bond was not intended for projects with ongoing expenses.

Mayor Pro Tempore Johnson expressed support for the item, but also stated that if it could wait for another year, she would have been supportive of that as well.

Council Member Middleton suggested community education in advance before making a decision. He expressed his support, but not for the current year.

Mayor Schewel asked about the timeline needed for a decision.

Mr, Boyd advised that the first action would have to happen by May if they wanted it on the November ballot.

Council Member Caballero asked if it did not make it on the 2021 ballot, when would the next opportunity be.

Mr. Boyd advised that he need to confirm with bond counsel and report back.

Mayor Schewel requested that staff provide more information using a racial equity lens at a meeting before May.

[CLOSING REMARKS]

Interim City Manager page thanked staff and council for their time at the budget retreat.

Mayor Schewel recognized all members of BMA and gave thanks for all work that went into the presentations.

[ADJOURNMENT]

Seeing no further business to come before council, Mayor Schewel adjourned the meeting at 2:50pm