

**DURHAM CITY COUNCIL WORK SESSION**  
**Wednesday, May 26, 2021 @ 9:00 a.m. to 1:00 p.m.**  
**Virtual Zoom Meeting**

The Durham City Council held a regular Work Session on the above date and time virtually via Zoom with the following members present: Mayor Steve Schewel, Mayor Pro Tempore Jillian Johnson and Council Members Pierce Freelon, DeDreana Freeman, Mark-Anthony Middleton and Charlie Reece. Absent: Council Member Caballero.

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

**[CALL TO ORDER]**

**MOTION** by Mayor Pro Tempore Johnson, seconded by Council Member Freeman, to excuse Council Member Caballero from the meeting at 9:01 a.m. by the following vote: Ayes: Mayor Schewel, Mayor Pro Tempore Johnson and Council Members Freelon, Freeman and Middleton. Noes: None. Excused Absence: Council Member Caballero. No vote recorded for Council Member Reece.

Council Member Reece arrived at the meeting at 9:05 a.m.

City Manager Page welcomed Council, staff and public to the meeting.

**SUBJECT: REVENUES**

Presenter: Interim Director John Allore introduced the *FY21-22 Proposed Budget Revenues* PowerPoint Presentation.

Presentation

Key Issues

- General Fund Revenue Summary
- Property Tax Rate Allocation & Growth
- Property Tax Projections, Budget to Actual
- Sales Tax Collections, Budget to Actual
- Other General Fund Revenues: Utility Tax, Licenses/Permits, Occupancy Tax, Powell Bill and Charges for Services
- Fund Balance: 12% (state recommended fund balance) 16.7% (Council adopted figure) thresholds; projected use of Fund Balance, remaining \$48 Million, and 21.5% leaving \$13.2 Million

Council Member Freelon inquired about the origin of the fund balance percentage.

Council Member Middleton requested clarity on the meaning of the fund balance.

Interim Director Allore responded that 16.7% of surplus of cash on hand in the General Fund+ at any given moment, but typically at end of year audit.

Presentation, continued:

General Fund Multi-Year Financial Plan

- Expected \$4.5 million deficit in FY2023 due to full pay and benefit restoration FY2021-22 Priorities
- Develop plan for American Rescue Plan Funds (to be discussed at 6/10 WS)

Council questions/comments:

Mayor Schewel inquired about the assumed growth in the property tax assumptions:

- 3% grown rate on sales tax, based on prior actuals and fiscal conservatism
- Multi year figures appeared good; and were conservative
- 1 cent increase next year could fund the full pay and benefit restoration plan

**SUBJECT: PAY AND BENEFITS**

Presenter: Human Resources Director Regina Youngblood made a PowerPoint Presentation called:

Presentation

Pay Changes

FY22 Salary Structure Adjustment Updates

- Each employee on a step plan will advance by 2% in salary (addressed alternate years)
- Proposed 7% salary adjustment for the Open Range employees for those employees at start of plan.
- Police Salary Structure- adjust by 4%
- Fire Salary Structure – adjust by 3.5%

FY22 Personnel Updates – Bonuses

- General, Police, Fire
- Part-time workers

FY22 Personnel Cost Updates

- Total \$7.7 million of which \$5.9 million is in General Fund

Benefits

- No rate increases for either plan or tiers within the plans
- Wellness Requirements- convert to self-reported health assessment plus four additional activities to qualify for wellness rate.
- New platform for Wellness Needs and to track performance in Wellness Program

Council questions/comments:

Mayor Schewel asked about an employee on the step plan and the person's estimate increase; and how many persons would be receiving premium pay as hazard pay.

Teams that did not allow for social distancing qualify for premium pay and is estimated at 5% pay of time worked; 1378 persons qualified, with a cost of \$3.7 million.

Example: Solid Waste truck crew member; 5% increase on top of both bonus and step plan with salary of \$34,000 could receive 11% effective increase over current pay.

Mayor Pro Tempore Johnson expressed concerns about having \$13 Million surplus in Fund Balance and that the explanation was not satisfactory; and asked if anything could be done in current budget to improve salaries/wages.

City Manager Page noted that operating budget was presented for recurrent expenditures as was exhibited in the multi-year estimates. Any additional add to base of funding would necessitate moving something from Fund Balance or creating additional revenue sources to cover expenses. One-time compensation items could come from Fund Balance. Communications in Mid-Day Moments were messaged frequently and wanted certainty regarding compensation prior to communicating with the city employees on a wide scale.

Mayor Pro Tempore asked if higher bonuses or higher allocations for retro pay could be offered.

Council Member Reece addressed employee pay in form of bonuses and raises; addressed allocations to the affordable housing program CIP critical investments, and favored more one-time bonus money. He stated that one-time bonuses did not cure the dissatisfaction of employees related to raises, addressed community problems and the offering small compensation this year and returning to the step plan next year. There had been challenges in the budget this year.

City Manager Page would request staff to run various scenarios for Council's review.

**SUBJECT: FINANCE / FUNDS**

Presenter: Finance Director David Boyd, presented *Heath and Risk Funds* PowerPoint Presentation

**EMPLOYEE INSURANCE FUND**

- self-insured; all employees have AETNA Insurance, all claim payments come from the City; for claims over \$250,000 were sourced from separate policy; estimate payout \$38 million in total health claims, paid by the city and employee contributions. Dental claims were also self-insured.
  
- No rate increase in FY21-22.

## RISK FUND

Self-insured up to \$ 1 million for Workers Compensation, Liability; and Property Claims Sides displayed how much money was in each fund

Mayor Schewel asked about the health and dental funds with projected balances.

Finance Director Boyd assured that both funds were in good condition within the reserves due to COVID; and were uncertain how FY22 would deal in potential spike in claims; however, there was a safety net.

Mayor Schewel requested the assumptions on claim costs and increases in both city and employee contributions in coming years

Council Member Freeman inquired about claim costs related to COVID related claims; and asked if there was a separate fund for lawsuits.

Director Youngblood responded that AETNA claims data would need to be explored for COVID related treatments.

Director Boyd noted that lawsuits were paid from the Risk Fund.

## **SUBJECT: CITY FACILITY MANAGEMENT (6 FACILITIES)**

Durham Arts Council – building owned by City; city pays for building envelope needs  
Carolina Theatre – building owned by City; city pays for capital & building envelope  
Durham Athletic Park- 'old' ballpark; City pays Durham Bulls to manage/maintain park  
Durham Convention Center- joint venture with County; Spectra Venue Management runs the facility; city pays base management fee, capped at \$300,000. Detailed funding. FY22 projected loss- city county expected to offset with \$458,000 each.

Durham Bulls Athletic Park – 'new' ballpark; city leases park to Durham Bulls. City pays costs that exceed \$250,000. City pays for debt to renovate and for capital needs.

Durham Performing Arts Center – PFM Nederlander pays operating costs; city pays management service fee to DPAC; city gets 40% operating profit up to \$2 Million.

Detailed profit history since 2010. FY21, no profits projected.

Separate DPAC Fund, additional revenue and revenue covers expenses.

Mayor Pro Tempore Johnson asked about DPAC, what will the city have to pay toward debt service and other expenses.

Director Boyd noted that reserves had been collected and were sufficient to get over the pandemic-induced deficits.

Mayor Schewel asked if losses could be covered by ARP reimbursement. City Manager confirmed that \$8.1 million would cover the ballpark deficits, but not those on the DPAC.

Council Member Freelon was interested in how the Durham Convention Center funds shifted and was supportive of Spectra as a partner; asked if there was data generated from conventions and festivals at the Convention Center and wanted this information incorporated into the discussion.

Finance Director Boyd concurred about the vibrancy brought to the city by the convention center and noted Discover Durham had data on the spin- off of economic impact of the convention center.

Finance Director Boyd confirmed that PPP funds had run out and shuttered venue funds were available to performance spaces closed during the pandemic and noted that Sharon DeVries collected this information.

Council Member Middleton concurred with Council Member Freelon on the value of arts being brought to city; and did Carolina Theatre bring monthly to city and why was the Durham Armory not included.

Direct revenue was not brought in by Carolina Theatre; however, the city operated the Durham Armory.

Council Member Freeman asked if the facilities had operating agreements and how were they arranged as she had not seen agreements for DPAC or Durham Bulls.

Director Boyd stated city did not have expertise to operate music venues and convention centers. A long-term agreement was held with Nederlander and the Durham Bulls Ballpark. The DPAC and Durham Bulls Ballpark were thirty year agreements. For additional details, staff could request this information for Council from DPAC and Bulls Ballpark.

City Manager Page noted that the administration reviewed the budgets/audit reports and that this information went to Finance and the Administration for review and comment regularly.

**SUBJECT: CIP**

Presenter: Interim Budget Director John Allore presented the *CIP Recommendations* PowerPoint.

Presentation

General Fund CIP Funding Plan

- Green and Equitable Infrastructure included
- New GF CIP Plan recommendations 1 thru 17 projects.

10:48 am

Sidewalk Repair of \$15 million, Hoover Road Athletic Park finishing up, Green/Equitable infrastructure – where is funding?

CM Middleton transformation budget to address historic inequities and disparities in Durham; favor using the CIP process to take opportunity to develop a 'Marshall Plan' for legacy neighborhoods or those historically disinvested by focusing on Merritt Moore, Hayti or Braggtown, to demonstrate the city's commitment to equity.

City Manager Page addressed CIP funding to prioritize and make equitable decisions. Mayor Schewel spoke to unpaved roads and that they needed to be high priority.

Christina Tookes, GIS, Kerry Goode/TS, ESRI tools were used and were critical in was useful for residents.

Council Member Freeman concurred with Council Member Middleton about support for legacy neighborhoods with paved roads and sidewalks; and appreciated the evolution of the CIP and staff's efforts. She urged that MWBE and local funds be spent on the project itself and requested that the racial employment information be displayed on the slides on spending for capital improvements.

Council Member Middleton re-emphasized the commitment to pave roads as an equity project and noted that unpaved roads historically represented disadvantaged areas.

Council Member Reece reminded Council that the CIP tax rate would be increased and what would happen to the appropriations.

Interim Director Allore referenced the operating budget and the process of figuring out the details. The funds would be put into an unauthorized appropriations and then work out the process around that.

Council Member Reece asked about the identification of projects and timeline of putting out bids.

Allore responded that projects were identified.

Council Member Reece asked why the tax rate would be raised without spending the funds this year.

City Manager Page addressed Council's concerns about spending money on projects that had not yet been specifically identified or else were already set up; the city may be able to get design work and that most projects had lead time; and that new projects had expectations had to be set. She committed to allocating funds aside for specific purpose, that was possible and transparent.

Council Member Reece inquired about logistics about raising tax rate ½ % and that the projects had to be figure out and that put into the field. Then was the ½ cent in the budget to collect taxes put aside this year and then were the funds place in the bucket for the future.

City Manager Page responded on what happened when taxes were raised; generated a revenue source to pay for projects and debt; if we raise taxes this year, we will have additional funds to allocate to programs. The programs were not identified yet since the city did not have the tax revenues yet.

Director Boyd spoke to setting aside a date to have shovel in the dirt; spoke to ½ cent of funds being generated and the capacity issues; if choose not to raise the tax rate this year, the revenue generation would be delayed; increasing the tax rate, increased the city's capacity to execute projects.

Council Member Reece noted that ½ cent increment created \$6 million, what did the extra capacity do for the city this year.

Director Boyd noted that if projects were identified and executed this year, that it could be allocated to next year.

Council Member Freeman asked Director Boyd if new bus routes or bus stops could be allocated to projects this year.

Director Boyd confirmed that the funds could be utilized in this fashion.

Interim Director Allore spoke to NIS as an Engagement stakeholder.

Mayor Schewel asked Jina Probst, Kerry Goode and Marvin Williams turn on their cameras to be recognized.

Mayor Schewel called for a break at 11:15 p.m. The meeting resumed at 11:22 a.m.

**SUBJECT: COMMUNITY DEVELOPMENT**

Presenter: Reginald Johnson, Director of Community Development, spoke to plans for the upcoming fiscal year and presented the *Community Development* PowerPoint.

Presentation

Organizational Chart of department

Resource Allocation Table

Budget Highlights- two new staff to support Forever Home, Durham (neighborhood stabilization) and homelessness programming. Support MWBE firms to navigate procurement processes in Forever Home, Durham projects.

Mayor Schewel requested Council's questions and comments.

Council Member Reece inquired about County grant program with Department of Social Services:

City Manager Page spoke to daily communications between stakeholders; grants to be given to city residents to support a portion of a resident's taxes.

Director Johnson noted that the deadline had been extended and applications were being accepted currently.

Bertha Johnson Interim Deputy City Manager noted the County Commissioners would be discussing the topic on Thursday at their hearing.

Council Member Freeman spoke to the Walltown neighborhood and expressed a request for this neighborhood to be included due to gentrification pressures.

Director Johnson thanked Council Member Freeman for her request; stated the rationale for areas that had been chosen and was willing to look at this and get back to Council.

Council Member Reece opposed geographical limits and voiced support for the program being city-wide and favored an expansion of the program.

Council Member Middleton inquired about MWBE firms by asking what was the percentage goal to get contracts into minority hands for Forever Home, Durham; and addressed concerns about starting earlier in the process in MWBE efforts.

Director Johnson stated that it was approximately \$130 million; and noted that just because the firm was hired, the MWBE goals were on-going with the firm providing support for outreach and working with compliance and contracting. For Durham Housing Authority work, MWBE goals were ongoing currently.

Council Member Reece spoke to the staff additions and growing capacity of the Community Development Department.

**SUBJECT: NEIGHBORHOOD IMPROVEMENT SERVICES**

Presenter: Constance Stancil, Director of NIS made a PowerPoint presentation titled, *Neighborhood Improvement Services*.

Presentation

Resource Allocation Table

Budget Highlights – NDO

Key GY21 Budget Highlights-Divisions: Community Engagement, Human Relations, Impact Team and Code Enforcement. Audio- NIS staff instructing residents how to present themselves with data/facts to achieve their objectives.

FY22 Budget Significant Initiatives

Director Stancil complimented her staff for their outreach and commitment to community members.

Council Member Reece requested clarification on the Substantial Equivalency Issue.

Assistant City Attorney Sofia Hernandez clarified the terminology; and spoke to the ordinance being equivalent to federal laws, similar to the Federal Fair Housing Act/HUD and local Fair Housing Ordinances.

Council Member Reece requested conversations with the City Attorney's Office in Aug/Sept to discuss the source of income discrimination in housing; and complimented the NIS Department staff.

Council Member Freeman noted that residents were complaining about rats/rodents in empty, private lots and would forward correspondence to the NIS staff; and complimented NIS staff for being point persons for governmental navigation. She also appreciated the College Heights and Stokesdale Historic (pending) markers and the collected stories from the neighborhood members.

**SUBJECT: ECONOMIC AND WORKFORCE DEVELOPMENT**

Presenter: Andre Pettigrew, Director of the Office of Economic and Workforce Development

Presentation

Organizational Chart

Resource Allocation Chart

Budget Highlights

- Youth initiatives (Merck, Pfizer, solar sector)
  - o Built2Last
  - o YouthWorks
  - o Small Business Capital Access and technical assistance

Set aside of \$10,000 for legal prep work; \$70,000 for managerial support of Durham Compact into new non-profit.

Durham Workforce Development Board member selection outreach was underway for a total of three persons.

Council Member Freeman expressed concerns about operations and commercial gentrification along with residential loss of properties. Persons of color were being harmed around the business side of the conversation and stated it was not enough. She stated she was looking to Mr. Pettigrew about how to make the process more actionable.

Director Pettigrew responded that relationship building and technical assistance was underway and had been expanded since Spring 2020; and noted his staff had been pushing the shared prosperity agenda with special mention of the Innovation Lab. He

stated that there was a grant proposal for federal grant funds in process and anticipated American Rescue Funds for this purpose.

Mayor Schewel inquired about the \$100,000 for technical assistance and how would it be provided.

Director Pettigrew spoke to community based entities on the ground for business development groups with existing city relationships and mentioned the Black Chamber was the organization to accomplish this. He was working on the Latinx community for a similar service provider(s).

Mayor Schewel spoke to getting the Equity Fund together and the difficulty in accomplishing the task; and offered assistance in any way to be helpful in the process. He was appreciative of the YouthWorks program.

Council Member Freeman asked about the MadeinDurham Program.

Director Pettigrew responded that MadeinDurham supported the summer program and explained how youth were being engaged in the program.

**SUBJECT: CLOSING REMARKS**

Interim Director Allore responded to Council Member Freeman's list request. He stated that OEWD submitted 4 budget requests and all four had been moved ahead within the budget process; and noted that MadeinDurham had been entered as re-current funding.

City Manager Page addressed the recurrent status of MadeInDurham and stated the partnership pre-dated the current budget year; and mentioned the background of the decision, being that Durham County approved of re-current funding and then the City approved; and the line item was included as 'on-going support'. She noted that Council would receive background information prior to budget adoption.

Council Member Freeman asked about the number of persons engaged with the program and asked about the oversight process of non-profits such as MadeInDurham within the budget allocation process.

Meeting adjourned at 1:09 p.m.

Diana Schreiber  
City Clerk