**Welcome to the New Budget Quarterly Report** *The content of this report is consistent with prior versions provided in print format. As the Budget Office, and Durham County Government as an entity, move to a more paper-less work process (in line with Strategic Plan Strategy 5.3.E) we have developed this report with an on-line presentation in mind. A more interactive report / dashboard is being developed for future quarterly reports. While the core content will remain similar, and as transparent, the goal will be to allow a more user-driven experience where possible allowing one to delve a little deeper into areas of interest.*

**OVERVIEW**

The accompanying tables summarize the recognized revenues and expenditures for Durham County’s General Fund, Capital Improvement Fund and Reappraisal Reserve Fund through September 30, 2018. Please note that 4-year First Quarter Averages have been provided for comparison. This average reflects what was reported in the First Quarter Report for the four preceding fiscal years.

Additionally, a dashboard representation is provided as a convenient way to monitor the progress of FY 2018-19 revenues and expenditures. The dashboard uses a “traffic light” indicator to represent where agencies’ revenues and expenditures are in comparison to a 4-year First Quarter Average. The simple indicator alone is not a cause for concern, rather an area that merits a second look. For all “red light” indicators an overview of the cause is provided.

For revenues, green represents revenues at 90% or greater than the average, yellow represents revenues between 70% and up to 90% of the average, and red represents revenues below 70% of the average. For expenditures, green represents expenditures not more than 2% greater than the average, yellow represents expenditures between 2% and 5% greater than the average, and red represents expenditures greater than 5% of the average.

**EXECUTIVE SUMMARY**

***Revenues.*** Through September 30, 2018, the County collected $56,452,933 or 10.89% of the budgeted General Fund, Capital Improvement Fund and Reappraisal Reserve Fund revenue. Two of the most significant revenues in these funds, property tax and sales tax revenue collections, traditionally are not received in large parts until the Second Quarter of the fiscal year.

Current year property tax collection, which is the largest single revenue source for Durham County, is slightly above the 1st Quarter 4-year average (13.56% collected, vs 13.10% respectively). Property taxes are due in December; therefore, the great majority will be received in December and January. We anticipate the actual collections will remain close to the average through the Second Quarter. Solid waste management fees are billed with the property tax bills, so this revenue should track with property tax payments. Beer and Wine Licenses are billed and collected during the Third Quarter of each fiscal year.

As is always the case (due to the method of distribution from the North Carolina Department of Revenue), no sales tax collections are recorded during the 1st Quarter of the fiscal year, and therefore show at 0%. The July 2018 (1st month of FY 2018-19) sales taxes were received in October 2018 and will be reflected in the second quarter report.

Agency specific revenue items include:

* Finance- There are two primary factors causing the indicator for Finance to be red. In prior years the Durham County and Duke University agreement provided $100,000 for the Durham Crisis Access Center building. Per the agreement that was established in 2009, FY2017-18 was the final year of this particular funding. This revenue was always received in the first quarter which causes the indicator in this case to appear red. The other factor contributing to the variance is that Investment Revenue for Quarter 1 is posted well after the quarter has closed (late 2nd to early 3rd quarter), so those revenues are not captured as of this date.
* Fire Marshall- The indicator for revenue in this case is related to the Emergency Management Fund Center. For FY2018-19 the cost share Inter-local with the City of Durham has resulted in a larger budget than previous to fund some new initiatives (new HazMat Planner position, a generator for the Emergency Operations Center, and floor coverings for emergency shelters). The end of year collection is projected to be met at 100%.
* Criminal Justice Resource Center- CJRC revenues are mostly from State and Federal Grant programs. In this case some minor fluctuations in grant revenue received to date is causing the indicator to show red. The expectation is that all grants will proceed as budgeted and projected revenues will be reached by the end of the fiscal year.
* Youth Home- Revenue for the Youth Home is largely comprised of reimbursements for bed day usage which is lower than previous years 1st quarter amounts. This number varies as a result of non-County juveniles' criminal activity and how Judges decide on placement of those juveniles which is driven by the offenses committed.
* Cooperative Extension- Reimbursement revenues have been received in the Welcome Baby program from Smart Start grant funds and are on par with the 4-year average. However, there is a timing issue with revenue postings being delayed
* Public Health- researching
* Other Human Services- Revenue related to reimbursement of grant funding in the ACCESS transportation has been delayed due to an issue with executing the contract. The expectation is that grant funding revenues will meet budget projections.
* Library- Three mid-years grants were received for the Library that increased the total budget when compared to the four-year average. The actual revenues have not been received yet but will be received by year end.
* Non-Departmental- The budget for transfers from other funds has increased compared to prior years, specifically a transfer from the Debt Service Fund to support one-time purchases of vehicles and equipment. These types of transfers are typically posted in the fourth quarter. This budget to actual variance is driving lower than average 1st quarter collection percentage.

***Expenditures.*** General Fund, Capital Improvement Fund and Reappraisal Reserve Fund expenditures and encumbrances through September 30, 2018 total $119,285,967 or 22.80%, of the budget. The percentage is below the 4-year average of 27.22%.

During the first quarter, expenditure percentages for some departments exceeded the 4-year average spending levels often due in part to the timing of encumbered contracts. Based on past trends as the fiscal year progresses, a normal expenditure pattern usually emerges. All expenditure levels were reviewed and a brief explanation for those trending at the higher levels noted in red follows below.

Agency specific expenditure items in red include:

* Information Technology- The Primary driver for higher 1st quarter expenditures are due to contract encumbrances. Information technology Services has moved to have all contracts align with the fiscal year, which requires early encumbrance of the funds.
* Budget & Management Services- The primary cause for a higher trend on 1st Quarter expenditures is due to contract encumbrances. Budget and Management Services uses several software platforms to monitor progress toward Managing for Results (MFR) and for managing the administration of the non-profit funding process. Expenses for these contracts were encumbered during the 1st quarter.
* Fire Marshall- The spending in this department, at a pace greater than the prior 4-year average, is related to Emergency Managements’ grant contracts being encumbered early in FY2018-19; as opposed to prior years encumbrance being seen towards the latter half of the fiscal year.





