



FY 2014-15 Budget Retreat

March 13, 2014

Susan Tezai, Interim CFO

Kim Simpson, Tax Administrator

Keith Lane, Interim Budget Director

Current County Financial Condition



SWAP HISTORY

FY2005	\$	327,068.54	
FY2006		541,750.02	
FY2007		835,799.97	
FY2008		1,253,817.28	
FY2009		1,205,274.48	
FY2010		2,643,434.60	
FY2011		2,071,848.59	
FY2012		1,986,871.55	
FY2013		3,430,234.19	
FY2014		<u>1,521,590.55</u>	1st payment received for FY2014

Total SWAP funds
received to date \$ 15,817,689.77

\$ 1,542,410.00 Estimated amount to receive for
2nd payment for FY2014

\$ 6,275,574.72 Total fund balance as of June 30, 2013

\$ 4,534,095.37 Estimated fund balance as
of June 30, 2014

HEALTH TRUST FUND

Estimated as of June 30, 2014

Total fund balance		\$ 13,702,800.00
Less:		
Debt Service FY15	\$ 4,137,820.00	
Debt Service FY 16	\$ 2,350,000.00	
School Nurses FY 15	\$ 210,748.00	
School Nurses FY 16	\$ 59,601.00	
		<u>\$ 6,758,169.00</u>
Estimated available fund balance as of June 30, 2014		<u><u>\$ 6,944,631.00</u></u>



General Fund Balance Comparison of FY2012 and FY2013:	Audited FY2012	Audited FY2013	Variance
Total Fund Balance	\$ 136,271,733	\$ 134,629,310	\$ (1,642,423)
Less:			
Non-spendable:			
Inventories	\$ 926,820	\$ 977,769	\$ 50,949
Prepaid expenditures	128,526	24,595	(103,931)
Restricted:			
Stabilization by State Statute	28,468,801	28,702,389	233,588
Museum	86,735	86,735	-
Tax technology	346,364	622,311	275,947
Sheriff	309,995	275,982	(34,013)
Fire marshall	148,771	125,187	(23,584)
Cooperative extension programs	-	5,400	5,400
Public health programs	25,155	168,583	143,428
Mental health programs	336,316	-	(336,316)
Social services programs	74,712	73,148	(1,564)
Library programs	8,858	5,734	(3,124)
Environmental protection programs	88,107	88,809	702
Register of deeds	322,363	385,134	62,771
Capital purchases	215,611	-	(215,611)
	\$ 104,784,599	\$ 103,087,534	\$ (1,697,065)
Committed:			
Managed Care Organization	5,291,429	-	(5,291,429)
Mental health	887,534	-	(887,534)
Social services	184,417	-	(184,417)
Public health	390,000	338,151	(51,849)
Risk management	5,923,158	6,546,872	623,714
Debt service	4,427,504	4,516,366	88,862
OPEB	27,242,993	32,652,033	5,409,040
Sheriff inmate	345,588	510,499	164,911
Education; Article 46	3,002,269	2,811,253	(191,016)
Self-insured health benefits	-	3,734,120	3,734,120
Assigned:			
Subsequent years	11,612,648	16,348,230	4,735,582
Unassigned:	45,477,059	35,630,010	(9,847,049)

Fund Balance Expressed as a % of expenditures:

	Audited FY2012	Audited FY2013	Variance
LGC recommended 8% minimum expressed as a % of expenditures	<u>28.24%</u>	<u>27.24%</u>	<u>-1.00%</u>
Unassigned fund balance expressed as a % of expenditures	<u>12.03%</u>	<u>9.25%</u>	<u>-2.78%</u>



FINANCIAL TRENDS: GENERAL FUND BALANCE

	<i>Audited</i> FY Ending 6/30/2009	<i>Audited</i> FY Ending 6/30/2010	<i>Audited</i> FY Ending 6/30/2011	<i>Audited</i> FY Ending 6/30/2012	<i>Audited</i> FY Ending 6/30/2013
Beginning fund balance	\$95,112,980	\$ 92,187,744	\$101,634,062	\$117,520,487	\$ 136,271,733
Prior period adjustment					3,067,187
Beginning fund balance, as restated					<u>\$ 139,338,920</u>
Net change in fund balance	<u>(2,925,236)</u>	<u>9,446,318</u>	<u>15,886,425</u>	<u>18,751,246</u>	<u>(4,709,610)</u>
Ending fund balance	<u>\$92,187,744</u>	<u>\$101,634,062</u>	<u>\$117,520,487</u>	<u>\$136,271,733</u>	<u>\$ 134,629,310</u>



FY2009 – FY2013 Annual Revenues & Expenditures as a % of Budget



North Carolina Financial Condition Analysis

Key: DURHAM COUNTY

■ Benchmark —

Benchmark peers selected:

FORSYTH COUNTY, GUILFORD COUNTY, MECKLENBURG COUNTY, WAKE COUNTY

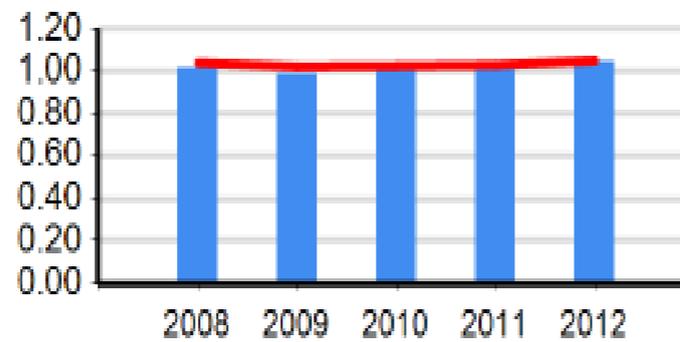
General Fund

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Resource Flow

Service Obligation

Operations ratio

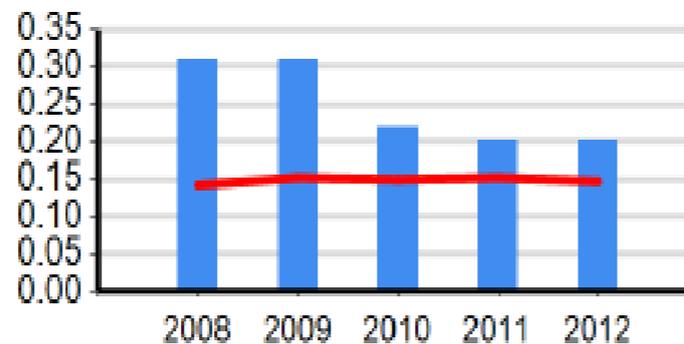


DURHAM COUNTY = 1.04, Benchmark = 1.05

Service obligation measures whether or not a government's annual revenues were sufficient to pay for annual operations. The operations ratio is calculated as total revenues divided by total expenditures (plus transfers to debt service fund).

Dependency

Intergovernmental ratio

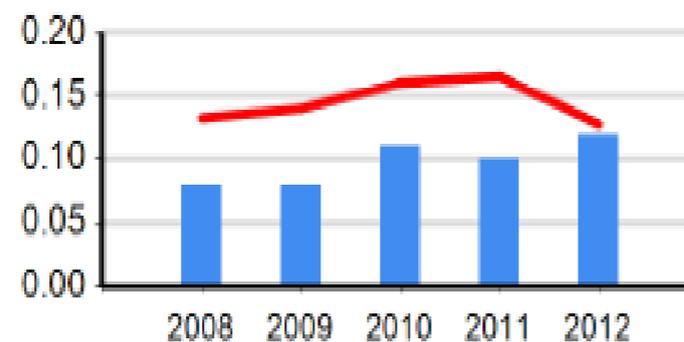


DURHAM COUNTY = 0.20, Benchmark = 0.15

Dependency measures the extent to which a government relies on other governments for resources. The intergovernmental ratio is calculated as total intergovernmental revenue divided by total revenue.

Financing Obligation

Debt service ratio



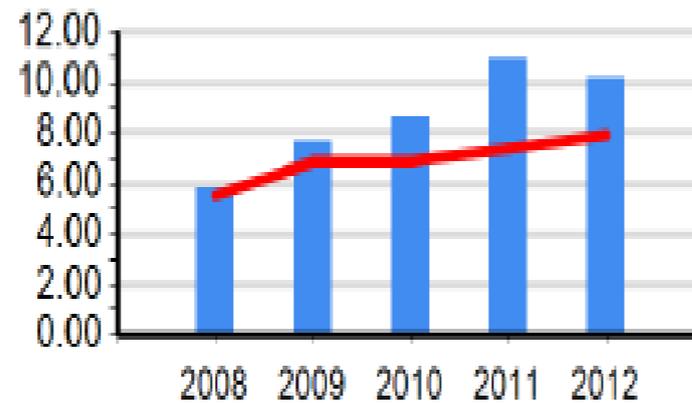
DURHAM COUNTY = 0.12, Benchmark = 0.13

Financing obligation addresses service flexibility or the amount of expenditures committed to annual debt service. The debt service ratio is calculated as debt service divided by total expenditures (plus transfers to debt service fund).

Resource Stock

Liquidity

Quick ratio

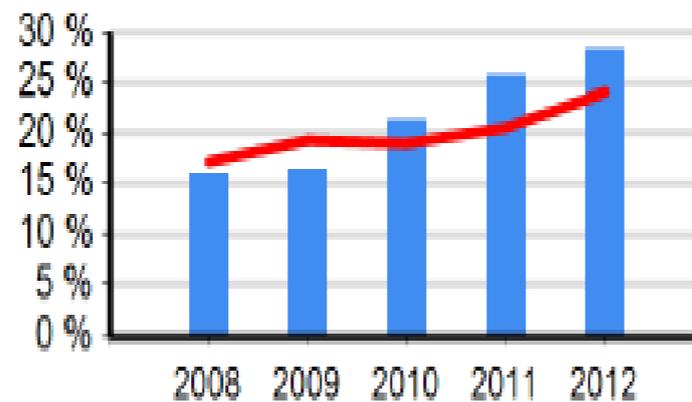


DURHAM COUNTY = 10.17, Benchmark = 7.91

Liquidity measures a government's ability to meet its short-term obligations. The quick ratio is calculated as cash & investments divided by current liabilities.

Solvency

Fund balance available as percentage of expenditures

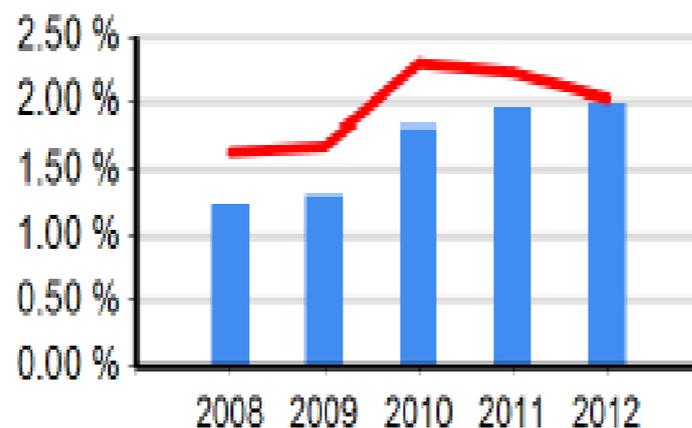


DURHAM COUNTY = 28.30 %, Benchmark = 24.10 %

Solvency measures a government's ability to meet long-term obligations. Fund balance as a percentage of expenditures is calculated as available fund balance divided by expenditures plus transfers out.

Leverage

Debt as percentage of assessed value



DURHAM COUNTY = 1.99 %, Benchmark = 2.03 %

Leverage measures the extent to which a government relies on tax-supported debt. The ratio of debt as a percentage of assessed value is calculated as tax-supported, long-term debt divided by assessed value.

Property Tax Overview



2014-2015 Value Projections

Assessed Value	
Real Property	\$25,708,434,347
Personal Property	\$3,270,609,112
Public Service	\$489,915,862
Registered Motor Vehicles	\$1,799,900,000
Total	\$31,268,859,321



Budget to Budget Growth

Assessed Value	FY 13-14 Budget	FY 14-15 Projections	Change in Base
Real Property	\$25,226,129,000	\$25,708,434,347	1.91%
Personal Property	\$3,251,188,901	\$3,270,609,112	0.60%
Public Service	\$494,110,311	\$489,915,862	-0.85%
RGV	\$1,771,627,310	\$1,799,900,000	1.60%
Total	\$30,743,055,522	\$31,268,859,321	1.71%



Changes Considered in the Tax Base Estimates

Changes that affect Tax Value/Tax Revenues

- 1) Computer Software – Software and Hardware are reported in one category, therefore we have no real data that will show us the potential loss until all listings are processed. The last day to file is April 15, 2014, staff will have approximately two months of work to complete before we will know a more accurate number. We have estimated a loss of value of 100 to 194 million which could be a loss of revenue of \$750,000 to 1.1 million.
- 2) Tax and Tag Program – Effective September 1, 2014. Historical Payment Data on state system is limited . Due to very limited information all counties have been directed to budget conservatively. Projections consider very limited growth for new purchases.



Prior Year/Delinquent Collections

Prior Year Collections – Annually we have collected 2 million + in prior year collections. Approximately 1 million is derived from past due motor vehicle taxes, and 1 million from real and business personal property.

As of February 28, 2014 we have 5.2 million dollars outstanding for tax years 2013 and prior (10 years) for real and personal property. There is 3.6 million past due for 2013 tax year (FY 13-14) that became delinquent on January 6, 2014.

As of February 28, 2014 we have 1.4 million dollars of outstanding motor vehicle taxes for tax year 2013 and prior. Over \$900,000 are taxes billed for 2013.



Revaluation Update

Effective Date of Statutory General Reappraisal – January 1, 2016

Staff has been working on a variety of projects to prepare.

- 1) Online Appeal Program – With ability to look at Comparable Sales
- 2) Updated photo images of improvements
- 3) Continued Analysis of Market Conditions

Current Sales Ratio is 102%

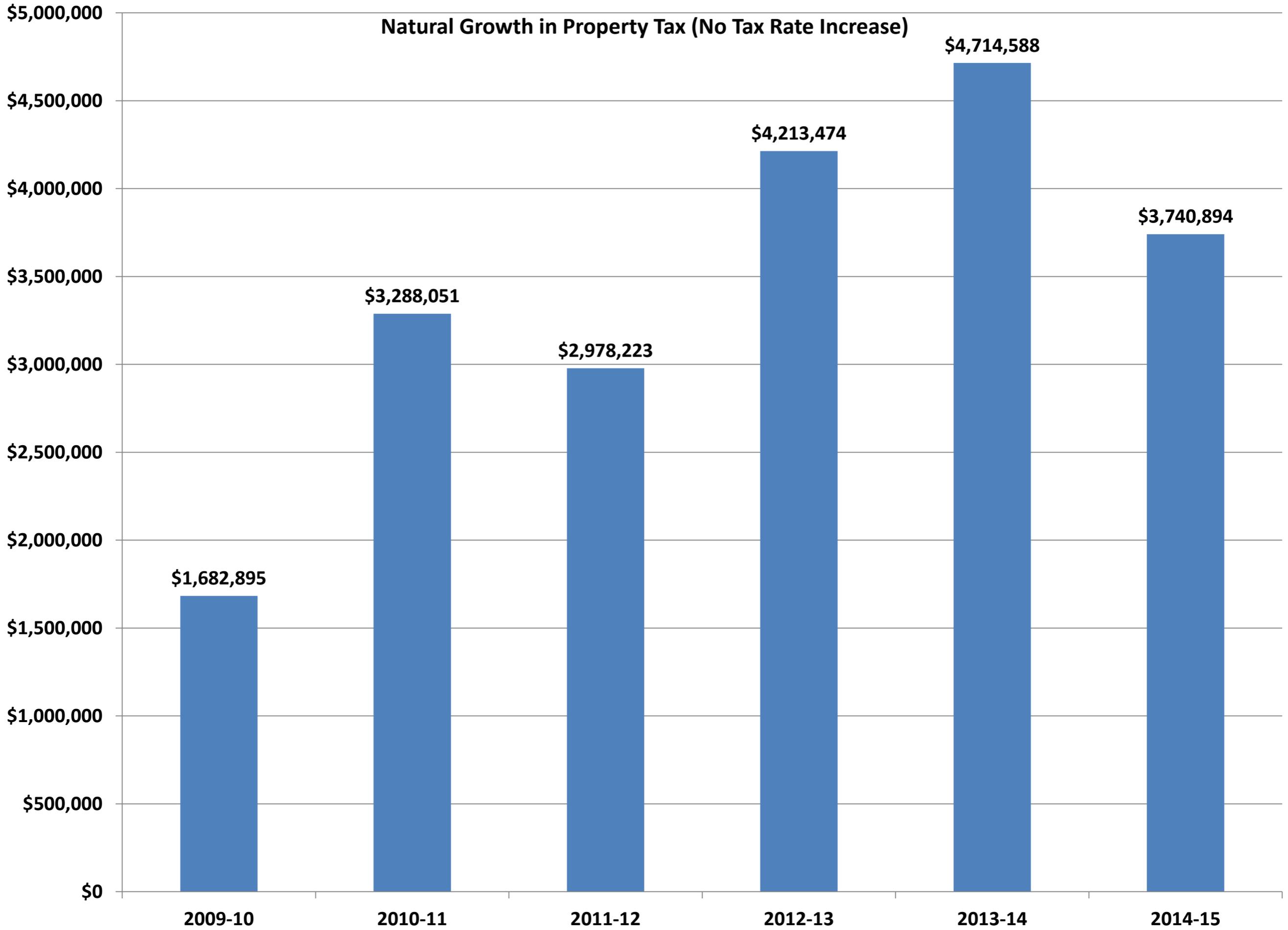
Sales ratio indicates that our assessed values average 2 % above the current market conditions.



FY 2014-15 Budget Review and Assumptions



Natural Growth in Property Tax (No Tax Rate Increase)



Local Sales Tax Definitions

Article 39 (1%) – Distributed by point of sale. Basically, any sale that occurs in a given county will result in the Article 39 portion returning to that county. Any refund identified as being from a specific county will have the Article 39 portion refunded from that county as well.

Article 40 (1/2%)– Collected statewide and distributed based upon a county's population in relation to the state population total.

Article 42 (1/2%)– Was previously distributed based upon a county's population in relation to the state population total. Effective with the November 2009 collections distributed in January 2010, Article 42 tax is distributed on a point of sale basis.

Article 46 (1/4%)– Distributed based upon point of sale to the counties that enact this Article and is not shared with municipalities within these counties.

Article 43 (1/2%)– Article 43 proceeds are distributed to counties that have enacted a Public Transportation Sales Tax



Total Sales Tax

State Sales Tax – 4.75%

Durham County Local Sales Tax:

Article 39 – 1.0%

Article 40 – 0.5%

Article 42 – 0.5%

Article 46 – 0.25%

Article 43 – 0.5% (Transportation)

Local Sales Tax – 2.75%

Total Durham County Sales Tax - 7.50%



Local Sales Tax Distribution

Local Sales Tax can be distributed two ways:

1. **Ad Valorem** – Based on the percentage split of total property tax revenue collection by each district within a county, including the county.
2. **Per Capita** – Based on the percentage split of total population within each district within a county, including the county total.

Durham County currently uses the Per Capital local sales tax distribution method and local sales tax are distributed to 4 districts:

1. **Durham County**
2. **Durham City**
3. **Raleigh**
4. **Chapel Hill**

Durham County currently has in place a 5 year (2013-2018) interlocal agreement with the City of Durham that supersedes the Per Capita distribution and guarantees that Durham County will receive **58%** of the total local sales tax collected between the city and the county. The City of Durham receives **42%** of the total.

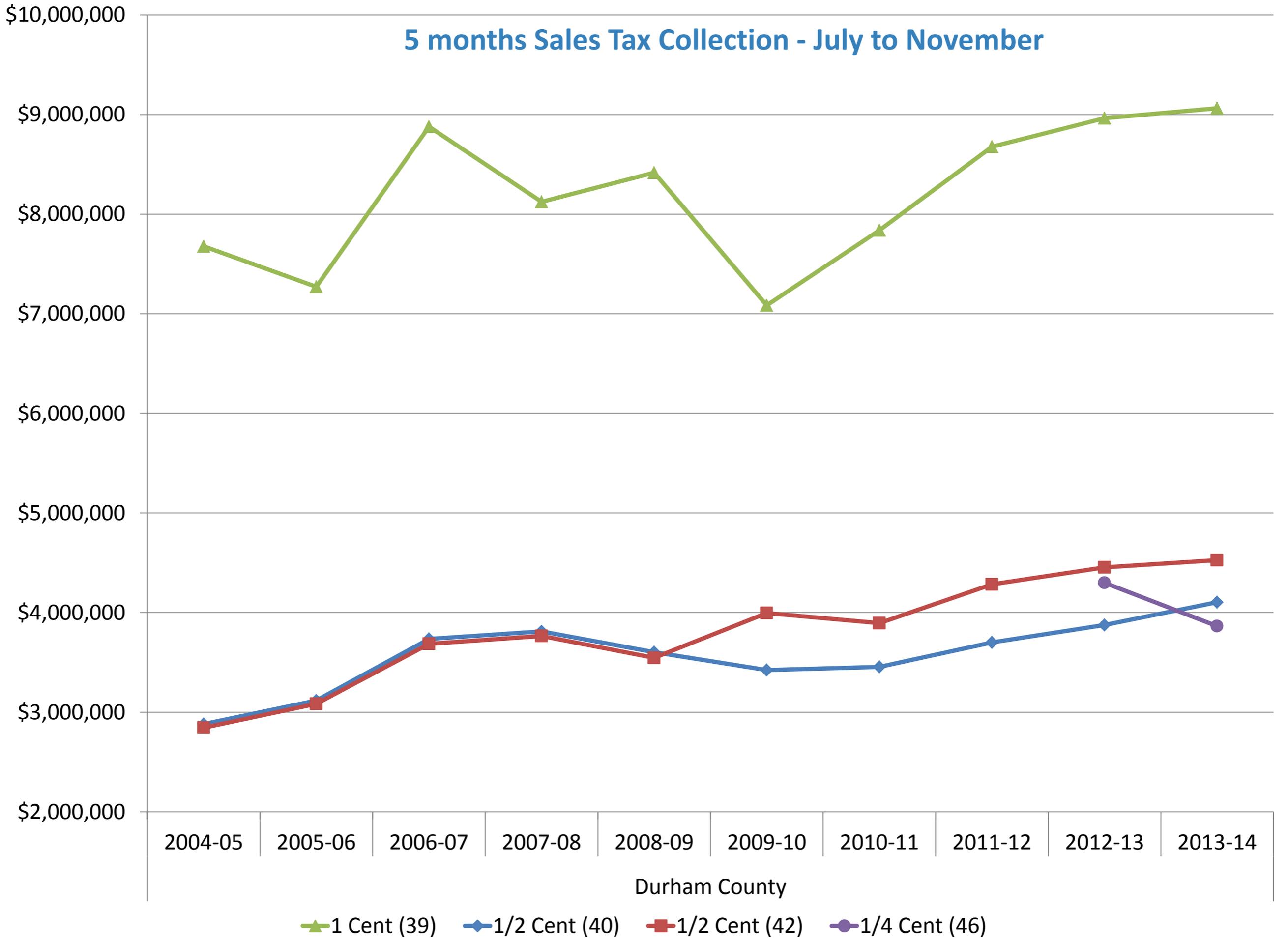


July-November (5 Months) Sales Tax Actual Collection

Sales Tax	2009-10	2010-11	2011-12	2012-13	2013-14	2014 % Inc. From 2013
1/2 Cent (40)	\$3,422,110	\$3,453,737	\$3,700,049	\$3,875,289	\$4,103,918	5.90%
1/2 Cent (42)	\$3,995,413	\$3,894,038	\$4,283,779	\$4,453,236	\$4,525,552	1.62%
1/4 Cent (46)	N/A	N/A	N/A	\$4,298,536	\$3,864,552	-10.10%
1 Cent (39)	\$7,084,991	\$7,838,639	\$8,677,092	\$8,963,479	\$9,062,761	1.11%



5 months Sales Tax Collection - July to November



Sales Tax Historical Budget to Actuals

Total Sales Tax	2009-10	2010-11	2011-12	2012-13	2013-14 (YTD)	2014-15 (Projected)
Budgeted	\$44,620,142	\$39,570,595	\$44,291,087	\$57,788,234	\$57,730,067	\$60,525,248
Actuals	\$41,676,290	\$44,546,244	\$51,368,257	\$58,975,023	\$59,414,671	
Difference	(\$2,943,852)	\$4,975,649	\$7,077,170	\$1,186,789	\$1,684,604	



Article 46 Sales Tax Collection History for Durham County

- FY 2011-12 was a three month collection only, and those funds were not designated for any particular area.
- FY 2013-14 is an estimate with only 5 of 12 months of actual Article 46 sales tax collection.

Year	Collection
FY 2011-12	\$3,002,269.39
FY 2012-13	\$10,608,984.24
FY 2013-14 Estimated	\$10,171,000.00
Total	\$23,782,253.63



Article 46 Sales Tax Estimate for FY 2014-15

- This is a very early estimate (based on only 5 months of actuals for FY 2013-14) and is subject to change
- \$10.2 million, up \$300,000 from what is budgeted for FY 2013-14
- Another \$200,000 from Article 46 sales tax in General Fund fund balance may be appropriated for Pre-K

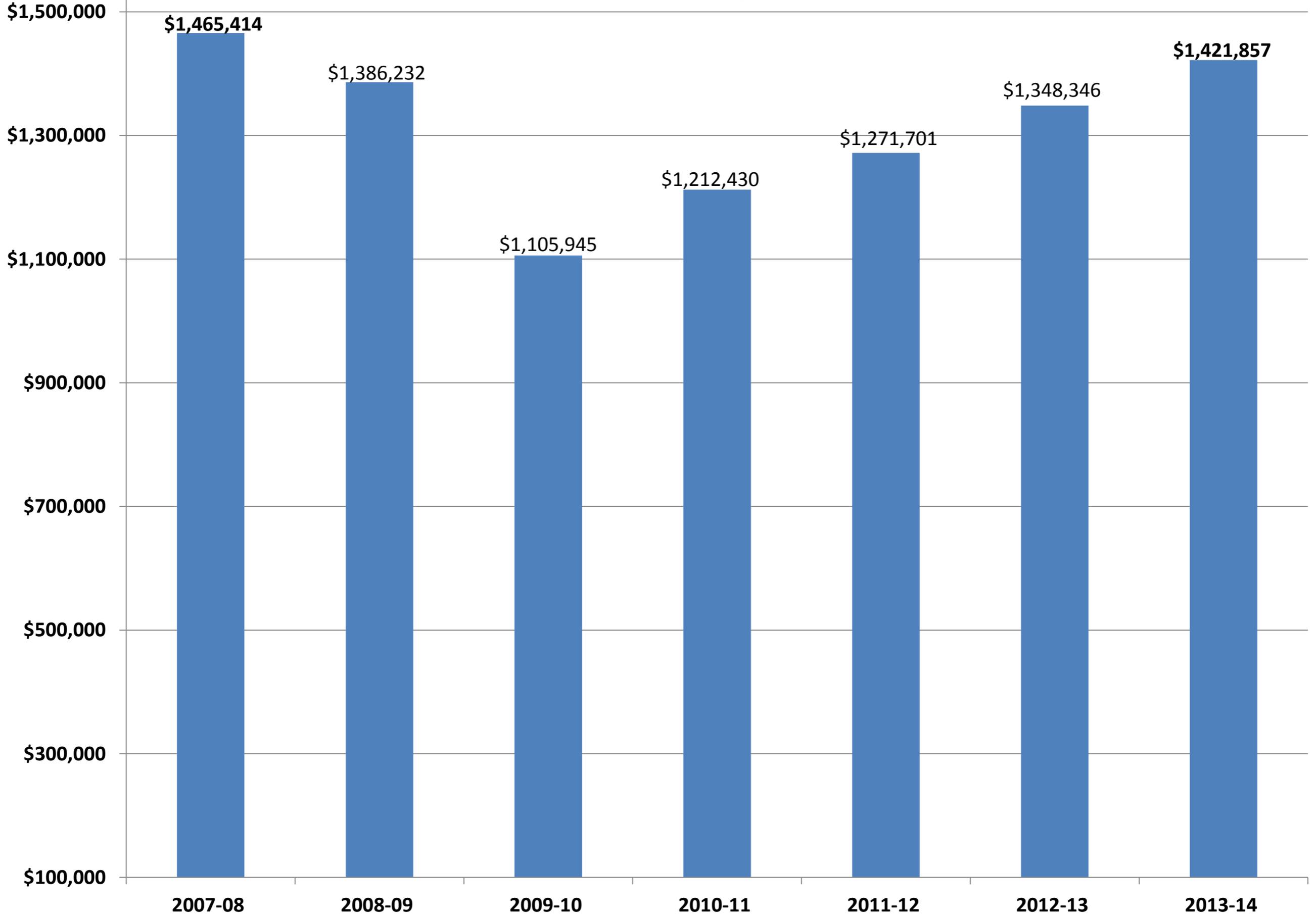
	% Split	FY 2014-15 Estimate	FY 2012-13 Over-collection	FY 2014-15 Total Estimate
DPS	67.12%	\$6,846,240	\$475,870	\$7,322,110
DTCC	8.97%	\$914,940	\$63,595	\$978,535
Pre-K	2.17%	\$221,340	\$15,384	\$236,724
County School Debt	21.74%	\$2,217,480	\$154,133	\$2,371,613
Total	100.00%	\$10,200,000	\$708,982	\$10,908,982

Other Issues

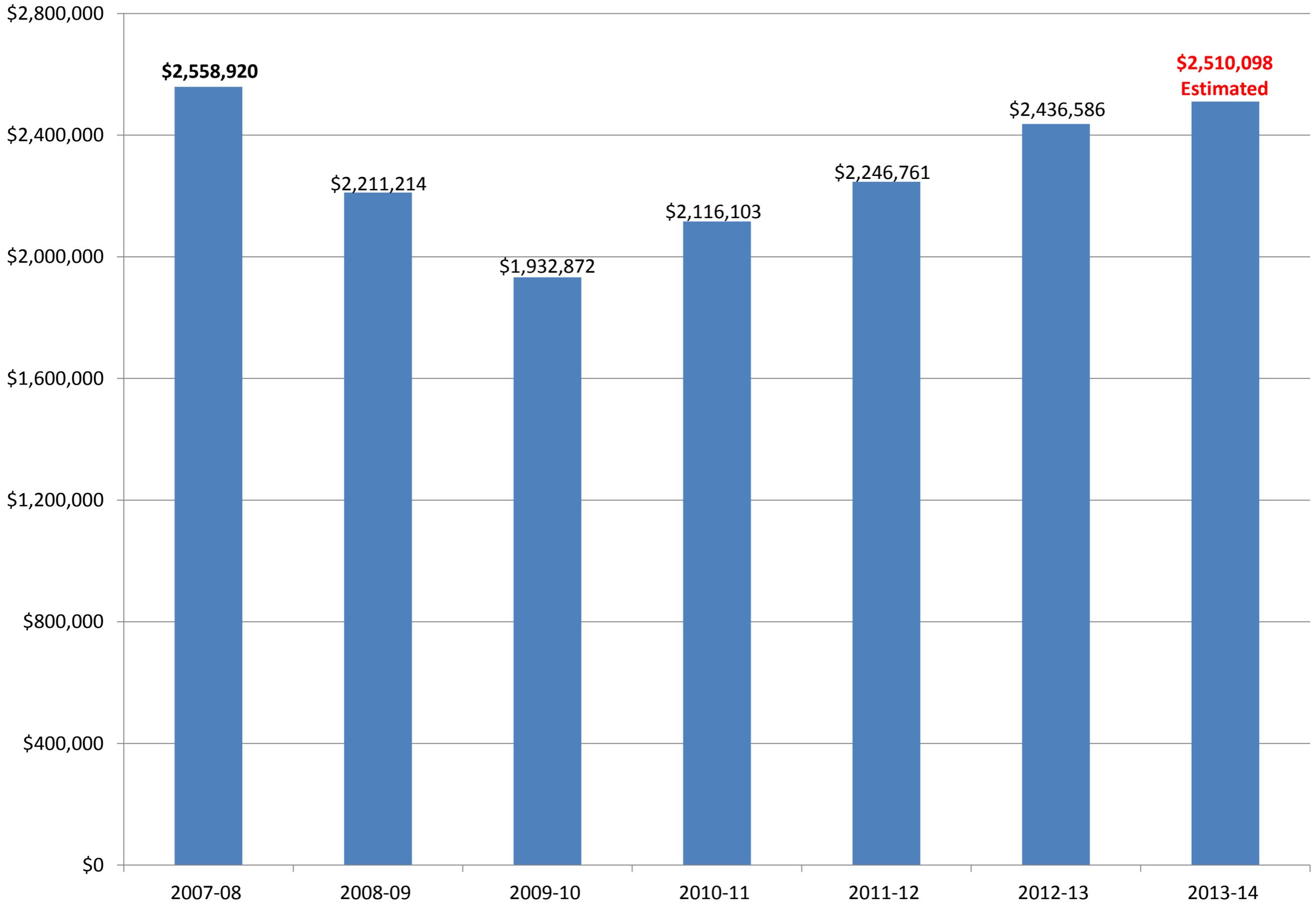
- The BOCC has preliminarily agreed to support a DPS request to use \$2 million of FY 2011-12 Article 46 sales tax (now in General Fund fund balance) for Whitted School upgrades.
- If that amount is used there will no longer be extra funds (\$200,000) for Pre-K support.



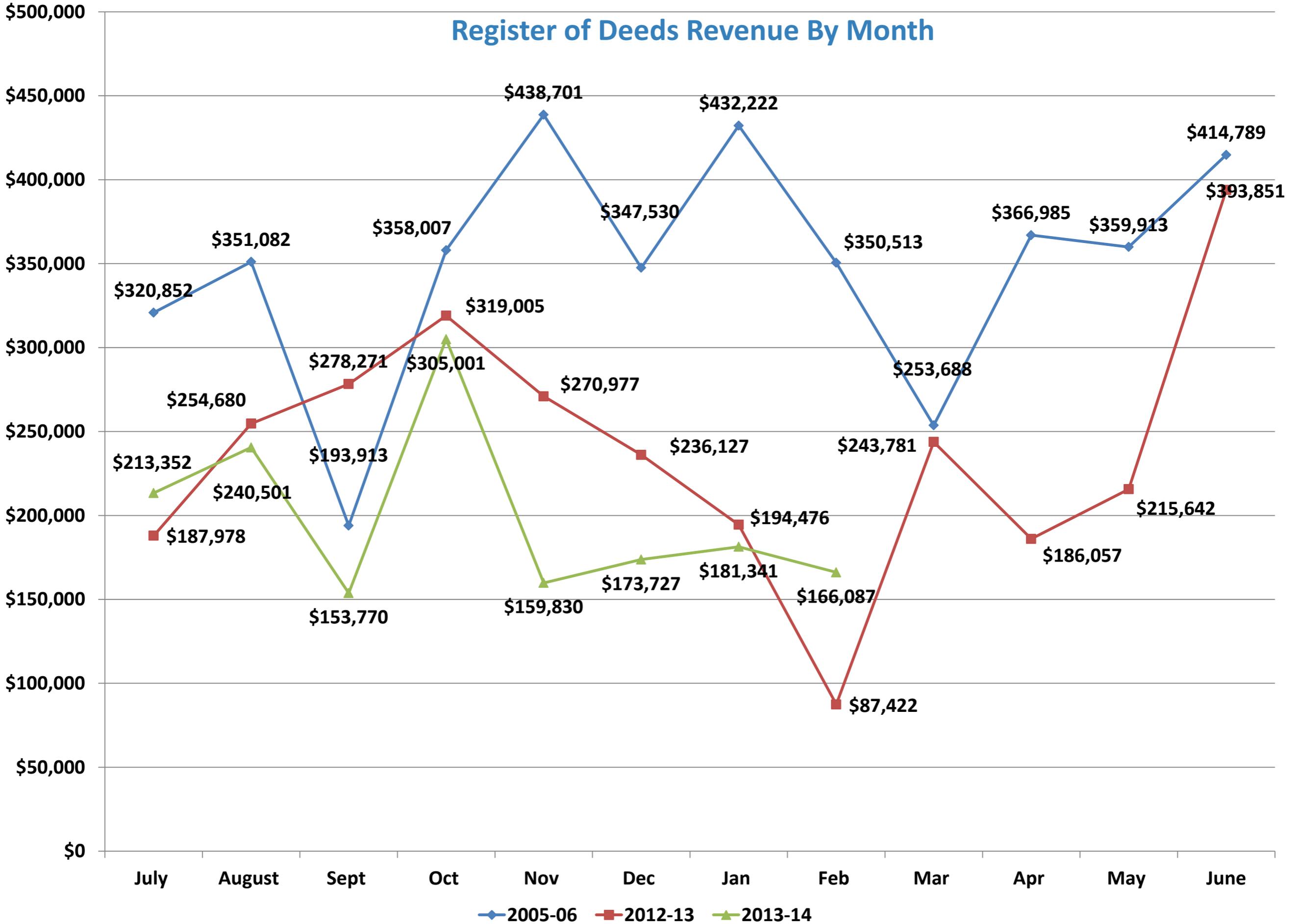
7 Months Local Occupancy Tax Collection



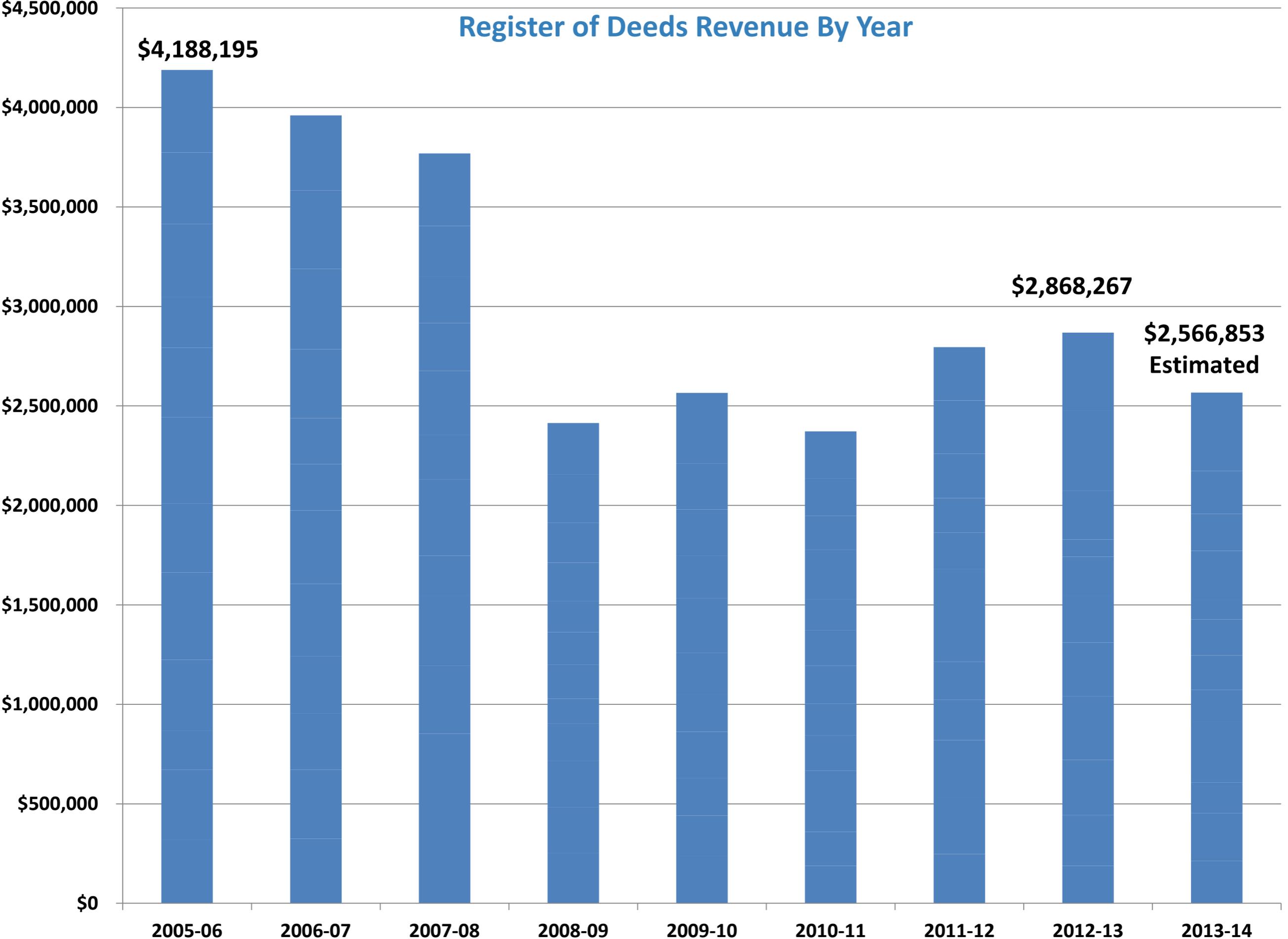
Total Local Occupancy Tax Collection



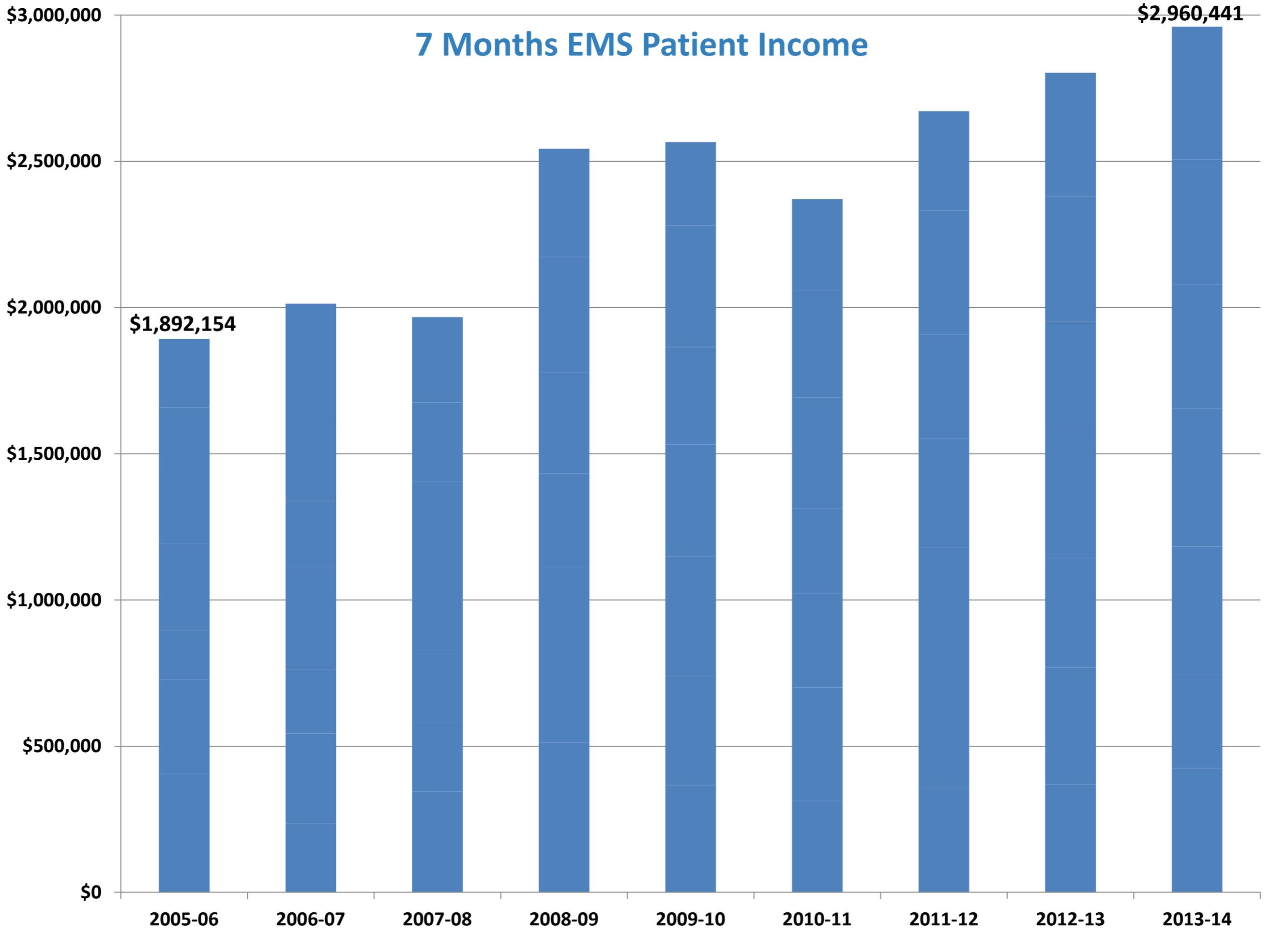
Register of Deeds Revenue By Month



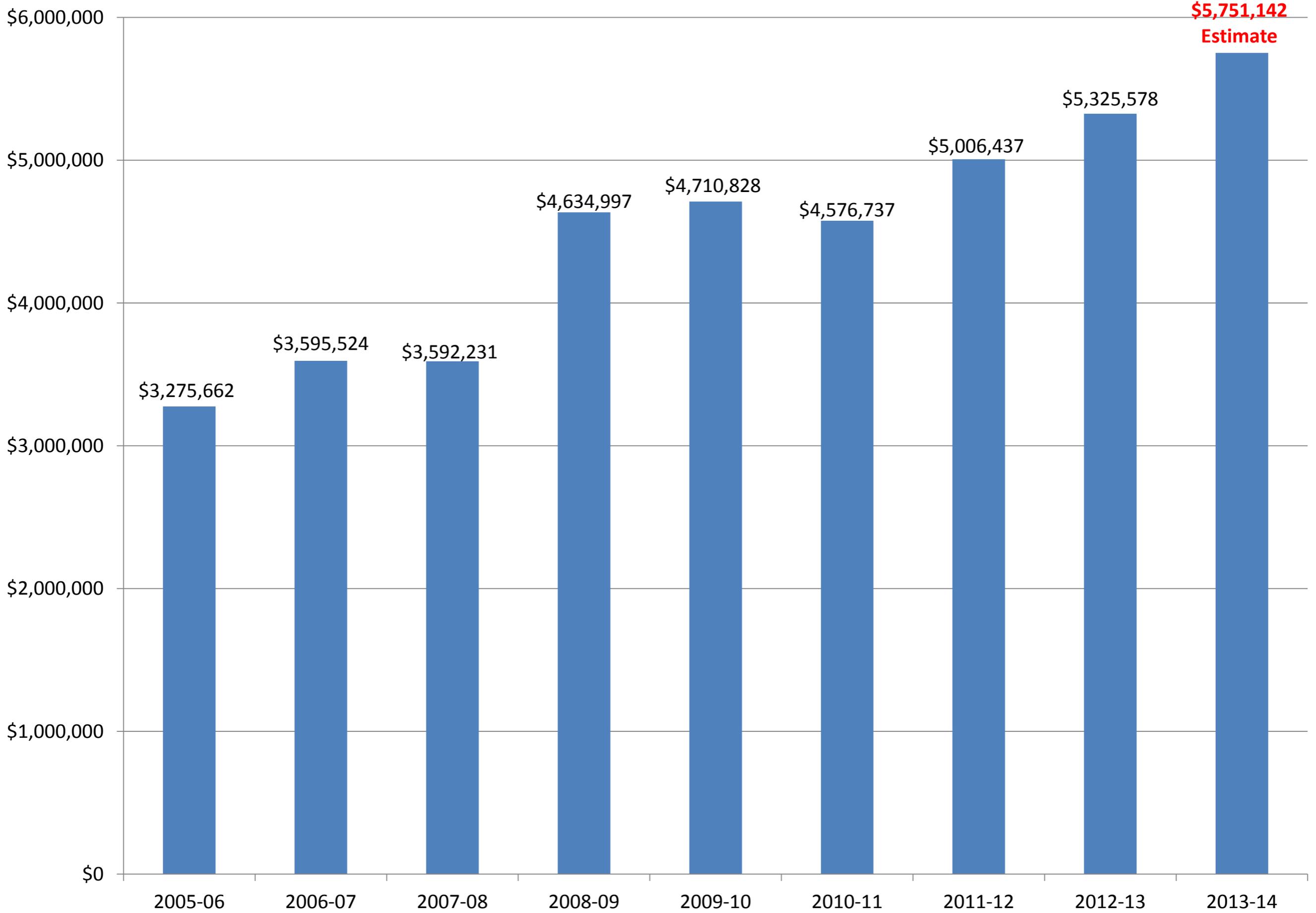
Register of Deeds Revenue By Year



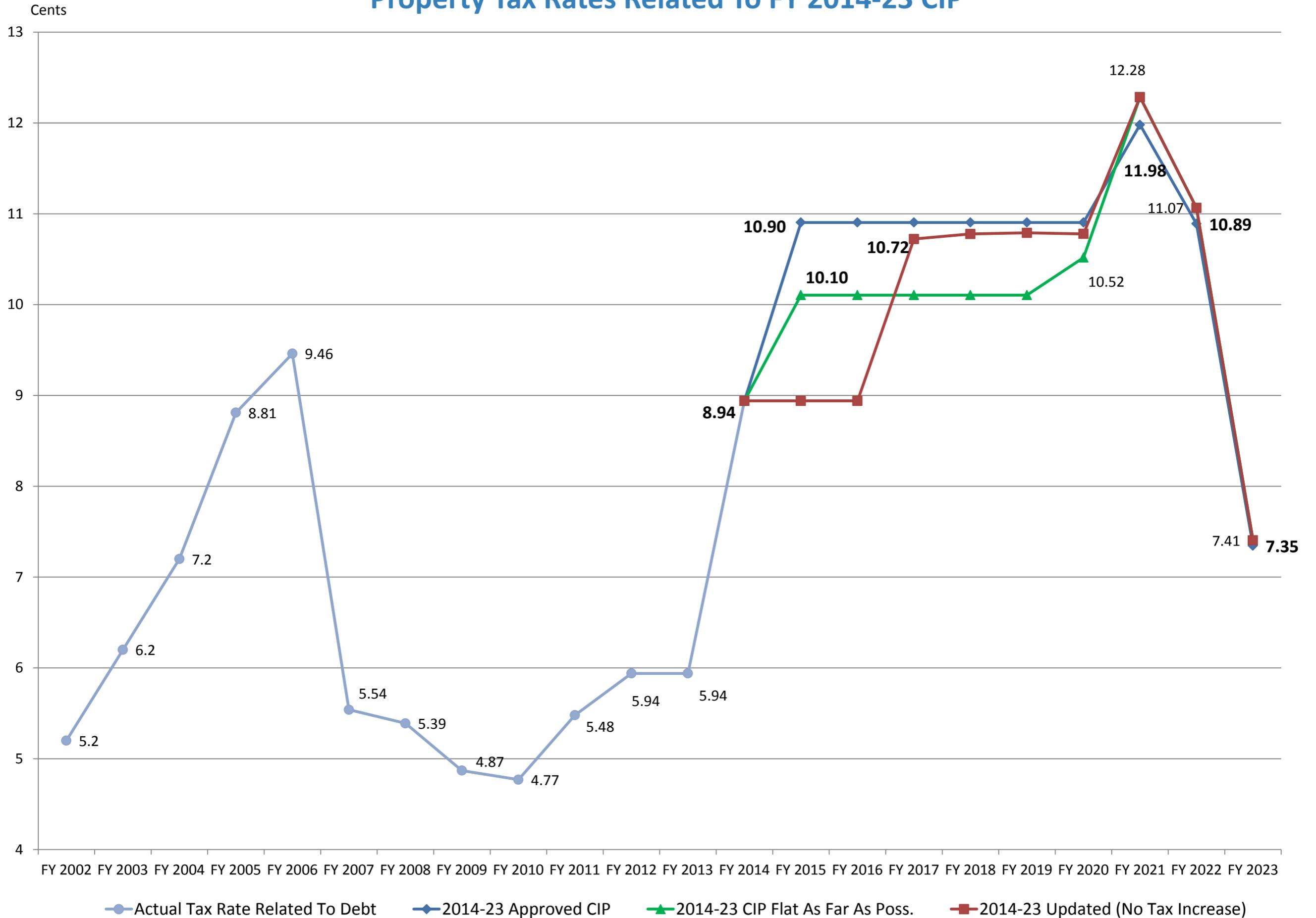
7 Months EMS Patient Income



Total EMS Patient Income



Property Tax Rates Related To FY 2014-23 CIP



● Actual Tax Rate Related To Debt
◆ 2014-23 Approved CIP
▲ 2014-23 CIP Flat As Far As Poss.
■ 2014-23 Updated (No Tax Increase)

FY 2014-15 Budget Development

- Assumes slow growth in key revenues (property values & sales taxes)
- Maintain service levels
- Operational budgets developed from base
- Continue to focus on departmental expenditure trends
- New programs or activities must show alignment with County's strategic plan goals
- Higher debt service



FY 2014-15 Estimated Shortfall

- Revenues Assumptions

- 1.71% estimated property valuation growth (\$3,740,894)
 - 2.0% (4.8% real) sales tax revenue growth (\$2,795,181)
 - Other key revenues – little real growth anticipated
 - Continued use of lottery funds for school debt service
- \$6,536,075**

- Expenditure Assumptions

- Prepping for Revaluation (\$600,000)
 - Insurance increases (health and dental) (\$1.05 million – early estimate)
 - Salary continuation (\$3.78 million)
 - Continuation of pay for performance (\$1.68 million)
 - Compensation study implementation (\$3.1 million + ???)
 - Increased debt service payments (\$3.58 million)
- \$13,790,000**



Key Dates for BOCC

- April 7, 2014 – Non-profit Public Comment Period at BOCC Worksession
- May 27, 2014 – County Manager delivers Recommended Budget to Board of County Commissioners at BOCC Meeting
- May 28-Jun 13, 2014 – BOCC Budget Work Sessions
- June 9, 2014 – Public Hearing on Recommended Budget
- June 23, 2014 – Adoption of FY 2014-15 Annual Budget Ordinance
- July 1, 2014 – Beginning of FY 2014-15 Fiscal Year

