



Quarterly Budget Report

First Quarter of Fiscal Year 2019-20



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, 2019. 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 2019-20 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 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 September 30, 2019, the County collected \$56,913,812 or 10.58% 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 the Second Quarter of the fiscal year.

Current year property tax collection, the largest single revenue source for Durham County, is slightly under the 1st Quarter 4-year average (12.38% collected, vs 13.22% respectively). As Tax Administrator Brinson mentioned in his monthly report, this is not atypical following revaluations. Property taxes are due in December; therefore, the great majority will be received in December and January. We anticipate actual collections will remain close to average through the Second Quarter.

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 2019 (1st month of FY 2019-20) sales taxes were received in October 2019 and will be reflected in the second quarter report.



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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 | \$2,400,000 | \$0 | 0.00% | | ● |
| Animal Control Fees | \$40,000 | \$7,693 | 19.23% | 25.22% | ● |
| Article 39 (1 Cent) | \$25,460,000 | \$0 | 0.00% | | ● |
| Article 40 (1/2 Cent) | \$14,744,000 | \$0 | 0.00% | | ● |
| Article 42 (1/2 Cent) | \$17,585,000 | \$0 | 0.00% | | ● |
| Article 44 (1/2 Cent) | | \$0 | 0.00% | | |
| Article 46 (1/2 Cent) | \$15,100,000 | \$0 | 0.00% | | ● |
| City Sales Tax ILA | \$14,482,000 | \$0 | 0.00% | | ● |
| Community Health Fund | \$2,660,167 | \$2,560,167 | 96.24% | 99.01% | ● |
| Court Facilities Fees | \$250,000 | \$68,418 | 27.37% | 20.18% | ● |
| Deed Registratration and Transfer Fees | \$5,400,000 | \$2,116,403 | 39.19% | 30.44% | ● |
| EMS Patient Fees | \$9,020,000 | \$1,929,635 | 21.39% | 19.49% | ● |
| Environment Engineering Permit Fees | \$537,500 | \$189,755 | 35.30% | 34.18% | ● |
| Fund Balance Appropriated | \$18,715,466 | \$0 | 0.00% | | ● |
| Intergovernmental Items | \$39,423,528 | \$9,789,503 | 24.83% | 19.85% | ● |
| Investment Revenue | \$2,110,000 | \$0 | 0.00% | 71.02% | ● |
| Local Occupancy Tax (General Fund) | \$3,950,000 | \$123,317 | 3.12% | 18.47% | ● |
| Local Occupancy Tax (NCMLS) | \$500,000 | \$0 | 0.00% | | ● |
| Other General Funds Revenues | \$55,937,122 | \$1,547,399 | 2.77% | 4.43% | ● |
| Property Taxes | \$306,886,802 | \$38,006,013 | 12.38% | 13.22% | ● |
| Sheriff Fees | \$750,000 | \$183,644 | 24.49% | 22.66% | ● |
| Solid Waste Management Fee Co | \$2,176,490 | \$391,865 | 18.00% | 16.23% | ● |
| Total | \$538,128,075 | \$56,913,812 | 10.58% | 11.16% | |

- 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:

- **Investment Revenue:** The actual posting of investment revenue is often delayed well past the actual month of funds being received. Once these items are posted a better assessment will be possible to ensure if past trending is continuing. As of the close of last fiscal year, there is no indication to expect the current revenue target will not be met.
- **Local Occupancy Tax:** The reason here is the same as above; the red indicator is due to a delay in posting. Revenues were recorded for the month of July only. Internal documents that show receipts for August and September confirm that the collections for Occupancy are on target, if not above, from previous fiscal years.



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- **Other General Fund Revenue:** As the name indicated this represents a group of various revenues. In this case three particular items are notable.
 - County Vehicle Registration Tax: Finance typically posts this revenue later than in the fiscal year, and backdated to the accurate quarter. For example Q1 revenue last year was not actually posted until Q4 of that fiscal year. The collection of this revenue will be monitored throughout the fiscal year. Rent of Recreational Facilities: This type of revenue is related to rental agreements for the County Stadium. Revenue typically fluctuates through the quarters, causing this 4-year average to be skewed. Historically, the collection is close to the budgeted revenue by the end of the fiscal year. Rent of County Facilities: The decline in revenue in this category is mainly related to Alliance Health no longer renting space in DSS building. Inadvertently this revenue was not reduced accordingly, therefore throwing off the percentage collected.

| Revenues by Department | Current Budget | Revenues End of Qtr. | % Revenues | 4 Prior Year Qtr. Average | Status of Revenues |
|----------------------------------|----------------------|----------------------|---------------|---------------------------|--------------------|
| County Administration | \$35,632 | \$8,908 | 25.00% | 16.58% | ● |
| Finance | \$112,394,046 | \$1,579,218 | 1.41% | 0.76% | ● |
| Tax Administration | \$314,196,802 | \$38,601,944 | 12.29% | 13.30% | ● |
| Legal | \$2,000 | \$0 | 0.00% | 21.67% | ● |
| Elections | \$662,800 | \$2,765 | 0.42% | 0.90% | ● |
| Register Of Deeds | \$5,580,000 | \$2,166,084 | 38.82% | 30.58% | ● |
| General Services | \$2,883,690 | \$497,121 | 17.24% | 19.95% | ● |
| Human Resources | \$30,000 | \$12,932 | 43.11% | 29.82% | ● |
| Veterans Services | \$2,000 | \$0 | 0.00% | | ● |
| County Sheriff | \$1,844,800 | \$332,379 | 18.02% | 22.13% | ● |
| Fire Marshal | \$930,015 | \$167,802 | 18.04% | 16.46% | ● |
| Criminal Justice Resource Center | \$1,087,492 | \$171,425 | 15.76% | 17.19% | ● |
| Youth Home | \$570,000 | \$46,546 | 8.17% | 13.72% | ● |
| Emergency Medical Services | \$13,415,167 | \$4,509,342 | 33.61% | 34.36% | ● |
| Engineering & Environ Svcs | \$642,755 | \$244,415 | 38.03% | 34.13% | ● |
| Cooperative Extension Service | \$307,405 | \$29,434 | 9.57% | 20.32% | ● |
| Soil And Water Conservation | \$26,760 | \$0 | 0.00% | 18.93% | ● |
| Economic Development | \$445,000 | \$0 | 0.00% | 21.16% | ● |
| Public Health | \$6,828,597 | \$1,259,948 | 18.45% | 21.58% | ● |
| Social Services | \$28,429,118 | \$6,925,603 | 24.36% | 19.64% | ● |
| Other Human Services | \$919,059 | \$1,652 | 0.18% | 20.50% | ● |
| Library | \$814,652 | \$133,266 | 16.36% | 19.10% | ● |
| Nondepartmental | \$46,080,285 | \$223,030 | 0.48% | 1.94% | ● |
| Total | \$538,128,075 | \$56,913,812 | 10.58% | 11.16% | |

- 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:

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- **Legal:** 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. In the upcoming FY 20-21 budget this revenue line will be reduced or removed to more accurately reflect these changes.
- **Elections:** Revenue collection for Elections is dependent on the timing of municipal elections. The majority of these local elections have not yet occurred. Revenue collection will increase as the billing for elections are returned
- **Youth Home:** The Youth Home revenue budget was increased this year to account for a projected increase in juveniles housed in the Youth Home when state Raise the Age legislation goes into effect on Dec. 1, 2019. The legislation raises the age of juvenile jurisdiction for nonviolent crimes to 18 years old. The average should normalize by the end of the third quarter.
- **Cooperative Extension Service:** Project BUILD was previously in the Cooperative Extension budget and was moved to the Public Health budget in FY2016-17. The revenue received for this program is included in the 4 prior year quarter average. The average should normalize after FY2016-17 drops out of the average.
- **Soil and Water Conservation:** Soil and Water did not collect any of the budgeted revenue (Annual Grant) yet; this is normal during the first quarter of the fiscal year. During the second quarter, Soil and Water usually collect a portion of the budgeted grant, and that should adjust the red line indicator. The reason for the red line indicator in this quarter, because Soil and Water received a one-time payment of \$25,000 in the first quarter of FY2015-16 (portion of what was budgeted \$51,000 that year), which skewed the 4-year average.
- **Economic Development:** Economic Development did not collect any of the budgeted revenue during the first quarter of the fiscal year. It is expected that portion of the budgeted revenue will be collected during the second quarter of the fiscal year. In FY2018-19, Economic Development received portion of the budgeted revenue during the first quarter which led the 4-year average to be skewed. The red line indicator should be back on track during the second and third quarter of the fiscal year.
- **Other Human Services:** During the first quarter, County staff worked on finalizing the Durham ACCESS Transportation merger with the City of Durham. The program is funded largely from grant funding and expenditures are reimbursed after services have been rendered. The City of Durham will continue to submit invoices to the County to file for reimbursement but administrative processing of the revenue reimbursement may be slightly delayed in the first few months until staff becomes familiar with new processes. The first quarter reimbursement reports have been submitted and funding should be received soon.
- **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 4th quarter. This budget to actual variance is driving lower than average 1st quarter collection percentage.



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Expenditures

| 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 | \$693,998 | \$251,835 | 36.29% | 34.70% | ● |
| County Administration | \$2,888,450 | \$748,247 | 25.90% | 27.21% | ● |
| Finance | \$3,856,177 | \$1,457,008 | 37.78% | 32.59% | ● |
| Tax Administration | \$7,081,892 | \$2,609,510 | 36.85% | 37.01% | ● |
| Legal | \$2,570,626 | \$673,384 | 26.20% | 23.44% | ● |
| Court Facilities | \$687,243 | \$500,478 | 72.82% | 80.59% | ● |
| Elections | \$2,789,634 | \$801,950 | 28.75% | 25.22% | ● |
| Register Of Deeds | \$1,992,050 | \$697,295 | 35.00% | 28.51% | ● |
| General Services | \$16,081,202 | \$6,872,546 | 42.74% | 44.07% | ● |
| Information Technology | \$11,058,655 | \$3,314,350 | 29.97% | 27.90% | ● |
| Human Resources | \$2,573,419 | \$834,608 | 32.43% | 33.51% | ● |
| Budget & Management Services | \$969,125 | \$240,089 | 24.77% | 21.64% | ● |
| Veterans Services | \$339,313 | \$77,011 | 22.70% | 20.21% | ● |
| Geographic Information Systems | \$498,843 | \$124,736 | 25.01% | 25.05% | ● |
| County Sheriff | \$39,240,419 | \$12,299,952 | 31.35% | 30.70% | ● |
| Emergency Communications | \$1,384,907 | \$502,315 | 36.27% | 35.10% | ● |
| Fire Marshal | \$2,734,112 | \$697,215 | 25.50% | 25.85% | ● |
| Medical Examiner | \$250,000 | \$232,200 | 92.88% | 17.89% | ● |
| Criminal Justice Resource Center | \$4,939,428 | \$1,288,820 | 26.09% | 29.87% | ● |
| Youth Home | \$1,275,858 | \$363,744 | 28.51% | 25.03% | ● |
| Emergency Medical Services | \$17,192,495 | \$5,005,020 | 29.11% | 28.99% | ● |
| Other Transportation | \$412,500 | \$12,500 | 3.03% | 16.39% | ● |
| Engineering & Environ Svcs | \$2,965,660 | \$1,031,555 | 34.78% | 27.74% | ● |
| Open Space Management | \$260,930 | \$183,755 | 70.42% | 58.55% | ● |
| Planning | \$1,248,462 | \$312,116 | 25.00% | 23.14% | ● |
| Cooperative Extension Service | \$1,415,713 | \$367,136 | 25.93% | 24.93% | ● |
| Soil And Water Conservation | \$593,947 | \$152,342 | 25.65% | 26.76% | ● |
| Economic Development | \$3,710,178 | \$1,678,826 | 45.25% | 25.91% | ● |
| Public Health | \$27,479,676 | \$11,533,341 | 41.97% | 43.23% | ● |
| Mental Health | \$6,336,751 | \$6,336,751 | 100.00% | 99.74% | ● |
| Social Services | \$48,111,243 | \$13,668,766 | 28.45% | 30.40% | ● |
| Other Human Services | \$1,667,171 | \$900,744 | 54.03% | 51.74% | ● |
| Durham Public Schools | \$145,970,717 | \$48,656,906 | 33.33% | 33.33% | ● |
| Community Colleges | \$7,900,158 | \$2,633,386 | 33.33% | 37.20% | ● |
| Other Education | \$5,549,586 | \$1,038,429 | 18.71% | 32.61% | ● |
| Library | \$11,353,442 | \$4,259,830 | 37.52% | 36.98% | ● |
| Other Cultural & Recreational | \$1,817,841 | \$1,767,841 | 97.25% | 92.92% | ● |
| Nondepartmental | \$156,951,820 | \$8,309,839 | 5.29% | 5.66% | ● |
| Total | \$544,843,641 | \$142,456,376 | 26.15% | 26.79% | |

- 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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Expenditures: General Fund, Capital Improvement Fund and Reappraisal Reserve Fund expenditures and encumbrances through September 30, 2019 total \$142,456,376 or 26.15%, of the budget. The percentage is slightly below the 4-year average of 26.79%.

During the first 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.

Agency specific expenditure items in red include:

- **Finance:** The 1st quarter spending level exceeded the 4-year average due to higher encumbered contracts. In FY2019-20 a large contract was encumbered for the Justice Center Parking Deck equipment upgrade.
- **Register of Deeds:** Register of Deeds usually encumbers a significant portion of its Miscellaneous Contracted Services early in the first quarter of the fiscal year; this is normal, and it has been this case during FY2018-19 and FY2017-19. The reason for the red line indicator this quarter was because ROD encumbered a significant portion of its Misc. contracted service to finish a project they were working on "Index Project 1881 to 1962." The trend should be back to normal during quarter 2.
- **Medical Examiner:** This indicator is solely capturing that this fiscal year the funds for the Medical Examiner Fees are encumbered early in the year, as opposed to the past when the charges were only posted as they were paid. Expenses in this area continue to be variable from year to year and will be watched accordingly as FY 2019-20 progresses.
- **Engineering and Environmental Services:** The major expenditure in Engineering is related to Storm Water and Erosion Control Division, this expense is due to a significant encumbrance in Misc. Contracted Services with DW Dickson related to the Storm Utility fees project.
- **Open Space Management:** The increase in the amount spent to date is the result of previous contracts that have rolled from year to year have been encumbered to be expended. As prior year contracts are fulfilled, the percent spent will increase, but not exceed or present a budget concern.
- **Economic Development:** Economic Development Encumbered a significant amount of its' budget in Misc Contracted Services early in the fiscal year. Most of the expenditures were related to Non-profit contracts, Durham Chamber of Commerce, and Downtown Durham Inc projects. Such encumbrances occur early in Quarter 1 causing the 4-year average to be askew.