



Quarterly Budget Report

Second Quarter of Fiscal Year 2018-19



Welcome to the Quarterly Budget 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 a user 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 December 31, 2018. Please note that 4-year Second Quarter Averages have been provided for comparison. This average reflects what was reported in the Second 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 Second Quarter Average. A red indicator 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 4-year average, yellow represents revenues between 70% and up to 90% of the 4-year average, and red represents revenues below 70% of the average. For expenditures, green represents expenditures not more than 2% greater than the 4-year 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 December 31, 2018, the County collected \$261,657,223 or 49.88% 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 significant amounts until this quarter — the Second Quarter — of the fiscal year.

Current year property tax collection, the largest single revenue source for Durham County, is slightly below the 2nd Quarter 4-year average (FY2018 collections of 72.44% versus the 4-year average of 77.48%), but well within expected bounds. The County is expected to meet or exceed budget in property tax collection. 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.



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Key Revenues	Current Budget	Revenues End of Qtr.	% Revenues	4 Prior Year Qtr. Average	Status of Revenues
1% Local Option Sales Tax (Article 39)	\$25,208,255	\$3,696,397	14.66%	21.82%	●
1/2% Local Option Sales (article 40)	\$13,961,887	\$3,433,156	24.59%	25.89%	●
1/2% Local Option Sales Tax (Article 42)	\$17,000,000	\$3,246,085	19.09%	23.67%	●
1/2% Local Option Sales Tax (Article 46)	\$14,300,000	\$2,748,442	19.22%	24.17%	●
ABC Net Profit Distribution	\$2,300,000	\$366,127	15.92%	15.88%	●
Animal Control Fees	\$50,000	\$18,433	36.87%	53.35%	●
City Sales Tax Distribution	\$13,386,107	\$3,666,894	27.39%	24.33%	●
Court Facilities Fees	\$250,000	\$114,533	45.81%	38.09%	●
Deed Registratration and Transfer Fees	\$5,200,000	\$2,635,325	50.68%	59.66%	●
EMS Patient Fees	\$8,310,000	\$4,228,100	50.88%	41.29%	●
Environment Engineering Permit Fees	\$450,000	\$350,161	77.81%	61.65%	●
Investment Revenue	\$960,000	\$0	0.00%	151.09%	●
Local Occupancy Tax (General Fund)	\$3,576,000	\$1,642,050	45.92%	51.30%	●
Local Occupancy Tax (NCMLS)	\$500,000	\$198,555	39.71%	30.15%	●
Other General Funds Revenues	\$128,218,491	\$24,439,154	19.06%	28.25%	●
Property Taxes	\$287,960,039	\$208,603,347	72.44%	77.48%	●
Sheriff Fees	\$800,000	\$382,896	47.86%	45.65%	●
Solid Waste Management Fee Co	\$2,159,929	\$1,887,569	87.39%	84.75%	●
Total	\$524,590,708	\$261,657,223	49.88%	54.96%	

- Current Year Collections equal 90% or greater than 4-year 2nd Quarter Average
- Current Year Collections equal 90% to 70% of 4-year 2nd Quarter Average
- Current Year Collections equal 70% or less than 4-year 2nd Quarter Average

- **1% Local Option Sales Tax (Article 39):** This revenue had a slight lag in the County realizing December’s collection within our finance system (SAP). With the monthly collection amount added in, we would see quarterly collection at 19%, less than the 4-year average, but not in critical trend downwards. Article 39, 42, and 46 sales tax are lower through two quarters compared to the 4-year average because of significant increases in refund amounts applied to those collections by the state Department of Revenue. We expect the next six months’ worth of collection to be at or above budgeted amounts.
- **Animal Control Fees:** This fee revenue has been trending downward the past couple of years in comparison to the 4-year average. The 3rd quarter review will indicate whether the trend continues throughout the rest of the fiscal year.
- **Investment Revenue:** This revenue has yet to be recognized in the County’s financial system, when it is, we are confident that the collection percentage will be in line with original budget.
- **Other GF revenues:** This generic grouping of various revenues includes transfers between funds counted as revenue as well as many intergovernmental revenues. Several significant



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“interfund” transfers have not occurred yet but will before the end of the fiscal year. Also, there is a lag in a number of intergovernmental revenues that are largely Department of Social Services programs. DSS has indicated no concerns with these timing issues, but we will review closely through the 3rd quarter.

Revenues by Department	Current Budget	Revenues End of Qtr.	% Revenues	4 Prior Year Qtr. Average	Status of Revenues
County Administration	\$33,968	\$16,735	49.27%	79.00%	●
Finance	\$116,439,460	\$17,595,680	15.11%	19.21%	●
Tax Administration	\$294,813,039	\$212,013,656	71.91%	76.94%	●
Legal	\$2,000	\$1,000	50.00%	323.26%	●
Elections	\$315	\$55	17.54%	1.52%	●
Register Of Deeds	\$5,370,000	\$2,720,049	50.65%	59.14%	●
General Services	\$2,852,571	\$2,262,103	79.30%	73.78%	●
Human Resources	\$30,000	\$24,587	81.96%	63.32%	●
Veterans Services	\$2,000	\$0	0.00%		●
County Sheriff	\$2,284,213	\$1,013,216	44.36%	56.91%	●
Fire Marshal	\$809,566	\$278,618	34.42%	44.76%	●
Criminal Justice Resource Center	\$994,266	\$414,185	41.66%	35.42%	●
Youth Home	\$417,000	\$151,240	36.27%	34.92%	●
Emergency Medical Services	\$12,535,000	\$6,892,393	54.99%	50.53%	●
Engineering & Environ Svcs	\$647,935	\$526,337	81.23%	58.61%	●
Other Environmental Protection		\$2,753	0.00%	58.63%	●
Cooperative Extension Service	\$314,378	\$50,690	16.12%	42.89%	●
Soil And Water Conservation	\$26,760	\$10,380	38.79%	57.77%	●
Economic Development	\$945,000	\$200,000	21.16%		●
Public Health	\$7,090,330	\$2,749,903	38.78%	48.89%	●
Social Services	\$29,472,693	\$13,782,164	46.76%	38.26%	●
Other Human Services	\$808,754	\$123,469	15.27%	41.32%	●
Library	\$844,864	\$402,834	47.68%	45.77%	●
Nondepartmental	\$47,856,596	\$425,176	0.89%	19.25%	●
Total	\$524,590,708	\$261,657,223	49.88%	54.96%	

- Current Year Collections equal 90% or greater than 4-year 2nd Quarter Average
- Current Year Collections equal 90% to 70% of 4-year 2nd Quarter Average
- Current Year Collections equal 70% or less than 4-year 2nd Quarter Average

Agency specific revenue items include:

- **County Administration:** Revenue for this department is related to an interlocal agreement for the ICMA Fellow. The Interlocal Monthly remittance had fallen behind, but as of late February it is on track for full collection.



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- **Legal:** The 4-year average is skewed because of an overcollection of Service fees in FY14-15. Legal is on pace to meet or exceed last year's collections total.
- **Other Environmental Protection:** There is no issue with revenues collected in this area. Since there was no revenue budget for the current fiscal year there can be no calculation of percentage of budget. The red stoplight only recognizes that the percentage of budget is lower than the 4-year trend.
- **Cooperative Extension Service:** 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 within the County's finance system (SAP).
- **Soil and Water Conservation:** Typically, Soil and Water's budgeted revenue is received in the 2nd-4th quarters. In FY 2015-16, there was an anomaly with the receipt of non-budgeted revenue for the Local Food Promotion Program that was recorded in the 1st quarter. This one-time funding doubled the department's revenue for the year and has thrown off the 4-year average for the following years. As this FY 2015-16 revenue cycles out of the 4-year average, their trended number will return to normal in comparison to annual collection percentage.
- **Other Human Services:** Revenue related to reimbursement of grant funding in the ACCESS transportation fund center had been delayed due to an issue with executing the contract. The contract has been encumbered in the second quarter and invoices for services rendered are in the process of being paid. Once the invoices are paid the County will file for reimbursement and revenues will be posted. The expectation is that grant funding revenues will meet budget projections
- **Non-departmental:** This group of revenues is largely made up of "Interfund" transfers that follow County debt service policy, support the Reappraisal Reserve Fund, and transfer Community Health Trust Fund dollars to the General Fund in support of health needs. These transfers are a simple technical posting in the County's financial system. At the time this report was compiled those transfers had yet to happen, but they will. These revenues are simply moving funds from one Fund to another Fund.

Expenditures. General Fund, Capital Improvement Fund and Reappraisal Reserve Fund expenditures and encumbrances through December 31, 2019 total \$259,342,244 or 49.44% of the budget. The percentage is slightly below the 4-year average of 51.95%.

During the 1st and 2nd quarter, expenditure percentages for some departments exceeded the 4-year average spending levels 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.



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Expenses by Department	Current Budget	Expenses and Encumbrances End of Qtr.	% Expenses and Encumbrances	4 Prior Year Qtr. Average	Status of Expenses
Board Of County Commissioners	\$704,475	\$387,472	55.00%	56.49%	●
County Administration	\$2,689,463	\$1,281,714	47.66%	50.03%	●
Finance	\$4,122,522	\$1,642,830	39.85%	30.63%	●
Tax Administration	\$7,713,661	\$4,411,451	57.19%	56.94%	●
Legal	\$2,332,386	\$1,067,804	45.78%	44.86%	●
Court Facilities	\$687,545	\$439,632	63.94%	91.68%	●
Elections	\$1,748,854	\$1,028,431	58.81%	56.95%	●
Register Of Deeds	\$2,066,587	\$1,096,411	53.05%	48.63%	●
General Services	\$16,264,133	\$9,581,939	58.91%	57.31%	●
Information Technology	\$8,828,305	\$4,395,116	49.78%	47.16%	●
Human Resources	\$2,593,273	\$1,321,066	50.94%	51.28%	●
Budget & Management Services	\$1,020,579	\$499,229	48.92%	34.08%	●
Veterans Services	\$330,967	\$135,977	41.08%	39.68%	●
Geographic Information Systems	\$477,968	\$238,984	50.00%	47.64%	●
County Sheriff	\$36,728,497	\$19,860,497	54.07%	53.82%	●
Emergency Communications	\$1,384,278	\$791,884	57.21%	50.60%	●
Fire Marshal	\$2,415,019	\$1,315,121	54.46%	49.67%	●
Medical Examiner	\$225,000	\$93,850	41.71%	45.23%	●
Criminal Justice Resource Center	\$4,600,462	\$2,130,606	46.31%	49.93%	●
Youth Home	\$1,244,400	\$614,789	49.40%	46.05%	●
Emergency Medical Services	\$16,676,779	\$7,735,548	46.39%	51.53%	●
Other Transportation	\$512,500	\$12,500	2.44%	10.38%	●
Engineering & Environ Svcs	\$2,842,044	\$1,327,847	46.72%	47.79%	●
Other Environmental Protection	\$57,437	\$57,437	100.00%	100.00%	●
Open Space Management	\$147,736	\$92,552	62.65%	55.84%	●
Planning	\$1,285,133	\$642,567	50.00%	37.59%	●
Cooperative Extension Service	\$1,241,294	\$559,973	45.11%	56.62%	●
Soil And Water Conservation	\$594,278	\$314,123	52.86%	50.51%	●
Economic Development	\$4,485,763	\$1,152,523	25.69%	62.39%	●
Public Health	\$26,492,442	\$15,803,160	59.65%	60.64%	●
Mental Health	\$6,245,859	\$6,245,859	100.00%	99.74%	●
Social Services	\$47,201,619	\$23,235,907	49.23%	51.70%	●
Other Human Services	\$1,296,917	\$371,083	28.61%	71.99%	●
Durham Public Schools	\$138,720,717	\$80,920,418	58.33%	58.26%	●
Community Colleges	\$7,558,203	\$4,408,952	58.33%	58.46%	●
Other Education	\$3,942,505	\$2,218,759	56.28%	48.25%	●
Library	\$11,396,557	\$6,869,049	60.27%	56.63%	●
Other Cultural & Recreational	\$2,173,482	\$1,767,841	81.34%	83.59%	●
Nondepartmental	\$153,541,068	\$53,271,344	34.70%	40.29%	●
Total	\$524,590,708	\$259,342,244	49.44%	51.95%	

- Current Year Expenditures are up to 2% greater than 4-year 2nd Quarter Average
- Current Year Expenditures are between 2%-5% greater than 4-year 2nd Quarter Average
- Current Year Expenditures are more than 5% greater than 4-year 2nd Quarter Average



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Agency specific expenditure items in red include:

- **Finance:** Over collection of sales tax and occupancy tax, transferred from the General Fund to the Capital Financing Plan Fund has historically been higher than it was for the current year, making the historical current budget amount at the time of the 2nd quarter report larger than the current year in relation to the actual expenditures. Mathematically, the denominator, in relation to the numerator, has been larger in the past, which in turn makes the percentage calculation different. Outside of this mathematical anomaly, the Finance department expenditure budget is within historical trending averages and is expected to be within budget at the end of the fiscal year.
- **Budget and Management Services:** This fiscal year a service contract was moved to and encumbered in the Budget Office. An encumbrance is counted as an expenditure and this large contract skews the annual spending percentage in comparison to the 4-year average. The Budget Office is expected to stay well within budget by the end of the fiscal year.
- **Emergency Communications:** One-time “full year” charges for equipment have been expended in this budget skewing the current year spending percentage. Overall spending is at the expected 50% spending per the City/County agreement.
- **Open Space Management:** All available funds are fully encumbered for the Matching Grants Program causing this indicator (including rollover funds from the prior year’s grants which span 24 months, and thereby two fiscal years). Expenditures are contracts and will not exceed budgeted amounts.
- **Planning:** While higher than the 4-year average, the 2nd quarter spending level for this city/county department is exactly where it should be, due to timelier capture of monthly payments to the City in the County’s finance system. This department will not exceed budget.
- **Other Education:** Contracts have been fully encumbered for the supply and demand study for Pre-K expansion, which counts as expenditures, skewing the current year trend. This departmental area will not overspend by the end of the fiscal year.