



# Quarterly Budget Report

## *Second Quarter of Fiscal Year 2019-20*



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### 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 December 31, 2019. Please note that four-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 2019-20 revenues and expenditures. The dashboard uses a "traffic light" indicator to represent where agencies' revenues and expenditures are in comparison to a four-year Second Quarter Average. The indicator alone is not a cause for concern, rather an alert that merits a second look. Within this report, for all "red light" indicators, an overview of the cause is provided.

For revenues, green represents revenues at 90% or greater than the four-year average, yellow represents revenues between 70% and up to 90% of the four-year average, and red represents revenues below 70% of the average.

For expenditures, green represents expenditures not more than 2% greater than the four-year average, yellow represents expenditures between 2% and 5% greater than the average, and red represents expenditures greater than 5% of the average.

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### EXECUTIVE SUMMARY

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**Revenues:** Through December 31, 2019, the County collected \$301,269,857 or 54.91% of the budgeted General Fund, Capital Improvement Fund, and Reappraisal Reserve Fund revenue. This overall collection is above the four prior year average of 52.50%

The most significant revenue sources are Property taxes and Sales taxes. Current year property tax collection, the largest single revenue source for Durham County, is above the 2<sup>nd</sup> Quarter four-year average (77.93% collected, vs. 75.46% respectively). By the Third Quarter, this revenue will be mostly complete, as the majority of the property taxes are received in the months of December and January. Sales tax collections are on track, and above the four-year average. The situation seen last year of lower actual collections, due to significant increases in refunds (to tax-exempt entities), has now returned to normal.



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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	\$397,057	16.54%	16.09%	●
Animal Control Fees	\$40,000	\$15,466	38.67%	46.96%	●
Article 39 (1 Cent)	\$25,460,000	\$6,406,247	25.16%	18.97%	●
Article 40 (1/2 Cent)	\$14,744,000	\$3,831,657	25.99%	25.23%	●
Article 42 (1/2 Cent)	\$17,585,000	\$4,556,612	25.91%	21.77%	●
Article 44 (1/2 Cent)		\$10,068	0.00%		
Article 46 (1/2 Cent)	\$15,100,000	\$3,992,466	26.44%	22.26%	●
City Sales Tax ILA	\$14,482,000	\$3,934,746	27.17%	24.60%	●
Community Health Fund	\$2,660,167	\$2,560,167	96.24%	99.01%	●
Court Facilities Fees	\$250,000	\$140,764	56.31%	39.47%	●
Deed Registratration and Transfer Fees	\$5,400,000	\$3,596,973	66.61%	60.77%	●
EMS Patient Fees	\$9,020,000	\$4,010,593	44.46%	42.54%	●
Environment Engineering Permit Fees	\$537,500	\$322,217	59.95%	60.67%	●
Fund Balance Appropriated	\$27,618,785	\$0	0.00%		●
Intergovernmental Items	\$40,058,285	\$18,144,551	45.30%	39.81%	●
Investment Revenue	\$2,110,000	\$720,721	34.16%	152.96%	●
Local Occupancy Tax (General Fund)	\$3,950,000	\$1,738,790	44.02%	49.17%	●
Local Occupancy Tax (NCMLS)	\$500,000	\$330,751	66.15%	34.93%	●
Other General Funds Revenues	\$10,023,837	\$4,704,160	46.93%	44.78%	●
Property Taxes	\$306,886,802	\$239,161,314	77.93%	75.46%	●
Sheriff Fees	\$750,000	\$360,725	48.10%	45.14%	●
Solid Waste Management Fee Co	\$2,176,490	\$1,873,716	86.09%	85.38%	●
Transfers From Other Funds	\$46,919,459	\$460,094	0.98%	10.34%	●
<b>Total</b>	<b>\$548,672,325</b>	<b>\$301,269,857</b>	<b>54.91%</b>	<b>52.50%</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:

- **Investment Revenue:** The 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.
- **Transfers from Other Funds:** Transfers are largely technical budget items that help ensure funds remain in balance. An example would be the General Fund transferring dedicated Sales Tax revenues to the Capital Improvement Fund. The actual postings of these transfers are most often at the end of the fiscal year. There is no cause for concern about this item.



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Revenues by Department	Current Budget	Revenues End of Qtr.	% Revenues	4 Prior Year Qtr. Average	Status of Revenues
County Administration	\$35,632	\$17,816	50.00%	79.32%	●
Finance	\$121,297,365	\$25,834,296	21.30%	17.98%	●
Tax Administration	\$314,196,802	\$243,188,251	77.40%	74.94%	●
Legal	\$2,000	\$3,705	185.24%	52.87%	●
Elections	\$662,800	\$5,785	0.87%	1.52%	●
Register Of Deeds	\$5,580,000	\$3,695,832	66.23%	60.96%	●
General Services	\$2,883,690	\$2,122,282	73.60%	75.28%	●
Human Resources	\$30,000	\$22,598	75.33%	70.47%	●
Veterans Services	\$2,000	\$0	0.00%		●
County Sheriff	\$2,017,546	\$922,640	45.73%	52.97%	●
Fire Marshal	\$940,015	\$371,975	39.57%	39.28%	●
Criminal Justice Resource Center	\$1,190,155	\$438,372	36.83%	39.15%	●
Youth Home	\$570,000	\$211,378	37.08%	41.16%	●
Emergency Medical Services	\$13,415,167	\$7,267,746	54.18%	50.77%	●
Engineering & Environ Svcs	\$642,755	\$481,451	74.90%	59.91%	●
Other Environmental Protection		\$3,704	0.00%	134.37%	●
Cooperative Extension Service	\$307,405	\$68,034	22.13%	35.61%	●
Soil And Water Conservation	\$26,760	\$0	0.00%	48.58%	●
Economic Development	\$445,000	\$0	0.00%	52.38%	●
Public Health	\$7,194,945	\$3,438,399	47.79%	43.69%	●
Social Services	\$28,429,118	\$12,384,004	43.56%	39.13%	●
Other Human Services	\$919,059	\$58,541	6.37%	40.55%	●
Library	\$814,652	\$272,955	33.51%	43.29%	●
Nondepartmental	\$47,069,459	\$460,094	0.98%	10.32%	●
<b>Total</b>	<b>\$548,672,325</b>	<b>\$301,269,857</b>	<b>54.91%</b>	<b>52.50%</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:**

- **County Administration:** A one-time donation to My Brother’s Keeper program in FY 2017-18 that was not budgeted has created an artificially elevated four-year average. County Administration is on track to collect the budgeted amount this fiscal year
- **Elections:** Revenue collection for Elections is dependent on the timing of municipal elections and the collection of the fees. At the close of Quarter Two, only a small amount of revenue had been collected, but as of the writing of this update, collection has increased to \$591,415.12 or 89%.



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- **Cooperative Extension Service:** Project BUILD was previously in the Cooperative Extension budget and was moved to the Public Health Budget in FY 2016-17. The revenue received for this program was significant, and collected early in the fiscal year, creating a larger percent collected for those years by Quarter Two. The average will normalize after FY 2016-17 drops out of the average; thus, there is no cause for concern.
- **Soil and Water Conservation:** The reason for the Red-light indicator is due to a delay in receipt of the annual grant from the state (causing a lower collection percentage this fiscal year). Through the end of the fiscal year, it is projected that the full grant will be received, as in years past.
- **Economic Development:** Revenue in this Business Area is one-time grants, making the prior year average, not a reliable benchmark. There is one grant in the current budget that is yet to be received. Staff will monitor this in the coming months.
- **Other Human Services:** This budget represents Access Transportation and is showing red due to having filed for the up to date reimbursement, but not having received it yet. In years past, the funds have been received more regularly. Finance and Budget staff are tracking this issue, and do not anticipate any problem with final end of the year collection.
- **Non-departmental:** In FY 2015-16, the transfer from the Community Health Fund to the General Fund occurred in Quarter Two, every year since it has been posted in Quarter Three. This difference in posting timeframes creates the red light in this situation. It is anticipated that all revenue (transfers are the large majority in this Business Area) will be re-coded at the end of the fiscal year.



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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	\$365,421	52.65%	56.67%	●
County Administration	\$2,888,450	\$1,441,506	49.91%	47.56%	●
Finance	\$4,556,151	\$2,032,607	44.61%	32.07%	●
Tax Administration	\$7,041,927	\$3,960,285	56.24%	57.69%	●
Legal	\$2,570,626	\$1,325,423	51.56%	45.65%	●
Court Facilities	\$687,243	\$506,634	73.72%	81.36%	●
Elections	\$2,789,634	\$1,403,612	50.32%	55.76%	●
Register Of Deeds	\$1,992,050	\$1,101,077	55.27%	50.50%	●
General Services	\$16,111,202	\$9,662,501	59.97%	59.55%	●
Information Technology	\$11,058,655	\$7,050,859	63.76%	49.06%	●
Human Resources	\$2,573,419	\$1,365,401	53.06%	52.97%	●
Budget & Management Services	\$969,125	\$447,231	46.15%	38.02%	●
Veterans Services	\$339,313	\$151,908	44.77%	42.36%	●
Geographic Information Systems	\$498,843	\$249,471	50.01%	47.25%	●
County Sheriff	\$39,517,099	\$20,886,840	52.86%	54.34%	●
Emergency Communications	\$1,384,907	\$769,298	55.55%	52.77%	●
Fire Marshal	\$2,744,297	\$1,554,897	56.66%	44.76%	●
Medical Examiner	\$250,000	\$234,800	93.92%	43.57%	●
Criminal Justice Resource Center	\$5,042,091	\$2,410,645	47.81%	48.78%	●
Youth Home	\$1,275,858	\$679,433	53.25%	47.20%	●
Emergency Medical Services	\$17,192,495	\$8,664,857	50.40%	50.69%	●
Other Transportation	\$412,500	\$70,877	17.18%	13.39%	●
Engineering & Environ Svcs	\$3,454,860	\$1,602,409	46.38%	47.17%	●
Other Environmental Protection	\$50,506	\$50,506	100.00%	100.00%	●
Open Space Management	\$260,930	\$183,755	70.42%	59.12%	●
Planning	\$1,248,462	\$624,231	50.00%	41.70%	●
Cooperative Extension Service	\$1,415,713	\$662,264	46.78%	47.73%	●
Soil And Water Conservation	\$593,947	\$343,227	57.79%	51.14%	●
Economic Development	\$3,710,178	\$2,319,689	62.52%	55.60%	●
Public Health	\$27,948,063	\$17,076,720	61.10%	60.64%	●
Mental Health	\$6,336,751	\$6,336,751	100.00%	99.74%	●
Social Services	\$49,106,194	\$24,501,890	49.90%	51.81%	●
Other Human Services	\$1,667,171	\$1,126,152	67.55%	62.75%	●
Durham Public Schools	\$145,970,717	\$85,149,585	58.33%	58.33%	●
Community Colleges	\$7,900,158	\$4,608,426	58.33%	60.27%	●
Other Education	\$5,549,586	\$3,207,803	57.80%	55.89%	●
Library	\$11,389,606	\$6,570,059	57.68%	57.49%	●
Other Cultural & Recreational	\$1,817,841	\$1,767,841	97.25%	92.92%	●
Nondepartmental	\$157,661,759	\$16,002,274	10.15%	36.74%	●
<b>Total</b>	<b>\$548,672,325</b>	<b>\$238,469,165</b>	<b>43.46%</b>	<b>50.94%</b>	

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



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**Expenditures:** General Fund, Capital Improvement Fund, and Reappraisal Reserve Fund expenditures and encumbrances through December 31, 2019, total \$238,469,165 or 43.46%, of the budget. The percentage is below the four-year average of 50.94%.

During the second quarter, expenditure percentages for some departments exceeded the four-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 red-light indicator is the result of 100% of capital purchases (items over \$5,000 in value) being expended earlier in the year than in the past. Other categories are in-line with traditional spending patterns.
- **Legal:** The red-light indicator is the result of an above-average expenditure as compared to Quarter Two in prior years. Some of the items that are spent at a greater amount to date are Training, Contracted Services, and Personnel (due to staffing patterns). There is no indication they will require additional funding.
- **Information Technology:** The red-light indicator is the result of an above-average expenditure of a variety of operating funds at this point in the fiscal year in comparison to previous years. This is attributable to the department moving to have contracts, subscriptions, and like expenditures renew on a fiscal year rotation and not a calendar year.
- **Budget and Management Services:** The red-light indicator is the result of an above-average expenditure of personnel lines. This is related to having an additional staff member to prepare for a long-standing employee's pending retirement.
- **Fire Marshal:** Fire Marshal staff attributed the increased expenditures to costs associated with the Fire Marshal's relocation to a new office in downtown Durham. The office has expended funding on parking fees, office supplies, and miscellaneous supplies needed to furnish and make the space operational.
- **Medical Examiner:** This indicator is solely capturing that this fiscal year the funds for the Medical Examiner fees were encumbered early in the year, as opposed to in 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.
- **Youth Home:** As part of requests during the FY 2019-20 budget process, all departments were asked to reduce traditionally underspent line items. Youth Home did this in a few areas which reduced their overall Budget but are still spending at a similar pace as in the past (in other words, the numerator (spending) is the same, but the denominator (budget) is smaller). Youth Home is on target to not overspend their allocation but is aware to let staff know if additional funding may be needed.
- **Open Space Management:** As in previous reports, this Business Area captured the County's investment in the Matching Grant program, and the indicator merely represents the encumbrances remaining to be paid to the agencies. This item will not be overspent.



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- **Planning:** Expenses for this quarter are on track, but the one reason behind the red-light indicator is due to a large encumbrance that occurred earlier this year, as opposed to the last two fiscal years which caused the four-year average to be skewed.
- **Soil and Water Conservation:** The reason behind the red-light indicator was the timing of the encumbrances and early travel that occurred during the first two quarters (Hydrilla Contract) caused a major percentage of expenses/encumbrance when compared to the four-year average.
- **Economic Development:** The Industrial Expansion Policy (IEP) commitment item contains projected payments that are anticipated to occur in the fiscal year for economic development-related agreements. Projections are made based on the schedule of the agreement of payments and prior year's performance in the case of older agreements. In the current year, a greater proportion of payments were rendered through the first two quarters of the fiscal year as compared to previous fiscal years. Payment is rendered after the County is invoiced by the Company and verification of performance criteria is confirmed. We anticipate that the budgeted amount will be invoiced by year's end and, given outstanding liability, could possibly exceed the budgeted.