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June 20, 2011

Mayor William V. Bell and Members of the Durham City Council:

I am pleased to present the budget for Fiscal Year 2011-12. The annual operating budget is the most important policy decision elected officials consider on an annual basis. This budget is intended to allocate limited resources to the highest community priorities. During the budget development process we prioritized programs and initiatives, scrutinized expenditure requests, and sought opportunities to improve efficiency while ensuring that essential public services continue to meet the needs of the community. Although this process was challenging, the prudent decisions made over the last few years proved to reduce the initial budget gap. Though less difficult, this process continued to require tremendous effort, commitment and teamwork from the operating departments and budget staff. I am confident the budget is fiscally responsible and addresses the needs of Durham citizens.

Durham citizens' budget process participation has been nationally recognized. During the development of this budget we held five "Coffees with Council" and a "Citizen Engagement Workshop" focused on the Strategic Plan and staff attended various other community meetings to confirm the community's budget priorities. City Council Budget retreats were held in February which gave City Council members an opportunity to discuss and confirm priorities for the upcoming fiscal year and for the administration to brief the City Council on financial projections for the upcoming budget. The result of these transparent interactions yielded generally the same major community priorities, all of which are included in one of more of the Strategic Plan goals adopted by the City Council:

- Safe and Secure Community
- Strong and Diverse Economy
- Well-Managed City
- Thriving and Livable Neighborhoods
- Stewardship of City's Physical Assets

Also, to guide the development of the final recommended budget the City Council adopted budget guidelines. These guidelines once again served as a critical framework for developing the budget, and included:

- *A **property tax rate** increase will be considered for increases in debt service costs.*

- *General Fund projected **fund balance** will not be projected to fall below 12% at the end of **FY 2011-12**. Projected General Fund balance over 12% may be considered for one-time (non-recurring) expenditures.*
- ***Non-recurring funds** shall not be directed toward recurring costs.*
- *Consider **fee** adjustments, 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 5%.*
- *Proposed **stormwater rate** increases will not exceed 10% for National Pollution Discharge Elimination System (NPDES) for required monitoring, maintenance and watershed plan implementation.*
- *Total **debt service** funded through General Fund revenue sources will not be projected to exceed 15% of General Fund appropriations.*
- *The following **pay and benefit** components will be evaluated with appropriate adjustments proposed (including one-time lump sum payments):*
  - *Pay for Performance (P4P) pay plan for general employees*
  - *Police and Fire pay plans*
  - *Supplemental Retirement -401K*
  - *Medical and Dental insurance – the priority will be to limit increased costs for the City and employees.*
- *To the extent funding is available, priority will be given to those initiatives that support the **Strategic Plan**.*
- *Funding for **deferred maintenance** will be maintained at the FY 2010-11 level of \$500,000 with an aggregate not to exceed \$1,000,000.*
- *A dedicated **street resurfacing fund** to provide pay-as-you go funding or for debt service payments for voter approved debt will be established at a minimum of \$500,000.*
- *Funding for the **Non-City Agency (NCA)** program will not be included in the FY 2011-12 budget. (Capacity grant recipients were paid the 3<sup>rd</sup> year/final payment in FY 2010-11.) Departments are encouraged to consider contracts with NCAs that support departmental programs and activities.*
- *Funding for **capital projects** will be provided in the form of pay-as-go funding or for debt service payments, and will be established at a minimum of \$500,000.*
- ***Public transit services** including consideration of route adjustments such as the downtown connector and fare free services options should be evaluated within the 3.2 cents per \$100 allocated for Transit Services.*
- ***Fleet** funding will be maintained to replace vehicles with costs not to 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.*
- *\$138,000 will be provided to support the contract with the NC Administrative Office of the Courts for **Domestic Violence**.*

- \$150,000 will be provided to fund agencies that support **homelessness and homeless prevention services**.
- Commit \$437,500 per year for the next 4 years (FY 2012-13 through FY 2015-16) to complete existing **housing activities** in South West Central Durham & North East Central Durham.

## BUDGET OVERVIEW

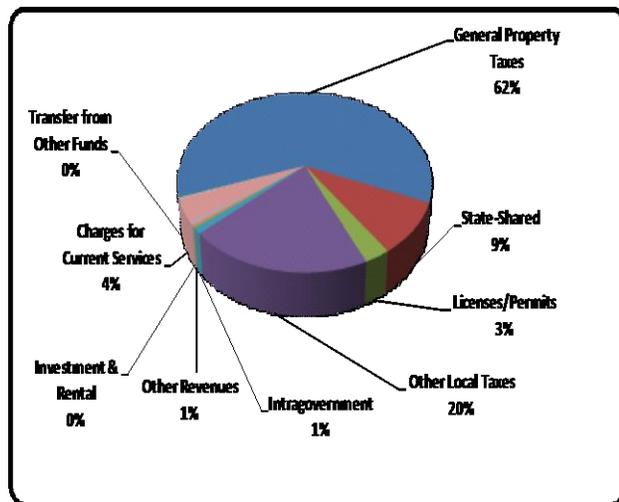
The total budget for FY 2011-12 is \$362.5 million compared to \$353.3 million for FY 2010-11, an increase of \$9.2 million (2.6%).

## GENERAL FUND

The General Fund budget (which provides funding for core city services) is \$182.8 million and represents a \$23.2 million (11.3%) budget reduction from the FY 2010-11 budget of \$206 million.

### Revenues

- The General Fund shows a 15.4% decrease in **property tax** revenues recognized in the general fund due to the change to recognizing property taxes to support debt service in the newly established debt service fund. The net tax revenue increase to the general fund is 2.0%.
- A 10.5% decrease in **sales tax**.
- An 8.0% increase in **Business Licenses** revenue.
- Overall increase in **State Collected Local Government Revenues** of 5.4%.
  - A 3% increase in **Powell Bill** revenues.
  - A 200% increase in **Beer and Wine tax** revenues due to the expiration of the 2/3 reduction imposed by the State.
  - A 1.0% increase in **Utility Franchise Tax**.
- A 100% increase in transfer from fund balance. No transfer from **fund balance** (savings) was used to balance the budget last fiscal year.
- A 7.6% increase in **inspection fee** revenues reflects a moderate building fee increase adopted in May 2011, and a 5% increase in **planning fee** revenues reflect an expected slight rebound in development activity projected for FY 2011-12.
- A 49% decrease in **investment earnings**.



### Property Taxes

The budget includes a **property tax rate increase of 0.56 cents per \$100** of assessed value increasing the tax rate for FY 2011-12 to **55.75 cents per \$100** of assessed valuation compared to the **FY 2010-11 rate of 55.19 cents per \$100** assessed valuation. **The tax rate of 55.75 cents per \$100 is allocated as follows:**

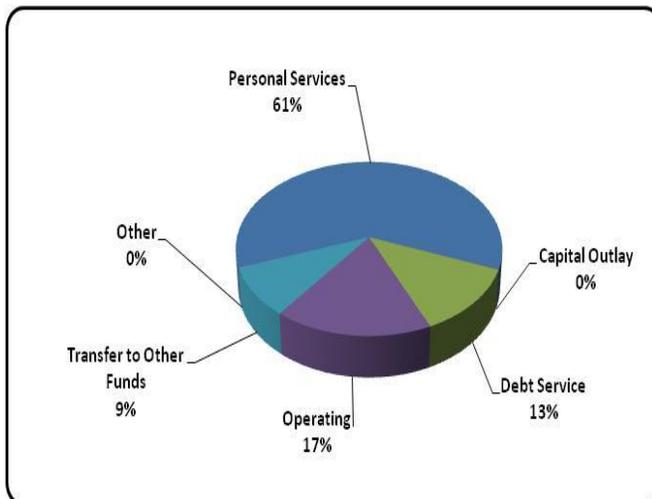
- **40.03 cents per \$100 for General Fund operations**
- **12.49 cents per \$100 for debt**
- **3.23 cents per \$100 for transit** (budgeted as a transfer from the General Fund)

A tax rate increase of 0.56 cent per \$100 on a house valued at **\$150,000 increases the annual tax bill by \$8.40.**

### Expenditures

(budget-to-budget)

- **Personnel** expenditures decreased by \$4.4 million (3.4%).
- **Operating** expenditures increased by \$1.0 million (2.9 %).
- **Capital** expenditures increased by \$0.01 million (85.3 %).
- **Transfers** increased by \$5.0 million (27%).



### WATER AND SEWER FUND

The Water and Sewer Fund budget of \$82 million adequately supports water and sewer operations and increased infrastructure debt service costs.

### Revenues

**Increases for water and sewer volume charges and service charges were approved for FY 2011-12.** The total rate increase to the average customer is approximately 4.7%. Approved rate changes are effective July 1, 2011, with implementation in the August and September billings. The water volume charges were increased by one cent in each tier specifically for the purpose of future land banking.

<u>Monthly Water Rates</u>	FY 11 Rates	FY 12 Rates
Service Charge	\$ 5.35	\$ 5.56
Volume Charge - Tiered Rates (per 100 cubic foot - ccf)		
Tier 1 (0 - 2 ccf)	\$ 1.72	\$ 1.73
Tier 2 (>2 - 5 ccf)	\$ 2.59	\$ 2.60
Tier 3 (>5 - 8 ccf)	\$ 2.84	\$ 2.85
Tier 4 (>8 - 15 ccf)	\$ 3.71	\$ 3.72
Tier 5 (>15 ccf)	\$ 5.56	\$ 5.57
<u>Monthly Sewer Rates</u>		
Service Charge	\$ 6.24	\$ 6.49
Volume Charge (per ccf)	\$ 3.28	\$ 3.56

These changes account for a small increase in water and sewer user charges over the FY 2010-11 year-end revenue estimates. Water demand did not increase as projected in FY 2010-11 due to weather conditions combined with successful conservation efforts, therefore consumption estimates for FY 2011-12 were adjusted appropriately. In addition, a \$2.4 million adjustment for bad debts was budgeted as an expense in FY 2010-11, but as a decrease to revenues in FY 2011-12. These factors combined to show an overall budgeted revenue decrease of about \$2.7 million (3.2%).

### **Expenditures**

Water and Sewer Capital Improvement Program projects total \$19 million to improve the infrastructure required to ensure adequate water supply, treatment and delivery, and an additional \$17 million for wastewater projects for FY 2011-12.

Operating costs for chemicals, electricity and residuals handling continue to rise as process changes are initiated to meet regulatory requirements. Twelve positions will be added during the year. The bulk of these positions are related to implementing and improving asset management functions and focusing on preventative maintenance, as well as providing oversight of regulatory and rehabilitation projects. Other positions will provide program efficiencies and improve customer service throughout the department.

## **CAPITAL IMPROVEMENT PROGRAM**

The **FY 2012-2017 Capital Improvement Program (CIP)** is presented to the City Council in a companion document to the FY 2011-12 annual operating budget. The capital improvement budget **includes \$50.5 million for new projects and to complete existing projects**. Funding is provided through impact fees, water and sewer revenues and revenue bonds, certificates of participation, pay-as-go funding, appropriations from General Fund savings (fund balance), bond proceeds and interest earnings, stormwater fees, and program income.

The majority of CIP projects approved were dedicated to Water and Sewer and Stormwater enterprise projects. Funding was also granted for General Fund capital projects for projects that were deemed a priority and essential to the City's capital infrastructure needs. 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://ww2.durhamnc.gov/cip/main.cfm>).

During the Bond campaigns in 2005, 2007 and 2010, voters were informed of a possible tax increase to pay debt service on bonds issued for projects. The budget includes a tax increase of 0.56 cents per \$100 to pay debt service. The projected General Fund debt to appropriations ratio for **FY 2011-12 is 14.18%**.

The CIP budget includes:

- **General Capital Projects:**
  - \$2.6 million to repair the City Hall building envelope.
  - \$0.75 million for Church Street parking deck repairs.
  - \$0.70 million for repairs to the elevators and HVAC system at Police headquarters.
  - \$0.20 million for sidewalk construction and repairs.
  - \$0.23 million for two Federal and State matching transportation projects.
  - \$1.6 million for the Information Technology infrastructure improvement project.
  - \$1.9 million for community development projects.
- \$2.6 million in **Impact Fees** for the continuation of the Carver Street extension project.
- \$2.9 million to address future **stormwater** issues.
- \$36 million in **water and sewer improvements**.

Other capital needs will be met in this budget including:

- **\$500,000** 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 and as additional funding is provided.
- **\$500,000** for **Street Resurfacing** to begin to accumulate funds to address ongoing resurfacing needs on an annual basis.

## **OPERATIONAL HIGHLIGHTS OF THE FY2011-12 BUDGET**

**Employee Compensation and Benefits** - Due to continued uncertainty of revenues during the development of the FY 2010-11 budget, no funding was provided for pay increases for employees or to restore any portion of the reduced 401K contribution. A one-time bonus of \$1,000 was provided to employees in January 2011.

As committed to during the development of the FY 2010-11 budget, the budget guidelines for FY 2011-12 committed that growth in revenues would be considered for employee compensation and benefits before program expansions. The FY 2011-12 budget includes the following:

- Funding to reinstate the **Police Pay Plan (3% to 5%)**, the **Fire Pay Plan (3%)** and to provide a **2% pay increase for General Employees**.
- The City's contribution to the employee **401K** that provides additional retirement savings for employees will increase **from 3% to 4%** 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 increased **from 6.35% to 6.88%** and **from 6.82% to 7.35%** for law enforcement officers for the **Local Government Employees Retirement System (LGERS)**, requiring the general fund to increase its retirement contributions.
- The Administration collaborated with the insurance broker to assist in identifying ways to reduce the cost of health insurance while continuing to provide a quality insurance program plan for its employees. **Health insurance** premiums will increase by **5%**.
- **Dental health** costs will increase by **20%**.
- An additional **Senior Human Resource Consultant** is being added to manage our newly created **Employees Health Fund** and expand our wellness programs to reduce claims. A greater analysis of benefits plan design, claims trends, and medical costs will ensure that the City is managing our health care costs to the greatest extent possible. This is a \$30 million fund insuring over 5,100 people. The cost of this new position is \$14.70 per year (\$1.23 per month) per insured person.
- As a result of program prioritization and the resources required and available, a total of **10 positions** are eliminated or unfunded. This **reduction in force (RIF)** will allow the City to focus resources on the highest priorities without negatively impacting service delivery or programs. These affected employees have been notified and the City is making every effort to place these employees in other vacant positions in the organization for which they are qualified. Additionally, based on program prioritization and program needs, funding is included for a total of **21 new positions**.

**General Administration** - The adoption of the City's first overall **Strategic Plan** by City Council set the direction for the future of the city and resource allocation. The plan established a vision for the level of services to be provided, along with an

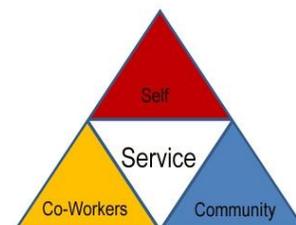
understanding of the resources necessary to provide them. The plan implementation phase began in October 2010 and will continue for the foreseeable future. A major focus will be to highlight progress made on the citywide measures and initiatives providing a snapshot of performance to our citizens. This will be accomplished by implementation of the new **Performance Management dashboard**. The dashboard development is a collaborative effort involving staff and a cross section of citizens who actively participate on a committee. The final phase is to develop departmental strategic plans which align with the citywide plan; a critical factor for most high performing organizations.

The development of the **multi-year financial plan** was completed last fiscal year. 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. This plan will project the financial impact of achieving the objectives in the Strategic Plan and the resources needed to fund those objectives.

Another major initiative begun this fiscal year is based on the results of the biennial **Employee Opinion Survey**, which was conducted in October, 2010. Despite difficult challenges during the two years preceding this survey, results essentially held steady overall. All departments are developing action plans to celebrate areas where we are doing well in making the most effective use of employees, and to address areas where improvements are needed.

At the same time, staff continues to focus on **streamlining processes**, implementing **best practices and planning for the City's future**, all in an effort to explore opportunities to make our employees and processes more efficient and effective. In July 2010, a **Process Improvement Study** was conducted with **Solid Waste Management (SWM)**, consisting of several phases that included the following: (1) assessing and understanding the SWM cost centers, (2) realigning funds and functions; (3) assessing various SWM processes and procedures through benchmarking, (4) site visits to industry leaders, (5) the development of new performance measures, and (6) developing a Request for Proposal (RFP) for a municipal solid waste consultant to evaluate current operations, contracts, etc. This project involved collaboration between SWM, Budget and Management Services, Finance, Fleet, Human Resources and the City Manager's Office. The process consisted of frequent meetings with the SWM administration and focus groups with a cross section of frontline and supervisory staff to determine perceived strengths and weaknesses of the department and to gather ideas for improvements. The department has begun implementing the recommendations from the study.

A major ongoing initiative, the **Culture of Service** organizational renewal and employee engagement effort, is moving into a new phase. The focus during FY 2011-2012 will be on the specific tenets associated with each of the points of service (service to self, service to co-workers and service to community). In addition, every department will



be working to cultivate a culture of service within the department.

**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 38 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;
- Developing **performance measures** for all programs and services. We will communicate the return on the taxpayer's investment through these measures, which will be reported to the community via our **performance management dashboard**. These measures will help us to continually improve as an institution by monitoring progress toward our stated goals.
- In October 2010, the Government Financial Officers Association (GFOA) of the US and Canada awarded the City the "**Distinguished Budget Presentation Award**" for the FY 2010-11 budget document. In addition to receiving the award, the City received special recognition for its performance measures. We believe this budget continues to conform to the program requirements and are submitting it to the GFOA to determine eligibility for the award.

**Public Safety Services** - Crime remains the number one concern of most citizens. Feeling safe and lowering the crime rate continue to be important issues voiced by the Council and Durham citizens 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 is a high priority in the FY 2011-12 budget.

- In October 2010, the Police department was notified that it had been awarded funding through the **2010 COPS Hiring Program (CHP) for 16 police officers**. The estimated amount of the award over the three year funding period is \$2.5 million. This allows the department to fill 16 positions unfunded during the FY 2009-10 budget process. With this funding all authorized sworn positions in the department are fully funded.
- The Department of Transportation has various functional activities that support Crime Prevention. These include existing lighting and additional lighting requests, both **residential and thoroughfare lighting**, all which will help to play a vital role in overall safety within the City. The Department anticipates maintaining existing street and crime lights during FY 2011-2012.
- Funding is provided to restore the **Speed Hump Program** to provide citizens with a proven traffic calming measure on streets with verified speeding issues.
- The fundable Capital Improvement Plan (CIP) includes funding for a new **Police Headquarters** in FY 2015-16. Funding was provided in FY 2009-10

for a facility assessment study and is provided in FY 2011-12 for the replacement of elevators and HVAC systems at the current Police Headquarters.

- The fundable CIP includes funding for the replacement of the **800 MHz radio system** infrastructure for public protection in FY 2013-14, with funding in the FY 2011-12 budget to conduct the initial assessment study.
- Funding is provided for the planning and design and eventual construction of a new **Fire Station in South Durham** beginning in FY 2013-14.
- Funding is included for the implementation of a **911 Locution Automated Dispatch System** which will allow quick delivery of high priority dispatches and automated call distribution. The Department will complete the installation of a NG-911 network that will allow for texting and other enhancements for 911 emergencies.
- Funding is included for the joint City/County **Warrant Control Office**. The City's contribution will cover 50% of the cost of salary and benefits for nine full-time civilian clerks, including one manager.
- Funding is included for the replacement of **12 Mobile Data Computers** for the Fire Department.
- Funding is included to support the contract with the Administrative Office of the Courts (AOC) for a **Domestic Violence Judge**.
- Funding is included to replace out-dated **turn-out gear, self-contained breathing apparatus, and helmets** for Firefighters.

**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. A systematic approach is being established to bring unsafe and deteriorating rental properties into compliance with the minimum housing code, and to reduce the number of vacant and boarded houses. A key focus has been to educate landlords of their rights and responsibilities to support safe housing, in compliance with the minimum housing code.

- The **Nonresidential Building Code** will continue to address issues with deteriorating properties.
- Funding is provided for **special needs housing** to augment services provided by the Community Development department.
- **Code enforcement** will identify "worst condition" houses, with the goal of remediating 80% of these structures in low to moderate income areas within 3 years. The focus will remain on compelling property owners to remediate their properties, thereby reducing the City's remediation costs.
- Funding is included for the **Opening Doors Plan to Prevent and End Homelessness**.

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

- \$500,000 for **Neighborhood Commercial Revitalization** to enhance the tax base, create jobs for Durham residents and reduce poverty and crime.

- \$284,000 to complete existing **housing activities** in Northeast Central Durham and Southwest Central Durham.
- A **Housing and Neighborhood Revitalization Strategy** to support the **redevelopment or rehabilitation of blighted residential properties** in Northeast Central Durham and Southwest Central Durham has been developed. The Rolling Hills/Southside Redevelopment project is expected to begin during the fiscal year with the first phase of mixed income rental and homeownership development in the project area.
- 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.
- City staff will undertake an analysis and prioritization of other housing, neighborhood improvement and community development funding needs in a housing strategy to be completed later this summer. This will enable the City to support programs such as the **Opening Doors Plan to Prevent and End Homelessness, the remediation of vacant and boarded houses**, and other neighborhood revitalization initiatives.
- The **Neighborhood Vitality Index** supports the City's Strategic Plan Goal 3.0 – Thriving Livable Neighborhoods. The concept is to collect data on a wide set of variables (social, physical, crime, economic, etc.) to evaluate and improve the quality of life in Durham neighborhoods.
- The **Boarded House Remediation Program** will provide the means for identifying and reducing the number of boarded-up vacant houses in the City. This will reduce risks to public health and safety and provide more affordable housing.
- **Northeast Central Livability Initiative** is a community-driven initiative designed to encourage redevelopment and revitalization in NECD through four Scheme Teams: Economic and Workforce Development, Multifunctional Open Space, Public Transportation, and Safe and Healthy Environment.

**Downtown Revitalization and Parrish Street** - The Office of Economic and Workforce Development will continue efforts to engage business interests in the downtown tier, building on the successes of recent years to make the downtown area a destination for Durham citizens and visitors.

- The revised **Economic Development, Financial Assistance and Incentive Policy for Job Creation, Job Retention and Capital Investment** adopted in May 2010 provides a clear blueprint for public-private partnerships that benefit Durham.
- Utilizing \$150,000 in resources from the Downtown Revitalization Fund for **Building Improvement Grants, Merchandise-based Incentive Grants, and Sign Grants** to build economic strength in the expanded Downtown Tier.
- Applying \$105,267 in Parrish Street funds for **Building Improvement Grants and Merchandise-based Incentive Grants**, and to operate a **Common Room** and associated educational programming to further preserve the history, highlight the unique character, and promote the future of Parrish Street.

**Youth Programs** - Providing year-round positive activities for youth is a continuing priority. It is our goal to engage youth through our internal departments and through support of local non-profits. The following points highlight some new activities for youth, teens and others.

- City departments will continue to hire youth for summer jobs through the **Mayor's Summer Youth Works Program** and encourage employees to volunteer as mentors or tutors to Durham children.
- Funding is provided for one additional position to support the **Teen Center** at the **Holton Career and Resource Center**.
- The Durham Fire Department, in partnership with the Parks and Recreation Department and the Office of the State Fire Marshal, will continue its **Junior Fire Marshal Program**.
- Parks and Recreation provides a **free aquatic school** to train teens to attain lifeguard certifications, **leading to employment with the department**. In addition to this program, job skills trainings (i.e. Safe Sitter, Job Readiness Programs) are offered for teens at many recreation centers. Campus to Campus tours offer teens an opportunity to visit and learn about programs at local colleges.
- Parks and Recreation will continue **youth care programs** (after school, intersession, fun days, and summer camp) at three Neighborhood Centers (T. A. Grady, East Durham, W. I. Patterson) and **seven Recreation Centers** (Holton Career and Resource Center, Community Family Life and Recreation Center at Lyon Park, Irwin R. Holmes, Sr. Recreation Center, Edison Johnson Recreation Center, Weaver Street Recreation Center, Walltown Park Recreation Center and the W. D. Hill Recreation Center). **Athletic programs for youth** (Jr. NBA and Jr. WNBA) provide basketball opportunities for approximately 400 youth. The **Durham Girls Soccer League** (DGSL) serves 600 youth. Sustaining these youth programs is a priority. In 2011, DPR revitalized its Friday "**Teen Nights**" offering teens safe, fun activities between the hours of 6 pm and 10 pm at five to six centers throughout the year. This program includes a **Night Flight basketball program** for teens, providing team sports and life skills training. **Teen Councils at Walltown and Weaver Street Recreation Centers** meet monthly to learn leadership, public speaking, and programming skills. All of these programs will be sustained in FY 2011-12. In 2011, DPR began using Social Media (i.e. Facebook, Blogs, e-blasts, etc.) to market to this technology savvy age group.
- Maintain three significant new facilities opened in FY 2010-11, including the **Walltown Park Recreation Center, Old Chapel Hill Road Park, and Bethesda Park**. The Walltown program plan is currently being implemented and includes events, child care programs (after school, summer camp, intersession and fun days); programs for athletic and fitness, computer enrichment, Latino outreach; and programs designed for teens and mature adults. The Old Chapel Hill Road Park (21 acres) has a lighted artificial turf field, grass field, basketball court, playground, and a portion of the New Hope Creek Trail Greenway. Bethesda Park (24 acres) has covered and lighted

basketball and tennis courts, a playground, trails, a disc golf course, and a high ropes challenge course.

- In FY 2010-11, Parks and Recreation began working with the General Services department to address a **playground maintenance deficiency** across the park system. While the department was working hard to replace, renovate, upgrade, and install new playground structures, there was not a **playground safety surfacing maintenance plan** that insured these facilities were kept to acceptable standards of care. This shortfall is a liability concern and has become a priority to address.
- The Office of Economic and Workforce Development will maintain the **Youth Employed and Succeeding (YES)** program, the **Youth Work Experience** program and the **Working Hard On Achieving (WHOA)** program.

**Streets and Sidewalks** – Using the 2010 General Obligation (GO) Bonds, the City will continue to resurface many deteriorating streets and pave dirt streets throughout the City. This budget includes \$500,000 to establish a street resurfacing program.

**Protecting the Environment** - The City maintains an enhanced focus on sustainability to reduce energy consumption and greenhouse gas emissions.

- This budget continues funding for the **Fleet Replacement Program** which is one of the best ways to support this goal. All new vehicles are low or ultra-low emission. EPA data shows that new diesel engines reduce emissions by 99%, a major reduction in nitrogen oxides and particulate matter. In October, 2010 the City received national “Green Fleet” recognition for its efforts.
- Fleet received international recognition from Government Fleet magazine as one of the **Best 100 Fleets in North America**. This recognition is based on a fleet program displaying best management practices. Durham was in the top 40.
- DATA anticipates delivery of **five new 40-foot hybrid buses** and **10 new light duty transit vehicles** in FY 2011-2012. The light duty transit vehicles will be used by the ACCESS system.
- This budget includes funding for 0.5 FTE and operating expenses to support the joint City/County **Sustainability Office**.
- The City was awarded a **\$2.2 million Energy Efficiency and Conservation Block Grant** by the US Department of Energy (DOE). The City is utilizing these funds to improve energy efficiency in residential properties as well as City owned facilities. The funds expire in August 2012. The majority of the funds will be spent in FY 2010-11, and the remainder will be spent in FY 2011-12.
- The City also received a **\$500,000 EPA Climate Showcase Communities Grant** in early 2010 to be spent on our residential energy efficiency program.
- The Sustainability Office is working with General Services to implement a **\$2 million Guaranteed Energy Savings Performance Contract** that will improve energy efficiency in nine City facilities.
- Funding is included in the budget in the stormwater fund in the amount of **\$15,000** to contract with the **Ellerbe Creek Watershed Association** to

provide public education support, and watershed preservation, protection and cleanup programs.

- The City will continue to improve the **reliability of its water supply sources** by moving forward with capital projects for **Teer Quarry and Jordan Lake**. We will also expand and enhance our public outreach and education programs for water conservation and continue and expand the **Water Efficiency Rebate Program** which incentivizes homeowners to install water efficient fixtures in their homes.

**Solid Waste, Yard Waste and Bulky Item Programs** – Solid Waste Management began the current fiscal year serving 67,500 collection points for residential refuse collection and yard waste collection. Despite a slow economy, the department expects that number to increase to 68,900 collection points during FY 2011-12. The department has also seen an increase in the number of yard waste collection subscribers. The department ended FY 2009-10 with 16,483 yard waste collection points and expects to reach 18,400 by the end of this fiscal year with a modest increase anticipated in FY 2011-12 for this popular fee-based service.

- Currently servicing 4,406 households in North East Central Durham (NECD). Approximately 28 pounds of municipal solid waste is collected per residence each week in NECD compared to the 22.8 pounds citywide average. NECD is the most highly serviced area for bulky item collection, particularly illegal set outs. Roughly 34% of all bulky item collections come from this area. The department will focus on **NECD as a part of the code enforcement enhancement initiative**. Supervisors will be trained as code enforcement officers to increase enforcement capacity by 50%, with the goals of increasing the recycling diversion rate and decreasing the amount of illegal set-outs.
- All **program costs and revenues have been moved into an enterprise fund**. The primary goal of this budget is to achieve self sufficiency by increasing revenues and finding new sources of revenues.
- The department has **prioritized customer service and safety training** levels and developing performance based measures.

**Transit Services and Durham Area Transit Authority (DATA)** – The budget includes the equivalent of **3.2 cents per \$100 of the property tax rate** to provide continued funding to core services of traffic management and operations, taxicab operations, parking and transit, while also implementing crime prevention strategies which are reflected in the Transportation budget.

- The October 1, 2010 implementation of an agreement with **Triangle Transit to provide oversight for the City of Durham's Fixed Route and Demand Responsive services** has led to many collaborative opportunities. Funding included in the FY 2011-2012 budget will allow Triangle Transit to fully analyze the Durham transit system and implement changes that will lead to greater efficiencies and enhancements in the system.
- The **Bull City Connector** will enter its second year of operation with ongoing financial assistance from Duke University and the federal Congestion Mitigation and Air Quality (CMAQ) program. CMAQ funding will end after next year and continued financial assistance from Duke University will need to be negotiated to offer the service after FY 2011-12.

- Work continues on the installation of **solar lighted bus shelters** which were funded through federal grants. Work has been completed to re-power the 2003 model buses funded by an FTA earmark and repaint all 40-foot buses with ARRA funding.

The City will continue its management agreements with the **Carolina Theatre, Durham Arts Council** and **St. Joseph's Historic Foundation** for **\$603,180, \$615,296 and \$292,000** respectively. This budget also includes funding for the agreement with **Lyon Park** for **\$181,000**.

### CONCLUSION

Over the past three years the administration and staff have evaluated and aligned our structure, processes, people, and resources to maximize efficiencies and assure the limited resources available in these challenging economic times are provided to the highest priorities. Most significant of the processes has been the development and approval of the City's first Strategic Plan, now titled "Durham's Got It". This year's budget process utilized the goals, objectives and measures adopted in the Strategic Plan. The next steps will be to improve program and other measures associated with the Plan and to develop transparent reporting guidelines to clearly communicate to the Mayor and City Council and all residents the performance of its city government.



I want to take this opportunity to thank the Mayor and City Council for their unwavering leadership and support in these challenging times and to thank the city departments for their innovation and creativity put forth in an effort to continue to provide quality programs and services to Durham. Additionally, recognition and thanks are provided to Budget and Management Services Director, Bertha Johnson and the entire BMS staff as they have been at the forefront of not just the budget development process but almost all of the process improvement initiatives undertaken over the last three years. Together we will continue to strive to make Durham a place where great things are happening.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Thomas J. Bonfield".

Thomas J. Bonfield  
City Manager