



Quarterly Budget Report

First Quarter of Fiscal Year 2020-21



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, 2020. Please note that 4-year First Quarter Averages have been provided for comparison. These averages reflect 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 2020-21 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.

REVENUE SUMMARY

Through September 30, 2020, the County collected \$29,646,274 or 5.39% 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 significantly under the 1st Quarter 4-year average (2.92% collected, vs 12.54% respectively). This is primarily due to a delay in sending tax bills resultant from the implementation of a new tax deferment program targeted to assist residents at or below 30% of the Average Median Income. Tax bills were mailed on September 21, only a few days before the end of the quarter. This billing delay is not expected to have a negative impact on property tax collection for the year. However, second and third quarters will give more perspective on the property tax collection rates.

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 2020 (1st month of FY 2020-21) sales taxes were received in October 2020 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	\$7,683	19.21%	23.53%	●
Article 39 (1 Cent)	\$25,061,015	\$0	0.00%		●
Article 40 (1/2 Cent)	\$14,028,246	\$0	0.00%		●
Article 42 (1/2 Cent)	\$17,328,568	\$0	0.00%		●
Article 44 (1/2 Cent)		\$0	0.00%		
Article 46 (1/4 Cent)	\$15,200,000	\$0	0.00%		●
City Sales Tax ILA	\$11,821,383	\$0	0.00%		●
Community Health Fund	\$2,606,506	\$2,606,506	100.00%	98.05%	●
Court Facilities Fees	\$240,000	\$31,759	13.23%	21.50%	●
Deed Registratration and Transfer Fees	\$5,400,000	\$2,087,084	38.65%	29.70%	●
EMS Patient Fees	\$9,030,000	\$1,660,385	18.39%	22.96%	●
Environment Engineering Permit Fees	\$2,500	\$70,560	2822.40%	29.49%	●
Fund Balance Appropriated	\$18,562,238	\$0	0.00%		●
Intergovernmental Items	\$47,600,550	\$8,956,328	18.82%	21.12%	●
Investment Revenue	\$2,010,000	\$0	0.00%	45.98%	●
Local Occupancy Tax (General Fund)	\$2,823,264	\$355,177	12.58%	19.70%	●
Local Occupancy Tax (NCMLS)	\$500,000	\$0	0.00%		●
Other General Funds Revenues	\$9,201,288	\$1,208,626	13.14%	15.86%	●
Property Tax (Vehicles Only)	\$16,887,703	\$3,675,497	21.76%	21.01%	●
Property Taxes (all Except Vehicle)	\$294,244,482	\$8,589,419	2.92%	12.54%	●
Sheriff Fees	\$750,000	\$76,294	10.17%	22.75%	●
Solid Waste Management Fee Co	\$2,371,725	\$116,691	4.92%	16.83%	●
Transfers From Other Funds	\$51,607,400	\$204,265	0.40%	1.57%	●
Total	\$549,716,868	\$29,646,274	5.39%	11.08%	

- 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: Investment Revenue:** Finance's focus during the first quarter has been on the completion of the annual financial audit and single audit, which will produce the CAFR and Compliance Report. In addition, increased staff time has been required by Finance staff due to remote work resultant from COVID-19 across the enterprise and recovery efforts due to the malware attack. The compounded effect of these issues resulted in the first quarter investment revenue not being distributed from the Treasury Pool Fund (central repository for cash and investments) to the individual funds (e.g., General, Risk Management, Debt Service, etc.). Staff will work to have this revenue



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category current in the second quarter. Once the annual financial audit and single audit are completed, the investment income monthly allocation for the 1st quarter and to date will be allocated to the individual funds. Updated information will be available regarding investment income in subsequent quarterly reports.

- **Local Occupancy Tax (General Fund):** Through the first quarter, actual collections are less than half of what was received in the same period last fiscal year. The duration of the impact on the hotel and tourism industry was/is simply not known, nor projected to be this significant, during the budget cycle. Current projections have this revenue coming in significantly under budget. Through conversations with our partners at Discover Durham updated projections through the end of FY 2020-21 have this revenue coming in between 60%-40% under budget (\$1.25M - \$1.8M vs. budgeted amount of \$2.82M). Planning will occur to buffer this adjustment.
- **Court Facilities:** Downward trends related to court facilities fees have been exacerbated by the COVID-19 pandemic. General decreased usage of the courthouse, along with temporary closings is causing a decrease in fee collections. It is anticipated that revenues will be down for the year, due to decreased courts cases through the first quarter. Final revenue projections will improve as we move further into the fiscal year.
- **Property Taxes:** The current collection status of overall property taxes through the first quarter of FY 2020-21 is significantly under pace compared to prior fiscal years due to a delay in billing taxpayers. Bills were mailed late September, due to the implementation of a tax assistance program for long term homeowners at or below 30% of the Average Median Income. The collection rate for property tax was reduced by half a percent (99.1% vs. 99.6%) this fiscal year in reaction to the economy. Based on new construction patterns and home sale ratios, the Tax Administrator expects to meet overall targets. Staff is watching this largest revenue source very closely and hope that enough data will be received by the end of January 2021, to better project end of year amounts.
- **Sheriff Fees:** The Durham County Courthouse was closed for an extended period due to COVID-19. As a result, court cases were delayed and there was a significant reduction in the collection of several categories of fees that comprise the Sheriff Fee line: fees for a deputy to serve papers, fees from accident & incident reports, and commission from auctioned repossessed property. As court activity increases (timing of which is not currently known) there should be a related increase in revenue, although it is unlikely that the full budget will be realized this fiscal year. Sheriff budget staff estimates that end-of-year revenues will be between \$400K and \$450K.
- **Solid Waste Management Fee:** This revenue line is the Sticker Fee paid by County only residents for recycling and garbage services. Each year this fee is included as a part of the annual tax bill. As was discussed in more detail under the Property Taxes sections above, the delay in this bill is also affecting typical collection amount in the first quarter. While this revenue source will be monitored closely, it is anticipated that by the beginning of February (at the latest) this item will be on track with prior fiscal years.



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- Transfer from Other Funds:** The majority of transfers from other funds does not occur until Finance completes the end of fiscal year processes as a part of the fourth quarter of a fiscal year. Also, a one-time transfer of \$7.4M from the Capital Financing Fund Plan to the General Fund, in FY 2020-21, has increased the budget significantly therefore decreasing the percent collected (the denominator is significantly larger, while the numerator (actuals to date) stayed about the same). The end of year transfers will be in line with the budget.

Revenues by Department	Current Budget	Revenues End of Qtr.	% Revenues	4 Prior Year Qtr. Average	Status of Revenues
County Administration	\$151,694	\$0	0.00%	16.72%	●
Finance	\$107,985,930	\$886,134	0.82%	1.12%	●
Tax Administration	\$317,365,374	\$12,879,877	4.06%	13.14%	●
Elections	\$1,744,283	\$0	0.00%	0.68%	●
Register Of Deeds	\$5,600,000	\$2,143,282	38.27%	29.60%	●
General Services	\$2,844,825	\$192,000	6.75%	19.81%	●
Human Resources	\$35,000	\$4,360	12.46%	32.38%	●
Veterans Services	\$2,000	\$0	0.00%		●
County Sheriff	\$3,034,946	\$611,042	20.13%	21.12%	●
Office of Emergency Services	\$14,476,690	\$4,316,456	29.82%	34.91%	●
Criminal Justice Resource Center	\$1,509,737	\$299,021	19.81%	15.36%	●
Youth Home	\$570,000	\$54,990	9.65%	11.67%	●
Engineering & Environ Svcs	\$166,350	\$89,844	54.01%	31.11%	●
Cooperative Extension Service	\$288,200	\$30,015	10.41%	12.59%	●
Soil And Water Conservation	\$26,760	\$0	0.00%		●
Economic Development	\$250,000	\$0	0.00%	12.58%	●
Public Health	\$9,578,150	\$1,044,078	10.90%	21.38%	●
Social Services	\$31,231,064	\$6,782,146	21.72%	20.64%	●
Other Human Services	\$581,025	\$0	0.00%	20.30%	●
Library	\$667,440	\$108,763	16.30%	17.45%	●
Nondepartmental	\$51,607,400	\$204,265	0.40%	1.57%	●
Total	\$549,716,868	\$29,646,274	5.39%	11.08%	

- 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:** Two main revenues for this area, a My Brother's Keeper Grant, and joint City-County funding of an ICMA fellow position, have not yet been received. The My Brother's Keeper grant is a one-time donation from Dominion Energy. The ICMA fellow is a historically jointed funded position split between the City of Durham and Durham County. All revenues are expected to be received in full.



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- **Tax Administration:** The explanation for this indicator being red can mostly be seen in the above Key Revenue section under the “Property Taxes” section. One large ancillary impact is also related to the delayed receipt of property taxes. Collection fees received from the City of Durham (1% of their taxes) are lower than average because the amount received is less.
- **Elections:** BOE was selected to receive two grants this fiscal year, from the Help America Vote Act (HAVA) and the Center for Tech and Civic Life (CTCL). The Help American Vote Act is a federal grant to assist with elections. The Center for Tech and Civic Life is a nonprofit that provides grants to local governments to assist with elections to improved technologies used for voting and to assist with budget constraints related to the COVID-19 pandemic. Grant revenue will be reflected in the second quarter. The dollars for the CTCL grant was received early October.
- **General Services:** General Service revenue collections are below the four-year average largely due to the Solid Waste Management Fee and Court Facilities Fee. See the previous section for further information regarding these revenues.
- **Human Resources:** Revenues received in this department are for the Employee appreciation program. The program is funded with County vending machine income. Due to the COVID-19 pandemic less employees are working in Durham County facilities and utilizing vending machines.
- **Public Health:** While revenues associated with Immunization (due to Covid-19) have increased 4 times the rate of collection in previous fiscal years, revenues such as “grants” and “state aid” in other areas (ex. Dental, Departmental) have delayed collections, or grant reimbursement rates have slowed as the focus at the local, state, and federal level continues to be on combatting the Covid-19 Pandemic. Public Health has also seen a reduction in “Service Fee” collection as Public Health services have decreased due reduced hours of operation and a new appointment policy reducing the number of citizens seen. Additionally, Public Health’s budgeted revenue for FY 2020-21 has increased by roughly \$2.2 million, including an increase in Medicaid Cost Settlement and two Covid-19 related grant revenues. While these revenues have been budgeted, no actuals for these revenues have been posted yet, skewing Q1 revenue collection rates. Public Health’s revenues will need to be closely monitored as the impact of Covid-19 poses a realistic chance that revenue will continue to be under-collected throughout the remainder of the fiscal year.
- **Economic Development:** The revenues in this business area are received when and if the recipient’s performance criteria have been completed and verified or once the agreement has been executed in the case of the NC Biotechnology Center award. The awards associated with the budgeted revenue are not expended until the funds are received by the County. The reason behind the red-light indicator is due in part to a one-time payment received in FY 2018-19 from NC Biotechnology Center Grant, which caused the 4-year average to be skewed.
- **Other Human Services:** The reason behind the red-light indicator is due to the timing of when the grants and revenues are received and posted. The grants in this business area are



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often received and posted sporadically throughout the fiscal year, causing the 4-year average to be skewed and not a reliable benchmark when it is compared to previous fiscal years. At this point, there is no reason to suspect collections will not reach the budget.

- **Non-departmental:** Please see the comprehensive explanation for this indicator under “Transfers from Other Funds” under the Key Revenue section.

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	\$639,548	\$249,322	38.98%	32.97%	●
☐ County Administration	\$2,885,285	\$853,710	29.59%	27.41%	●
☐ Finance	\$3,205,285	\$984,369	30.71%	33.32%	●
☐ Tax Administration	\$7,515,677	\$2,364,165	31.46%	38.29%	●
☐ Legal	\$2,567,840	\$675,694	26.31%	23.76%	●
☐ Court Facilities	\$394,929	\$346,073	87.63%	74.88%	●
☐ Elections	\$4,337,228	\$1,082,561	24.96%	28.72%	●
☐ Register Of Deeds	\$2,112,379	\$582,403	27.57%	29.01%	●
☐ General Services	\$15,913,820	\$7,038,453	44.23%	42.34%	●
☐ Information Technology	\$11,852,524	\$3,657,383	30.86%	27.21%	●
☐ Human Resources	\$2,499,238	\$781,868	31.28%	34.78%	●
☐ Budget & Management Services	\$914,171	\$232,016	25.38%	22.47%	●
☐ Veterans Services	\$396,927	\$125,473	31.61%	22.48%	●
☐ Geographic Information Systems	\$519,091			25.05%	
☐ County Sheriff	\$37,297,548	\$13,540,219	36.30%	31.03%	●
☐ Emergency Communications	\$1,514,937			33.91%	
☐ Office of Emergency Services	\$19,695,405	\$6,225,004	31.61%	29.51%	●
☐ Medical Examiner	\$269,900	\$237,700	88.07%	39.32%	●
☐ Criminal Justice Resource Center	\$5,414,963	\$1,645,768	30.39%	29.19%	●
☐ Youth Home	\$1,243,789	\$387,433	31.15%	26.32%	●
☐ Other Transportation	\$412,500	\$12,500	3.03%	15.90%	●
☐ Engineering & Environ Svcs	\$2,426,859	\$964,072	39.73%	30.50%	●
☐ Other Environmental Protection	\$68,987	\$68,987	100.00%	100.00%	●
☐ Open Space Management	\$264,257	\$187,082	70.80%	63.50%	●
☐ Planning	\$1,461,777			23.21%	
☐ Cooperative Extension Service	\$1,944,111	\$805,981	41.46%	24.51%	●
☐ Soil And Water Conservation	\$652,528	\$198,730	30.46%	27.94%	●
☐ Economic Development	\$3,503,529	\$1,097,423	31.32%	24.72%	●
☐ Public Health	\$28,694,342	\$12,144,442	42.32%	42.29%	●
☐ Mental Health	\$6,336,751	\$6,336,751	100.00%	100.00%	●
☐ Social Services	\$52,538,089	\$13,965,538	26.58%	27.86%	●
☐ Other Human Services	\$1,258,207	\$443,858	35.28%	53.46%	●
☐ Durham Public Schools	\$153,177,778	\$51,059,259	33.33%	33.33%	●
☐ Community Colleges	\$7,872,799	\$2,624,266	33.33%	33.33%	●
☐ Other Education	\$5,814,433	\$4,426,166	76.12%	25.81%	●
☐ Library	\$11,519,949	\$4,452,623	38.65%	38.17%	●
☐ Other Cultural & Recreational	\$1,817,841	\$1,767,841	97.25%	83.24%	●
☐ Nondepartmental	\$154,790,332	\$8,022,455	5.18%	5.34%	●
Total	\$555,745,550	\$149,587,588	26.92%	26.27%	

- 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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EXPENDITURE SUMMARY

General Fund, Capital Improvement Fund and Reappraisal Reserve Fund expenditures and encumbrances through September 30, 2020 total \$149,587,588 or 26.92%, of the budget. The percentage is slightly higher than the 4-year average of 26.27%.

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. It is important to note, the CARES Act grant will be allocated to departmental budgets for spending related to COVID-19. The \$8,790,103 will be recognized in the second quarter to offset \$1,405,292 in expenditures incurred in FY 2020 and \$7,384,810 of expenditures that will occur through December 31, 2020.

Agency specific expenditure items in red include:

- **Board of County Commissioners:** The Board of County Commissioners increase in expenditures is due to annual membership payments to the Rotary Club and UNC School of Government. Due to economic constraints tied to the COVID-19 pandemic, the Board of Commissioners offered minor budget cuts to their operating budget. Though the membership dues have not substantially increased, the payments are encompassing a larger percentage of the operating budget and created a larger percent expenditure over the prior four-year average.
- **Court Facilities:** The Court Facilities Q1 budget includes encumbered annual contracts for both the Assistant District Attorney and Assistant Public Defender, as well as encumbered building rent for 3225 Chapel Hill Blvd. and expenditures for the completion of renovations to the Public Defender's Office.
- **Veteran Services:** The red-light indicator in this business area is related to a vehicle purchase (vehicles) that rolled forward from last fiscal year. Veteran Services needed to purchase a "My DCo Van" to serve and reach out to veterans around Durham County. The encumbrance of the funds triggered the red-light indicator showing a larger percent spent than prior years. There are no concerns for the end of year budget.
- **County Sheriff:** The County Sheriff Office's FY 2020-21 budget is about \$1.95M less than the previous fiscal year due to county-wide adjustments made to all departmental budgets to prioritize essential spending. However, through the end of the first quarter, it had spent about \$1.12M more than it had at the end of the first quarter in FY 2019-20. There are two primary drivers behind the increase in spending:
 - Detention Services has almost completely expended its \$1,939,095 operating budget. The department has had higher than anticipated expenses in Medical Expenses, Inmate Supplies and Housekeeping Supplies commitment lines due



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COVID-related expenditures; and the Miscellaneous Contracted Services lines has been over-expended due to costs related to the accreditation of the detention facility.

- Sheriff IT has almost full expended its \$583,820 Capital Budget on contracts with SHI International and TriTech for software licensing

The Sheriff's budget will need to be monitored closely over the ensuing months to limit over-expenditures.

- **Medical Examiner:** The funds for the Medical Examiner fees were encumbered early in the year beginning in FY 2019-20. This process was repeated in FY 2020-21. Before FY 2019-20, the funds were not encumbered in this manner; but instead charges were only posted as they were paid. This explains the difference this year and last compared to the two years prior. Expenses in this area continue to be variable from year to year and will be watched accordingly as FY 2020-21 progresses. However, current year actuals, as opposed to encumbrances, are trending roughly as expected and budgeted.
- **Engineering and Environmental Services:** The expenses in this business area are related to Environmental Engineering (Stormwater and Erosion Control) fund center. This business area has been moved to an Enterprise Fund and is no longer in the General Fund effective July 1st, 2020. However, there have been some financial posting in personnel (salaries) and operating (Misc. Contracted Services) in the General Fund, which caused a red-light indicator to be triggered. We have informed Finance about this matter, and once these entries are moved to Stormwater Enterprise Fund, the red-light indicator should be back to normal.
- **Open Space Management:** The higher percentage expenditure in this quarter is due to the rollover of contracts. Usually, when the contract rolls to the new fiscal year, it shows higher encumbrance for that contract. Once that contract is closed, it shows higher expenses, but that does not present any budgetary concerns.
- **Cooperative Extension:** Cooperative Extension's expenditures are higher in Q1 due to the Early Childhood Coordinator position being filled and personnel costs being charged to this department. While Q1 expenditures are higher than past years, the Early Childhood Coordinator personnel and operating expenses were transferred to the Other Education business area recently, and future quarterly reports will reflect a return to average expenditures.
- **Economic Development:** This business area's expenses are on track and similar to Q1 expenditures for FY 2018-19 and FY 2019-20. The Office of Economic Development usually encumbers a larger amount of its contracted services early in the fiscal year, and therefore, it shows larger expenses in the budget for Q1. The reason behind the red-light indicator was due to no actuals posted in Q1 FY 2017-18. for personnel. Additionally, there was a smaller encumbrance portion on contracts for that particular year. Therefore, FY 2017-18 has caused the 4-year average to be skewed, causing a red-light indicator to be triggered



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- **Other Education:** Unlike in previous fiscal years the funding for Pre-K services are showing as encumbered in the first quarter of FY 2020-21. Therefore, the percentage spent or encumbered is displaying significantly higher than prior fiscal years. Expenditures will not exceed budgeted amounts.
- **Other Cultural and Recreation:** Expenditures in this business area are on track to not exceed budget. The reason behind the red-light indicator is due to Durham Tourism Association funding. In FY 2018-2019, Durham Tourism Association had a budget of \$333,000 with no posted offsetting expenses for that one year, which in return caused the 4-year average to be off and not a reliable benchmark. As we move forward with the next fiscal years, the 4-year average should go back to normal.

SUMMARY

FY 2020-21 was expected, and has since proven, to be a volatile budget year (so far). Although regional and national economist predict an economic recovery in months to come*, judicious fiscal management must continue to ensure priority services occur within the confines of projected revenue. For the remaining of the fiscal year, budget adjustments will occur to expenditure budgets to ensure overall spending align with projected year-end revenues. This approach will require continued coordination with management and departments. Further, the process will set the framework for the FY 2021-22 budget development process.

*Notes to support statement.

[NC economist: With COVID-19 vaccine in reach, 2021 looks promising.](#) WRAL. November 23, 2020

[Business Insider: US GDP will be back to pre-pandemic levels by mid-2021 under a Biden presidency and as vaccine progress continues, Goldman says.](#) November 9, 2020

[2021 Schwab Market Outlook: On the Path to Recovery - Charles Schwab - Commentaries - Advisor Perspectives.](#) December 1, 2020