

**Follow-up Information to BOCC
Regarding Salary Related Budget Issues
February 20, 2021**

COVID-19 Differential Pay Survey Results from Peer Jurisdictions

Human Resources staff coordinated with peer jurisdictions to clarify approaches used to handle differential pay due to COVID-19. The attached file was shared with the Board in October 2020. Updated information is highlighted in yellow. Minor changes occurred to the document.

The Board asked for additional review of the Wake County and Mecklenburg County approaches with differential pay. At the present time, Wake County does not offer hazardous pay to its employees. However, it was a 10% based on the employee's hourly rate and scheduled hours for both non-exempt (hourly) and exempt (salaried). Of Wake's 4,273 positions, over 4,000 full-time and part time employees received the differential/hazardous pay. If anyone received the differential pay at least once, they are captured in the number. Wake County did not have a pre-labor policy prior to COVID-19 that had a hazardous pay provision. CARES funding was used to offset some of the expense. However, due to not having a pre-labor policy, the hazardous pay not funded with CARES funding will not be eligible for FEMA reimbursement. The differential pay ended in November 2020.

Mecklenburg County has continued its differential/hazardous pay provision for employees. Mecklenburg did not have a pre-labor policy that allowed for hazardous pay prior to COVID-19, therefore the expenses will not be eligible for FEMA reimbursement. The current policy is attached.

Durham County Differential/Hazardous Pay

Durham County's approach for differential pay during emergency situations is noted in two policies that include the *Inclement Weather, Emergency Situations and Hazardous Conditions Policy*, which is a pre-disaster written labor policy for premium pay, initially instituted in 1997. Additionally, the Compensation Policy grants the County Manager the authority to make salary adjustments as indicated in the provision when the County declares a State of Emergency, an exempt employee may be eligible to receive additional compensation for time worked beyond her/his regular schedule. This pre-disaster labor policy has been involved when handling emergency situations. Further pre-disaster labor policies for overtime and other labor related issues have come into play when managing emergency situations.

In FY 2019-20, \$1,680,686 million was allocated to cover expenses associated with differential/hazardous pay for employees working in critical areas, representing nearly .03% of the total operating general fund base budget. Its projected FEMA reimbursement will cover most expenses. However, staff is also evaluating the apportioned amount of funds that could be covered from other grant sources. In FY 2019-20, despite the funds used to

cover the differential pay, the County's fund balance reserves grew by over \$8.9 million dollars.

In FY 2020-21, \$3.2 million has been expended for differential pay/hazardous pay for essential workers through the December pay periods. The current amount spent for differential pay/hazardous pay as of the end of the second quarter of FY 2020-21 represents:

- 2.18% of the personnel general sub-fund budget totaling \$146,398,873. When evaluating the impact of the amount to the total departmental budgets of \$270,010,770, the amount translates to 1.18% of the total departmental budgets.
- 0.32% of the personnel risk-management sub-fund budget totaling \$388,791. When evaluating the impact of the amount to the total departmental budget of \$4,328,659, the amount translates to 0.03% of the total departmental budget.
- 1.69% of the personnel sewer utility budget totaling \$2,355,740. When evaluating the impact of the amount to the total departmental budget of \$9,198,653, the amount translates to 0.54% of the total departmental budget.

Attachment II captures the impact of the differential pay when evaluating departmental budgets. For additional clarity, of the 1,887 full-time and part-time employees that received the differential pay, employees only received the pay when a staff member was physically present. To comply with social distancing guidelines, all departments established a rotation system or other approaches to meet health and safety guidelines of the County, State, and Center for Disaster Control and Prevention (CDC) (e.g., working with a "skeleton" staff on-site being on-site when needed and/or required). If an employee received at least one hour of differential pay, then they are included on the list. Please refer to the November 7, 2020 overview entitled "Durham County Government Differential/Hazardous Pay Related to COVID-19" on how the funds are being applied.

Overtime

As noted in an earlier section, the pre-disaster labor policies for overtime and other labor related issues have come into play when managing COVID-19. For Durham County, over-time related to COVID-19 has been classified into a separate category to track the expense. This approach allows for efficiencies when seeking FEMA reimbursement.

For Durham County, \$4.7 million before benefit costs (e.g., FICA, retirement, etc.) has been expended on overtime for fiscal years FY 2020 and FY 2021. Consistent with historical trends, of this amount, 81.42% of the expense has been incurred within the Office of Emergency Services, Emergency Management Services and the Sheriff's Office. The below table reflects summary trends with amounts expended on overtime for all departments on the following page. Both tables reflect Pre-Covid and Post-COVID overtime expenses. Over the years, the overtime issues have been addressed with additional FTEs to assist with departmental workloads. Due to the unique challenges presented with COVID-19 and although public safety had the capacity to fill vacant positions, the social distancing requirements, turnover and other factors still presented the need to use staff to assist with workload demands. The below tables reflect the summary data form.

Durham County Government
Overtime Pay Due to COVID-19
FY 2019, FY 2020 & FY 2021 Mid-Year

Department	FY 2018-19 Pre-COVID	FY 2019-20 Pre-COVID	FY 2019-20 Post-COVID				Total FY2020 Pre-COVID and FY2020 Post-COVID	FY 2020-21 Post-COVID				Total FY2019, FY2020 and FY2021 Mid-Year
	Total \$	Total \$	Total \$	Cyber OT	COVID OT	Regular OT		Total \$	Cyber OT	COVID OT	Regular OT	
	Amount	Amount	Amount	Amount	Amount	Amount		Amount	Amount	Amount	Amount	
Sheriff's Office	1,186,248	880,470	293,870	-	59,109	234,761	1,174,340	484,238	-	3,400	480,838	1,658,578
Office of Emergency Services**	-	-	-	-	-	-	-	658,411	-	656,047	2,364	658,411
Fire Marshal & Emergency Management	60,828	38,367	46,362	-	38,457	7,905	84,729	-	-	-	-	84,729
Emergency Medical Services	1,800,832	1,014,698	454,137	-	398,457	55,680	1,468,835	-	-	-	-	1,468,835
Total	\$ 3,047,908	\$ 1,933,535	\$ 794,369	\$ -	\$ 496,023	\$ 298,346	\$ 2,727,904	\$ 1,142,649	\$ -	\$ 659,447	\$ 483,202	\$ 3,870,553

Notes

A portion of the Office of Emergency Services expenses will be reimbursed through CARES funding.

Total FY2020 & FY2021 Mid-Year all departments \$ 4,754,083

\$ 883,530

Total FY2020 & FY2021 Mid-Year Sheriff's Office & OES to Total All Depts 81.42%

Durham County Government
Overtime Pay Due to COVID-19
FY 2019, FY 2020 & FY 2021 Mid-Year

Department	FY 2018-19 Pre-COVID	FY 2019-20 Pre-COVID	FY 2019-20 Post-COVID				Total FY2020 Pre-COVID and FY2020 Post-COVID	FY 2020-21 Post-COVID				Total FY2020 and FY2021
	Total \$	Total \$	Total \$	Cyber OT	COVID OT	Regular OT		Total \$	Cyber OT	COVID OT	Regular OT	
	Amount	Amount	Amount	Amount	Amount	Amount		Amount	Amount	Amount	Amount	
Clerk to the Board	-	-	-	-	-	-	-	-	-	-	-	-
County Manager's Office	315	-	4,294	325	1,501	2,468	4,294	3,298	-	1,239	2,059	7,592
Finance	4,445	1,252	26,864	7,031	3,282	16,551	28,116	57,805	2,074	3,290	52,441	85,921
Tax	1,932	384	43	-	-	43	427	15	-	-	15	442
Legal	1,346	-	229	-	-	229	229	368	-	-	368	597
Board of Elections	23,863	24,993	5,511	-	113	5,398	30,504	46,248	-	29,849	16,399	76,752
Register of Deeds	5,198	5,091	4,770	2,395	341	2,034	9,861	6,230	243	465	5,522	16,091
General Services	107,637	55,054	24,940	137	2,567	22,236	79,994	29,750	-	2,513	27,237	109,744
IS&T	-	603	1,395	1,395	-	-	1,998	1,085	-	-	1,085	3,083
Risk Management	-	-	447	-	161	286	447	-	-	-	-	447
Human Resources	38	-	-	-	-	-	-	225	-	-	225	225
Budget & Management Services	-	-	-	-	-	-	-	-	-	-	-	-
Veteran Services	-	-	-	-	-	-	-	-	-	-	-	-
Sheriff's Office	1,186,248	880,469	293,870	-	59,109	234,761	1,174,339	484,238	-	3,400	480,838	1,658,577
Office of Emergency Services**	-	-	-	-	-	-	-	658,411	-	656,047	2,364	658,411
Fire Marshal & Emergency Management	60,828	38,367	46,362	-	38,457	7,905	84,729	-	-	-	-	84,729
Emergency Medical Services	1,800,832	1,014,698	454,137	-	398,457	55,680	1,468,835	-	-	-	-	1,468,835
Criminal Justice	1,678	79	370	-	-	370	449	643	-	-	643	1,092
Youth Home	14,442	10,192	4,937	-	-	4,937	15,129	12,481	-	-	12,481	27,610
Engineering	-	-	39	-	-	39	39	322	-	258	64	361
Cooperative Extension	-	-	38	-	38	-	38	-	-	-	-	38
Soil & Water	-	-	-	-	-	-	-	-	-	-	-	-
Public Health	14,950	14,051	54,762	-	23,642	31,120	68,813	60,146	-	33,412	26,734	128,959
Social Services	377,776	288,907	41,015	463	9,286	31,266	329,922	45,100	-	11,167	33,933	375,022
Library	253	3	519	441	78	-	522	142	-	-	142	664
Sewer Utilities	39,985	19,642	9,261	-	1,120	8,141	28,903	19,988	-	55	19,933	48,891
Total	\$ 3,641,766	\$ 2,353,785	\$ 973,803	\$ 12,187	\$ 538,152	\$ 423,464	\$ 3,327,588	\$ 1,426,495	\$ 2,317	\$ 741,695	\$ 682,483	\$ 4,754,083

Notes

A portion of the Office of Emergency Services expenses will be reimbursed through CARES funding.

Vacancies

As of February 10, 2021, Durham County has 301 vacant positions, with 50 in the recruitment phase, thus making the actual vacant position number totaling 249. All positions requested by

EMS, Emergency Management, DSS and Public Health for recruitment have received exceptions to move forward for recruitment in FY 2020-21. Other departments have received exception approvals upon review on a case by case basis. DSS, EMS and the Sheriff's Department have the highest number of position vacancies, consistent with historical patterns. However, DSS vacancy levels have been a trend state-wide for certain job classifications. The current vacant positions not in the recruitment status totals 75. According to DSS staff, several factors have caused these patterns including COVID-19, which has resulted in temporary changes in how services are delivered due to turnover in certain areas. The state is actually making child welfare turnover a legislative priority. The Sheriff's Office and EMS have 52 and 40 vacancies, respectively. Both of these areas continue to deal with market competitiveness and turnover rates that are seen in other communities as well.

Fiscal Outlook

For many jurisdictions, liquidity remains in the forefront when evaluating the ability to cover expenses in normal environments. The past eleven months has presented additional attention to the organization's cash flow position. The unprecedented fiscal climate has caused many challenges with navigating budgets. Due to early steps taken last year at the beginning of the pandemic, Durham County remains well positioned to end the remaining of the fiscal year without actual fund balance use. It is because of this continued strong position, that staff recommends reinstating differential pay for essential workers. While other jurisdictions may have various reasons for not moving forward with this approach, it is because the expense would occur through the County's existing departmental budgets that it is deemed a manageable expense. Further, based on the County's profile, the liquidity ratio remains in a strong position. This affords the opportunity to manage any cash flow issues that may occur when awaiting FEMA reimbursements. As shared in previous communications, the current fiscal year differential pay represents 1.13% of the total departmental budgets for the general sub-fund, the risk management sub-fund and the sewer utility fund. The pay totaled with benefits of \$3.2 million through time worked through November 29, 2020. Departments are managing their budgets accordingly such that if additional funds are paid out for differential/hazardous, the current budget could handle the expense.

The first table below reflects the County's financial condition analysis with our peers with Orange County added for comparison. This report is from the State Treasurer's website and is as of FY 2019 (e.g., the site always is one fiscal year behind as it is too soon to have the FY 2020 data input into the database for comparison). This table is usually shared with the Board during the annual retreat. The second table below is new and shows the percentage of actual revenues and expenditures compared to budget, beginning fund balance, growth or use of fund balance, and ending fund balance for FY 2020 for the County compared to our peers with Orange County added for comparison as well. The relevance of this information is to contextualize the variances between jurisdictions.

North Carolina Financial Condition Analysis with Peers as of 2019

	Durham County	Forsyth County	Guilford County	Mecklenburg County	Wake County	Orange County	
Resource Stock							
Liquidity							
Quick ratio	12.41	10.99	11.36	3.80	6.12	10.44	Liquidity measures a government's ability to meet its short-term obligations. The quick ratio is calculated as cash & investments divided by current liabilities.
Solvency							
Fund balance available percentage of expenditures	35.31	29.58	20.29	29.17	19.96	23.05	Solvency measures a government's ability to meet long-term obligations. Fund balance as a percentage of expenditures is calculated as available fund balance divided by expenditures plus transfers out.
Leverage							
Debt as a percentage of assessed value	1.62	2.26	1.36	1.85	2.24	1.46	Leverage measures the extent to which a government relies on tax-supported debt. The ratio of debt as a percentage of assessed value is calculated as tax-supported, long-term debt divided by assessed value.

FY 2020 General Fund

% of Revenues & Expenditures to Budget and Use of Fund Balance for
Forsyth, Guilford, Mecklenburg, Wake and Orange Counties

	Budgeted Revenues	Actual Revenues	Variance Favorable (Unfavorable)	% of Budget	Budgeted Expenditures	Actual Expenditures	Variance Favorable (Unfavorable)	% of Budget	Beginning Fund Balance	Growth/(Use) of Fund Balance	Ending Fund Balance
Durham County	487,683,198	498,759,896	11,076,698	102.27%	442,250,235	415,219,051	27,031,184	93.89%	211,153,276	8,959,214	220,112,490
Forsyth County	439,090,555	431,586,938	(7,503,617)	98.29%	381,691,042	349,508,439	32,182,603	91.57%	153,409,536	(19,672,187) *	133,737,349
Guilford County	602,157,747	602,417,143	259,396	100.04%	633,680,035	589,689,806	43,990,229	93.06%	170,437,174	3,611,476	174,048,650
Mecklenburg County	1,373,921,525	1,377,304,059	3,382,534	100.25%	1,441,157,888	1,311,594,332	129,563,556	91.01%	506,016,380	(9,821,482) **	496,194,898
Wake County	1,458,360,584	1,486,117,473	27,756,889	101.90%	1,071,711,267	1,036,539,992	35,171,275	96.72%	352,630,715	48,507,107	401,137,822
Orange County	230,207,044	228,292,446	(1,914,598)	99.17%	236,985,059	226,843,988	10,141,071	95.72%	66,208,186	1,735,165	67,943,351

* Although Forsyth spent only 91.57% of their expenditure budget, they transferred out over \$105K thereby using fund balance in FY20. Of the over \$105M, over \$96.3M was transferred to another fund that is for the accumulation for future debt service and capital projects.

** Although Mecklenburg spent only 91.01% of their expenditure budget, they transferred over \$76.6M to fund capital projects.

During the February 8, 2021 BOCC meeting, the County Manager provided options to the Board for consideration as we plan for the remainder of the fiscal year. Based on those discussions, a revised list is being presented.

Options for consideration to address mid-year salary assessment

- A. Three weeks leave that does not expire (Does not accrue to sick time. Nor does it expire. No fiscal impact to the general ledger as a liability.)
- B. 1% Cost of Living Adjustment (Recurring Annual expense \$1.45 million/Beginning January \$725,000)
- C. 2% Cost of Living Adjustment (Recurring Annual expense \$2.9 million/Beginning January \$1.45 million)

Options for Consideration to address Differential/Hazardous Pay through June 30, 2021

- 1. Reinstate differential Pay at 10% (Eligible for FEMA reimbursement up to 75%) – Estimated employees 1,800.
(Estimate \$2.6 Million plus benefits - 6 months)
- 2. Implement 5% differential Pay (Note: Would be a “post-COVID” change/update to the policy which would not be an allowable expense for FEMA reimbursement.)
(Estimate - \$1.3 Million plus benefits – 6 months)
- 3. Implement a targeted differential for employees in certain job classifications. Differential pay at 10%. (Estimate \$1.9 million plus benefits – 6 months). Estimated employees 1,110.

Essential Healthcare Employees – Employees serving in healthcare settings who have the potential for direct or indirect exposure to patients or infectious materials. This includes persons not directly involved in patient care, but potentially exposed to infectious agents while working in a healthcare setting (e. g. Public Health and Emergency Medical Services).

Essential Non-Healthcare Employees – Employees who are essential to maintain critical infrastructure and continue critical services and functions. This includes the following: Emergency Management Officials, Law Enforcement, Public Safety, Other First Responders, Emergency Medical Services, Public Health, Social Services, Water and Wastewater, Critical Trades (construction, electricians, plumbers, etc.) and other Support Functions as identified.