



# Quarterly Budget Report

## Third Quarter of Fiscal Year 2018-19



### OVERVIEW

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The accompanying tables summarize the recognized revenues and expenditures for Durham County's General Fund, Capital Improvement Fund and Reappraisal Reserve Fund through March 31, 2019. Please note that 4-year Third Quarter Averages have been provided for comparison. This average reflects what was reported in the Third 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 Third 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

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**Revenues.** Through March 31, 2019, the County collected \$400,691,651 or 75.87% of the budgeted General Fund, Capital Improvement Fund and Reappraisal Reserve Fund revenue. There have been sufficient levels of collections for two of the most significant revenues in these funds -- property tax and sales tax revenue collections – that we can now make some reasonable projections for the last quarter. Current year property tax collection is tracking at 98.28% of budget, slightly under but comfortably close to the 4-year average of 98.81%. Property tax collections slow significantly during the last quarter of the fiscal year on average. End of year actual property tax collections are expected to surpass budgeted amounts by \$3-\$4 million.

Sales Tax collections remain a matter of focus and concern and are being monitored closely. An exponential increase in refunds (sale tax paid remitted back to nonprofit agencies) to date in FY2018-19 (2.5 times higher than last year) are making the likelihood of meeting budgeted revenue less certain than desired. While gross collections are tracking with prior years, and even increasing, the refund increase is causing lower distributions to the County. Updates will be provided as the Budget Office meets with the North Carolina Department of Revenue regarding these anomalies.



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Key Revenues	Current Budget	Revenues End of Qtr.	% Revenues	4 Prior Year Qtr. Average	Status of Revenues
ABC Net Profit Distribution	\$2,300,000	\$826,821	35.95%	35.73%	●
Animal Control Fees	\$50,000	\$25,672	51.34%	77.32%	●
Article 39 (1 Cent)	\$25,208,255	\$10,679,692	42.37%	53.49%	●
Article 40 (1/2 Cent)	\$13,961,887	\$7,170,511	51.36%	53.26%	●
Article 42 (1/2 Cent)	\$17,000,000	\$7,988,586	46.99%	53.90%	●
Article 44 (1/2 Cent)		\$1,039	0.00%		
Article 46 (1/2 Cent)	\$14,300,000	\$6,950,122	48.60%	55.80%	●
City Sales Tax ILA	\$13,386,107	\$7,418,294	55.42%	54.05%	●
Community Health Fund	\$2,600,000	\$2,499,124	96.12%	99.53%	●
Court Facilities Fees	\$250,000	\$178,300	71.32%	64.59%	●
Deed Registratration and Transfer Fees	\$5,200,000	\$3,783,769	72.76%	88.06%	●
EMS Patient Fees	\$8,310,000	\$6,301,503	75.83%	69.92%	●
Environment Engineering Permit Fees	\$450,000	\$601,560	133.68%	91.67%	●
Intergovernmental Items	\$41,924,236	\$31,007,876	73.96%	65.18%	●
Investment Revenue	\$960,000	\$1,353,387	140.98%	299.86%	●
Local Occupancy Tax (General Fund)	\$3,576,000	\$2,563,775	71.69%	80.69%	●
Local Occupancy Tax (NCMLS)	\$500,000	\$500,000	100.00%	100.00%	●
Other General Funds Revenues	\$87,262,616	\$25,058,323	28.72%	38.85%	●
Property Taxes	\$287,960,039	\$282,999,137	98.28%	98.81%	●
Sheriff Fees	\$800,000	\$568,317	71.04%	69.13%	●
Solid Waste Management Fee Co	\$2,159,929	\$2,215,844	102.59%	101.31%	●
<b>Total</b>	<b>\$528,159,069</b>	<b>\$400,691,651</b>	<b>75.87%</b>	<b>78.09%</b>	

- Current year collections equal 90% or greater than 4-year same quarter average
- Current year collections equal 90% to 70% of 4-year same quarter average
- Current year collections equal 70% or less than 4-year same quarter average

### Key revenue items with red indicator include:

- **Animal Control Fees:** This fee revenue has been trending downward the past couple of years in comparison to the 4-year average. Animal Services staff attribute the revenue reduction to a change in the state-issued rabies guidance. The Department of Health and Human Services now allows animals with up-to-date rabies vaccinations to be sheltered at home after a confirmed bite. Previously, all animals were taken to the county shelter for 10 days, which cost the owner more than \$100. The budget office is looking into adjusting the budget accordingly.
- **Investment Revenue:** Two primary causes are creating the signal for investment revenue. Primarily this revenue is less predictable to project due to it being a matter of cash flow and the rising interest rates of the past few years. Even with increasing annual budgets over the past two fiscal years actual collections have far surpassed budgeted amounts. Second, postings have been delayed in FY2018-19, and none were recorded as of this report date for



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the third quarter, anticipation is they will be posted shortly. The investment revenue budget has been adjusted in FY2019-20 to reflect the increased collections in FY2019-20.

Revenues by Department	Current Budget	Revenues End of Qtr.	% Revenues	4 Prior Year Qtr. Average	Status of Revenues
County Administration	\$83,968	\$72,313	86.12%	99.67%	●
Finance	\$118,896,892	\$46,649,887	39.24%	43.71%	●
Tax Administration	\$294,813,039	\$288,852,810	97.98%	98.52%	●
Legal	\$2,000	(\$8)	-0.40%	7406.62%	●
Elections	\$315	\$55	17.54%	90.09%	●
Register Of Deeds	\$5,370,000	\$3,908,494	72.78%	87.25%	●
General Services	\$2,852,571	\$2,770,719	97.13%	93.34%	●
Human Resources	\$30,000	\$34,018	113.39%	93.66%	●
Veterans Services	\$2,000	\$0	0.00%	131.15%	●
County Sheriff	\$2,334,213	\$1,484,887	63.61%	79.59%	●
Fire Marshal	\$809,566	\$530,911	65.58%	72.51%	●
Criminal Justice Resource Center	\$994,266	\$743,362	74.76%	53.39%	●
Youth Home	\$417,000	\$263,638	63.22%	68.95%	●
Emergency Medical Services	\$12,535,000	\$10,678,477	85.19%	73.86%	●
Engineering & Environ Svcs	\$647,935	\$837,246	129.22%	88.82%	●
Other Environmental Protection		\$5,871	0.00%	89.14%	●
Cooperative Extension Service	\$314,378	\$224,172	71.31%	64.39%	●
Soil And Water Conservation	\$26,760	\$10,380	38.79%	97.53%	●
Economic Development	\$945,000	\$200,000	21.16%	84.29%	●
Public Health	\$7,201,191	\$4,356,700	60.50%	74.04%	●
Social Services	\$30,372,761	\$21,320,882	70.20%	61.22%	●
Other Human Services	\$808,754	\$533,158	65.92%	52.54%	●
Library	\$844,864	\$549,980	65.10%	69.81%	●
Nondepartmental	\$47,856,596	\$16,663,698	34.82%	49.62%	●
<b>Total</b>	<b>\$528,159,069</b>	<b>\$400,691,651</b>	<b>75.87%</b>	<b>78.09%</b>	

- Current year collections equal 90% or greater than 4-year same quarter average
- Current year collections equal 90% to 70% of 4-year same quarter average
- Current year collections equal 70% or less than 4-year same quarter average

**Agency specific revenue items with red indicator include:**

- **Legal:** The 4-year average is skewed because of an overcollection of Service fees in FY14-15. Legal is projecting to not collect any revenue in this line because the type of service charges that were once utilized by County taxpayers has been filled by free or low-cost electronic replacements.
- **Elections:** Due to cyclic nature of the election years, non-municipal election years result in significantly reduced revenue collection.



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- **Veteran Services:** The revenue for Veteran Services is an annual award from the state of North Carolina. The revenue is below the 4-year average for the third quarter because FY2017-18 is the first year these funds were budgeted as opposed to being received individually each year. It is anticipated that these funds will be received Quarter 4.
- **Soil and Water Conservation:** The revenue for the third quarter is below the 4-year average because the grant from the state was received later than in prior years. However, it has since been recorded and the revenue the 4<sup>th</sup> quarter report will reflect full receipt of revenue.
- **Economic Development:** The revenue for this quarter is running below the 4-year average because in FY2018-19, 500,000 was budgeted in the event that NC One grant was awarded by the State which has not occurred to date for FY 18-19. The balance is attributed to private match funds for the State JDIG awards that were recognized in a budget amendment earlier this year. Those awards will not be processed until performance criteria have been met

**Expenditures.** General Fund, Capital Improvement Fund and Reappraisal Reserve Fund expenditures and encumbrances through March 31, 2019 total \$375,578,658 or 71.11% of the budget. The percentage is slightly below the 4-year average of 74.12%.

During the third 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. With the recent emphasis on reallocation during the budget process it is anticipated that the percent spent by the end of FY2018-19 will similar to prior year amounts.



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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	\$538,168	76.39%	77.23%	●
County Administration	\$2,739,463	\$1,846,771	67.41%	68.86%	●
Finance	\$4,122,522	\$2,473,965	60.01%	41.41%	●
Tax Administration	\$7,713,661	\$5,489,872	71.17%	74.71%	●
Legal	\$2,332,386	\$1,655,503	70.98%	67.20%	●
Court Facilities	\$687,545	\$440,460	64.06%	92.78%	●
Elections	\$1,748,854	\$1,234,873	70.61%	74.21%	●
Register Of Deeds	\$2,066,587	\$1,424,545	68.93%	68.94%	●
General Services	\$16,264,133	\$12,433,600	76.45%	72.84%	●
Information Technology	\$8,828,305	\$6,426,694	72.80%	69.51%	●
Human Resources	\$2,593,273	\$1,864,264	71.89%	71.43%	●
Budget & Management Services	\$1,020,579	\$685,470	67.16%	55.03%	●
Veterans Services	\$330,967	\$194,297	58.71%	62.10%	●
Geographic Information Systems	\$477,968	\$318,645	66.67%	72.45%	●
County Sheriff	\$38,191,563	\$28,810,795	75.44%	75.37%	●
Emergency Communications	\$1,384,278	\$933,668	67.45%	72.06%	●
Fire Marshal	\$2,465,894	\$1,789,538	72.57%	65.84%	●
Medical Examiner	\$225,000	\$154,300	68.58%	68.27%	●
Criminal Justice Resource Center	\$4,600,462	\$3,117,359	67.76%	68.06%	●
Youth Home	\$1,281,958	\$905,695	70.65%	67.74%	●
Emergency Medical Services	\$17,138,977	\$11,123,713	64.90%	73.94%	●
Other Transportation	\$512,500	\$183,077	35.72%	33.62%	●
Engineering & Environ Svcs	\$2,842,044	\$1,867,121	65.70%	66.24%	●
Other Environmental Protection	\$57,437	\$57,437	100.00%	100.00%	●
Open Space Management	\$147,736	\$92,552	62.65%	68.46%	●
Planning	\$1,285,133	\$856,755	66.67%	62.42%	●
Cooperative Extension Service	\$1,286,294	\$815,179	63.37%	78.34%	●
Soil And Water Conservation	\$594,278	\$450,966	75.88%	75.59%	●
Economic Development	\$4,440,763	\$1,390,977	31.32%	63.09%	●
Public Health	\$26,996,323	\$20,434,355	75.69%	75.93%	●
Mental Health	\$6,245,859	\$6,245,859	100.00%	100.00%	●
Social Services	\$49,613,852	\$34,524,377	69.59%	72.54%	●
Other Human Services	\$1,296,917	\$775,743	59.81%	79.46%	●
Durham Public Schools	\$138,720,717	\$115,600,598	83.33%	83.18%	●
Community Colleges	\$7,558,203	\$6,298,503	83.33%	81.42%	●
Other Education	\$3,942,505	\$2,718,759	68.96%	71.08%	●
Library	\$11,396,557	\$8,978,063	78.78%	75.87%	●
Other Cultural & Recreational	\$2,173,482	\$2,123,482	97.70%	87.93%	●
Nondepartmental	\$152,129,618	\$88,302,661	58.04%	65.96%	●
<b>Total</b>	<b>\$528,159,069</b>	<b>\$375,578,658</b>	<b>71.11%</b>	<b>74.12%</b>	

- Current year expenditures are up to 2% greater than 4-year same quarter average
- Current year expenditures are between 2% to 5% greater of 4-year same quarter average
- Current year expenditures are more than 5% greater than 4-year same quarter average



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### Agency specific expenditure items in red indicator 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 3<sup>rd</sup> 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 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.
- **Fire Marshal:** The Fire Marshal is not projected to overspend its budget this year. The reason for the red light is that the department has done a more prudent and timely job of spending down its contracted services budget — it's largest operational line.
- **Other Cultural and Recreational:** In prior fiscal years, the payment to the Durham Tourism Development Authority was posted in the fourth quarter. The third and final payment was posted in the third quarter this fiscal year making the percentage expended higher than the 4-year average.