

DURHAM CITY COUNCIL BUDGET RETREAT
Thursday, February 25, 2021 @ 9:00 a.m. – 1 p.m.
Virtual Zoom Meeting

ATTENDANCE: Mayor Steve Schewel, Mayor Pro Tempore Jillian Johnson and Council Members Javiera Caballero, Pierce Freelon, DeDreana Freeman, Mark-Anthony Middleton and Charlie Reece. Absent: None.

Also present: Interim City Manager Wanda Page, Budget and Management Services Director Bertha Johnson, Deputy Budget and Management Services Director John Allore, Budget Analysts Christina Riordan and Lindsey Bineau, City Attorney Kim Rehberg and City Clerk Diana Schreiber.

[CALL TO ORDER]

Mayor Schewel called the meeting to order and welcomed everyone in attendance at the virtual meeting.

Mayor Schewel requested a moment of silence in honor of former Transportation Director Mark Ahrendsen, who recently passed.

Director of Budget and Management Division Bertha Johnson welcomed everyone and reviewed the updated agendas for today and tomorrow's Budget Retreats.

SUBJECT: OPENING REMARKS

Interim City Manager Wanda Page introduced the third day of budget public meetings and noted that Council's remarks would eventually provide the structure for staff's budget recommendations; she thanked staff and their dedication and creativity and their renewed focus and purpose to develop a budget document that brings Council's policies and values alive.

Interim City Manager Page continued by stating this year's budget development was prioritizing employee compensation and intended to fully fund safety needs, protective equipment to protect against COVID-19, and emphasized that city employees were essential to the quality of life. Pay adjustment scenarios were being discussed today. She spoke of upcoming capital investments, looked forward to Deputy Manager Ferguson's presentation and discussing Council's priorities.

SUBJECT: EMPLOYEE COMPENSATION

Regina Youngblood, Interim Deputy City Manager for Administrative and Support Services, and John Scott, Interim Director of Human Resources, discussed the employee compensation plan, and presented a PowerPoint presentation.

Brief History of Employee Compensation from 2008-2019

2008-2017 Compensation Plan developed, never fully implemented, not adequately maintained

2017 Police and Fire Step Plans

2019 General Employee Step Plan and Open Range Plans

Open range structure to be adjusted every year

Step Plan structure to be adjusted every other year

City of Durham Pay Structures

Police- step plan for sworn police employees

Fire- step plan for sworn fire employees

General Employees- have two pay plans: step and open

FY21 Proposed Pay Plan - Pre COVID

Police structures moving 8%, 8.5%, or 9%

Fire structures move 7%, 7.5% or 8%

General Open Range move 3%

Police/Fire step move 5%

General employee pay for performance average 4.8%

FY21 Pay Plan - Post COVID

Nothing was put into pay plan

Where are we now?

All pay structures are due for adjustment

Police lags by at least 9%

Fire, 8% lag

Demographics of employees the pay plan will impact- graphs

Total # employees: 2,648 by racial grouping and pay structure

White: 1430

Black: 1044

Hispanic: 122

All Other: 52

Council Member Freeman requested that the income bracket of \$140,000 and above be broken up demographically.

Interim Human Resource Director Scott would follow up and provide this information to Council.

Variables Considered

Alignment with Compensation Plan

Market Position

Bonus v Raise

Variables Considered, continued

Amount of bonus and/or raise
Selective application of bonus and/or raise
 Merit, Salary, Pay Plan, Job Type
Equity
Available Funding - overall constraint

Bonuses v. Base Salary Increase

Bonuses: High immediate impact; rewarding/motivating; maintain flexibility
Raises: Org investing in employees- retention; maintain market position;
compound
 over time.

Average tenure: 10 years

Following scenarios are estimates:

Scenario 1

Raise and Structure: General 2% add to base; Police: 4% and Fire: 3/5%
Bonuses: General/Police/Fire: \$1,000 across board
Part-time: \$500 bonus
Figures do not include benefit estimates
Total cost: \$6,755,499

Council Member Freelon asked about metrics for merit based raises for Police; what metrics and behaviors are being incentivized in Police Department.

Interim Deputy City Manager Youngblood would provide this information to Council off-line.

Interim Deputy Manager Youngblood addressed the ranking of employees: ranked in EPEP with SMART Goals, Core and Departmental competencies; rankings: Exemplary (6%), Highly Effective (5%), Effective (4%), Minimally Effective and Ineffective (no merit increases & corrective action plan).

Scenario 2

Bonus structure ranked per < \$50K, <\$75k, > \$90K on equitable basis with differentiated bonus amounts
Total Cost: \$6.3 million

Scenario 3

Maintained structure adjustment and eliminated bonuses for public safety. Due to moving public safety structures, then only the general employees would see raises; this reduced overall costs.
Provided funding to general employees

Council Member Caballero asked raising base pay for Fire and Police employees in this cycle and how it would be impacted in upcoming cycles.

Interim Director Scott responded that the budget intended to chip away at the competitive margin/market alignment over the next few years by adding to base by 3-4% rather than the entire 8% in one cycle.

Interim City Manager Page added that market studies had to be fairly current and was so for a couple years since the market was constantly changing. The statistics displayed a point in time but that over time, the salaries increase in the Triangle.

Council Member Middleton noted that the city's economic capacity to offer higher salaries was possible with growth in the city; and questioned the bonus/Scenario 1, \$1000 bonus for PD and Fire, by asking if these were straight bonus not tied to anything meritorious.

It was confirmed that the employees who were meeting expectations would receive the bonus as displayed.

Mayor Schewel appreciated the creativity shown; one of the advantages for bonuses was that it could be taken out of one-time funding from Fund Balance. He also inquired about the multi-year, what would be built-in terms of pay as of FY23 and how would the plans comport with that.

Director Johnson intended to restore all pay plans in FY2023.

Mayor Schewel addressed the three structures, and asked what the additional cost would be if the lowest bonus was \$1000 combined with an equity bonus system. He clarified by stating that each employee would receive a \$1000 bonus, but for example for equity, lower paid employees would receive \$1500 or above. He also asked what was the assumption of the employee increases on the tax rate.

Interim City Manager Page stated there had been no assumption made on the general tax rate increasing beyond Council's previous decisions.

Mayor Schewel reiterated the one-time bonus funds would be coming out of General Fund.

Interim City Manager Page noted that flexibility still existed and that the budget process was still fluid.

Council Member Middleton asked if the bonuses could be achieved without a tax increase.

Interim City Manager Page confirmed that the bonuses could be achieved without a tax increase and noted the numbers continued to be refined; and stated it was not the option to increase taxes for staff salary increases.

Mayor Pro Tempore Johnson appreciated the approach with one-time money, supported the equity scale, and doing so without a tax increase. Overall, she supported the direction.

It was the consensus of Council to support the \$1000 minimum combined with the equity scale.

SUBJECT: GREEN AND EQUITABLE INFRASTRUCTURE

Deputy City Manager Ferguson presented the item, listed the potential projects under each category and explained how the projects were to be funded:

Overview

CIP Plans- ways to fund additional tranch of projects with green and equity focus

Current CIP does not approach full funding of capital projects
summary of projects

Considerations and Caveats

Cost estimates are preliminary

Racial equity analysis would be critical step in vetting projects on priority list

Most projects have not been introduced into community

Projects are not shovel ready

Capacity does not exist to deliver projects in presentation significant GF
resources may be needed to increase project delivery capacity

Project Categories with total potential costs

New Sidewalks: \$58.3 Million (M)

Sidewalk Gaps: \$4.1M

Sidewalk Repairs: \$16M

Pedestrian safety/accessibility intersection improvement: \$2.6M

Bicycle facilities: \$7.7M

Pedestrian Access to Transit: \$10M

Trail Construction/Repair: \$61.1M

Dirt Street Paving: \$5.6M

Renewable Energy Generation: \$13.5M

Energy Resilience: \$5M

Electrification of Transportation: \$7.2M

Energy Efficiency: \$18.5M

Waste Reduction and Circular Economy: \$13.8M

Enhanced and Equitable Green Space: \$2.8M

Total cost: \$224.M

Projects considered by not included

Park renovations or new amenities

New recreation centers

Street repaving

Street reconstruction

Capital Capacity Creation

Current CIP model maximized capacity within current 11 cent tax rate allocation
Additional tax revenue needed to create capacity
Staff presented financial considerations comparing bond issuance and referendum to create resources for CIP funding.

Bond Issuance Considerations

Requires referendum; one-time event
Must issue debt within 7 years of vote
Influx of dollars requires staffing to manage project load

Key Dates of Referendum

5/3 first council action
5/17 second council action
6/7 council public hearing
9/24 publish first notice of referendum
10/1 publish second notice of referendum
11/2 referendum
bonds likely issues no sooner than FY23
Can hold election any November

CIP Tax Allocation Considerations

Increase in fixed tax rate... check slide
End up with more capacity overall, provided projection
No vote required, no 7 year borrowing limitation

Mayor Schewel appreciated the context and options from Deputy City Manager Ferguson and Finance Director Boyd.

Council Member Freeman thanked staff for information that included total cost of \$224 million and appreciated the suggested methods to fund the CIP; asked about Duke Diet Fitness Center as an example of treating environmental work as educational; and asked if the availability of fund dollars would help or hurt going after Workforce Development dollars in order to pay for wages on the projects.

Deputy City Manager Ferguson responded that there were trail-like amenities around the South Ellerbe wetland (Duke Diet/Fitness Center) and that departments collaborated to treat environmental work as educational and where appropriate, recreational opportunities.

Deputy City Manager stated he would defer to Deputy City Manager Chadwell and EOEAD Director Pettigrew for their feedback and would follow up with Council about using Workforce Development dollars to pay for wages on the projects.

Mayor Pro Tempore Johnson supported all of the funding of the projects; and asked if some of the federal funds for transit could be used for some of the pedestrian improvements.

Sean Egan, Transportation Director, \$12 million CARES had been received and \$11 CRISA funding was expected; noted there had been cuts in state funding and losses in fare revenues; these types of improvements would be eligible but funding has been fully subscribed. New initiatives were expected to be funded by the Durham County Transit Plan.

Council asked how a deferred election would impact the bond referendum schedule.

Finance Director Boyd indicated the current timeline would be adhered to until there was concrete direction to defer the election; and stated that a bond could be placed on any November election.

Council Member Reece noted that all the options (infrastructure needs such as funding green & equitable infrastructure bond or additional debt capacity) would be funded out of the property and sales tax rates, that Council's decisions would increase the tax burden on all, but were especially burdensome on low income, long-time homeowners.

Council Member Caballero noted that funding the projects could be done by a mixture of a bond and changing the allocation to the CIP; requested more information on the possibility of offering a series of bonds (like Durham County's school improvement infrastructure bonds) due to the deficit; was anxious about the timeline of placing the bond on the November ballot and was concerned about the amount of community engagement required; and added the bond process allowed the public to decide.

Council Member Middleton spoke to the exhilarating and sobering nature of the budgetary realities; stated the items should be done but not necessarily this year; emphasized the need for racial equity analysis being undertaken in vetting which projects should be included due to the historic inequities and institutional and systemic racism in certain Durham neighborhoods; and specifically mentioned equity concerns focused on the Fayetteville Corridor, Cheek Road, Junction Road and Hayti. He did not feel that Council was ready to pursue the bond this year.

Mayor Schewel explained that the amount of the bond was up to Council.

Council Member Freeman mentioned that NIS equitable engagement work was underway, addressed reducing the city's carbon footprint and noted that waiting one year for a bond seemed inequitable for green infrastructure. She was confident that Council would ensure spending on equitable projects and emphasized that spending on green infrastructure would help the world.

Council Member Freeman noted that the County was working on programming for tax assistance to long-term homeowners; and re-emphasized her support for green and equitable infrastructure bond.

Council Member Freelon inquired with Deputy Manager Ferguson about creating a new CIP plan based on updated metrics that included a race equity lens, how much would it cost and how soon could the analysis be provided.

Deputy Manager Ferguson encouraged Transportation Director Egan be included into the conversation related to the tools and analysis related to the CIP plan and urged augmenting the plans with updated thinking rather than re-doing the plans, for example the Bike-Walk Plan of 2017. He continued that multiple departments could re-prioritize the plans by applying a race equity filter.

Transportation Director Egan spoke in support of equity, mentioned his discussions with Mayor Schewel and Bloomberg Philanthropies and the success of the shared streets and equitable community engagement. He noted that working through the projects by applying a racial equity filter could be achieved by activating Bloomberg's and the Center for Advance Hindsight's support in project reassessment. He continued that the priorities of the 2017 plan could be assessed with possible acceleration of other projects that had not met the plan.

Council Member Freelon urged re-evaluation away from business as usual toward a racial equity lens.

Council Member Middleton expressed his support for projects that reinforced racial equity, addressed the governmental record of inequity, expected hard conversations about shared economic prosperity and equitable improvements and noted that green projects were not usually controversial. Council Member Middleton questioned if there was enough time for community outreach/buy-in for the quarter of a billion-dollar equity bond from February to May 2021.

After additional comments regarding process, Council inquired about what the City Manager needed to move forward.

Interim City Manager Page requested that Council provide direction to staff to proceed with the bond referenda, or not. Also, if Council wanted to add funds to the CIP, or changing order or priority of projects, to continue tax increase discussion after looking holistically at the projects- that these were issues to be addressed; if Council was serious about a bond in November or whenever the election was to happen, then there were project refinements to make. Staff would need direction soon.

Mayor Schewel spoke to the situation where the election date was pushed back, then the November bond referenda would possibly be shifted to the municipal election into a 2022 election.

Mayor Schewel requested the City Attorney determine how the election process would work, related to the referenda date, if shifted to 2022. He continued, if the bond was able to be voted upon next year, there would be additional time to encourage buy-in; he identified with the urgency related to climate matters, quality of life and equity matters. Mayor Schewel spoke to considering taxation pennies for specific objectives for immediate purposes versus a bond referendum with a longer implementation process. He reiterated that he would like additional guidance prior to making a decision.

Mayor Schewel inquired with Deputy Manager Ferguson about what to consider about opting for the bond.

Deputy Manager Ferguson responded that staff could look at the universal projects discussed at the meeting; and do a sifting based on which projects were more shovel-ready or farther along in their development; that could inform the future discussion of timing. He noted that the City Attorney would provide additional information to guide Council about impact of shifting the election; and beyond that, hearing about priorities, which among the list peaked Council's interest, that would help with the about timing. Deputy Manager Ferguson noted that putting more resources toward the CIP with a tax increase was a less fraught conversation, putting the onus on staff to accelerate projects since the funding would come the soonest.

Mayor Schewel focused on equity analysis in that the community politics did not impact staff analysis and cited the Bike/Ped Plan.

Council Member Reece voiced a note of caution about moving the municipal election to 2022; spoke to discussions by the State Board of Elections Director; and emphasized that it was uncertain that Durham's local election would be moved.

Council Member Middleton appreciated the conversation regarding the green and equitable bond; and noted that some folks were loud since they had not been heard due to being historically oppressed. He was aware that staff was in tune with equity.

Mayor Schewel summarized the direction for moving forward:

- Date to begin action on the Bond: May 3
- Asked the administration to formulate a \$50 million potential bond,
- Ask staff to bring back in one month/six weeks to include what would be necessary from race equity standpoint for Council to vet the projects and to let Council know if the projects had already been successfully vetted.
- Ask staff to provide more details in shaping the current CIP. Current catalog of CIP projects, needed shaping.

Interim City Manager Page responded that putting a number forward of \$50 million was a first step, and noted that staff would need more guidance as to where to focus the \$50 million.

Mayor Schewel reframed the response to focus on categories.

Interim City Manager Page responded affirmatively.

Mayor Schewel continued that Council utilize the paired weighting/ranking process to prioritize categories of infrastructure.

Deputy City Manager Ferguson spoke to partnering with BMS staff to propose a quick exercise in ranking CIP categories within infrastructure projects and then sustainability projects.

It was the consensus of Council that staff prepare an exercise for Council to prioritize CIP projects.

The meeting paused for a break from 11:35 a.m. to 11:45 a.m.

SUBJECT: COUNCIL BUDGET REQUESTS AND FOLLOW-UP

Budget Director Johnson appreciated staff's efforts on the CIP; then introduced the next item and spoke to timeline and scorecard ratings.

Director Johnson presented the background to Council's budget requests from FY20-21 to current. Council submitted 11 budget requests totaling over \$2 million. She expanded on the timeline, noting that at the February 4th Budget Retreat, Council selected the scorecard ranking methodology and that staff would provide additional scoring of the projects, resulting in two score lists.

Budget staff distributed the scoring of Council's projects.

Council Scoring:

- DEAR Funds to Legal Aid/ \$150,000
- We Are the Ones/ \$250,000
- Immigrant Legal Defense Fund/ \$250,000
- El Centro Funding/ \$62,970
- Stipends for BCCs/ \$50,000
- Community Resiliency Fund/ \$250,000
- City Council Salary Equity/ \$79,876
- Language Access Coordinator/ \$68,226
- Grant Funding for BCCs/ \$50,000
- Basketball Saves Lives/ \$750,000
- Refugee and Immigrant Affairs Coordinator/ \$84,591

Staff Scoring:

- DEAR Funds to Legal Aid/ \$150,000
- Immigrant Legal Defense Fund/ \$250,000
- We Are the Ones/ \$250,000
- Basketball Saves Lives/ \$750,000
- Community Resiliency Fund/ \$250,000
- El Centro Funding/ \$62,970
- City Council Salary Equity/ \$79,876
- Language Access Coordinator/ \$68,226
- Stipends for BCCs/ \$50,000
- Refugee and Immigrant Affairs Coordinator/ \$84,591
- Grant Funding for BCCs/ \$50,000

Council Member Reece inquired about the City Council Salary Equity initiative, asking what new process would be required.

Deputy Director John Allore responded that Council would be moving from part-time to full-time; and that staff struggled with finding comparative analysis about what other councils received in compensation.

Council Member Caballero addressed language access coordinator and noted it should be a staff position rather than a Council initiative, noting that the City of Greensboro has had a language access coordinator for over ten years. She also addressed one-time versus recurrent expenditures.

Director Johnson referred Council to the backup materials provided by staff that contained non/recurrent analysis.

Mayor Schewel noted that grant funding and stipends for BCCs were not ranked high, were important but not expensive.

Mayor Pro Tempore Johnson asked about the process to rank the initiatives.

Director Johnson spoke to Council's selecting the top five items or allocating a dollar amount and that this information could be included into the Budget Development Guidelines. She requested Council's guidance.

During the time where Budget staff distributed the ranking results, Mayor Schewel requested clarity on a Special Meeting for the purpose of entering a closed session to discuss a personnel matter on Thursday, March 4, by asking if Council could attend the meeting at either 10:00 or 10:30 am.

There was Council consensus to begin the Thursday, March 4, 2021 Closed Session at 10:30 a.m.

Mayor Schewel requested the information be emailed to Council for review.

To allow time for review and taking the prerogative of the Chair, Mayor Schewel announced there would be a break from 12:04 p.m. to 12:15 p.m.

The meeting resumed at 12:15 p.m.

Mayor Schewel acknowledged that the following proposals were reflected on both, staff and Council, at approximately the same level:

- DEAR Funds to Legal Aid/ \$150,000
- We Are the Ones/ \$62,400
- Immigrant Legal Defense Fund/ \$250,000
- El Centro Funding/ \$62,970

Total cost: \$462,970 plus the portion of the We Are the Ones Fund.

Council Member Caballero requested clarity on the allocation to the We are the Ones Fund.

Budget Analyst Lindsey Bineau explained the allocation of \$250,000 represented the city portion of the We Are the Ones Fund; and stated staff recommended funding of the Ambassadors for information gathering of potential new projects moving forward. She also stated that Durham County had not yet committed funding to the We Are the Ones Fund.

Mayor Schewel referenced page 23 of the analysis: \$187,000 with one-third of the request as \$62,400 (split between We Are the Ones non-profit, Durham County and Durham City).

Andrew Holland, Budget Engagement Manager, responded to Mayor Schewel's questions about Participatory Budgeting Micro-Grants of which, explained the grant application process for non-profits and indicated the grant application deadline was March 17, 2021.

Robin Baker, Budget Engagement, updated Council on the We Are the Ones Fund process/timeline with the Durham County Commissioners.

Council Member Reece complimented Budget Analyst Bineau for her efforts on vetting requests by the elected officials; and addressed the uncertainty of funding from Durham County, costs of mutual aid centers and funding of the ambassadors.

Interim City Manager Page spoke to the proposal consisting of multiple funding sources, the city viewed the city's portion as one-third of the total costs; not having information about the total funding sources, the programming could be re-shuffled around the central initiative.

Mayor Schewel inquired about the recommendation about a potential stand-alone program of funding three of the nine ambassadors.

Council Member Reece inquired about the language access coordinator.

Interim City Manager Page explained that the language access coordinator position was requested twice, by staff and Council. It was determined that the position was high-priority for the administration and was being considered.

Council Member Reece thanked his colleague for bringing forward the City Council Salary Equity proposal. He spoke to the inherent discomfort about Council raising their own pay. He suggested codifying the increase, pegged to the living wage, effective January 1, 2024.

Council Member Reece spoke in support of adding stipends for volunteer boards, committees and commissions.

Mayor Schewel addressed the first four items.

It was the consensus of Council to fund the DEAR Program, Immigrant Defense Fund, a portion of We Are the Ones, and El Centro Funding.

Regarding the balance of items:

Council Member Middleton inquired about phasing out the Crime Cabinet; asked if the El Centro request overlapped with the Immigrant Defense Funding request; and supported the BCC stipends for equity purposes.

Council Member Caballero supported the first four proposals; and spoke to modelling the BCC Stipends after those offered at Participatory Budgeting Steering Committee: a form was offered and those who needed it, applied for it on an opt-in basis.

Mayor Schewel noted that El Centro funding was for supporting the organization's infrastructure and institutionalize the funding and that there was no overlap. Council Member Caballero confirmed this.

Council Member Freelon addressed re-evaluating We Are the Ones and the funding request from the County.

Interim City Manager Page addressed the expected support from the non-profit; and explained that a full scope of services would be written up prior to entering into the agreement with the non-profit and Durham County.

Mayor Schewel suggested that he and Council Member Freelon have discussion with Durham County Commissioners to advance the initiative. Council Member

Freelon welcomed the partnership. Mayor Schewel and Council Member Freelon would conduct outreach with the Durham County within the next week ending March 5th.

Mayor Schewel summarized the Council's support:

1. DEAR Funds to Legal Aid: \$150,000
2. We Are the Ones: \$66,700
3. Immigrant Legal Defense Fund: \$250,000
4. El Centro Funding: \$62,750

It was the consensus of Council to support the above items and the following additional items:

5. Stipends for Boards, Committees, Commissions, Taskforces: \$50,000
It was the consensus of Council to model off PB stipends by offering stipends with those persons who felt they needed it, could apply. Opt-in. This represented reportable income on W-9s.
6. Grant Funding for Boards, Committees, Commissions, Taskforces: \$25,000
To assist boards without staff liaisons and departmental budgetary support who were struggling with resource barriers.

In regard to City Council Salary Equity, it was the consensus of Council to activate the increases in Council salaries following the election cycle of 2023, effective January 2024. There was a need to formalize the increase with staff support.

7. City Council Salary Equity: \$79,876

The above initiatives would be funded with a cost of approximately \$604,450, in other words, a sixth of a penny on the tax rate.

Additional proposals were:

Language Access Coordinator: Public Affairs had submitted for the position.
Refugee and immigrant Affairs Coordinator: Continue conversations with Durham County as a split position between city and county. Position would address immigrant trauma and coordination between public schools and social/resettlement services.

Basketball Saves Lives: no comments

Community Resiliency Fund: no comments

SUBJECT: CLOSING REMARKS

Interim City Manager Page made closing remarks stating the discussions impacted the future of the City of Durham. As racial equity is centered in the organization and community, and considering the systemic racism existing today, it brings into focus how intentional everyone must be in deliberation and decision. You can count on staff to address inequities and to make things right and looked forward to the fourth and final Budget Retreat in the series.

ADJOURNMENT

The meeting adjourned at 1:17 p.m.

Diana Schreiber
City Clerk