



Quarterly Budget Report

Second 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 December 31, 2020. Please note that 4-year Second Quarter Averages have been provided for comparison. These averages reflect 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 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 Second 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 December 31, 2020, the County collected \$316,729,787 or 55.53% 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 received throughout the second quarter of the fiscal year.

Current year property tax collection, the largest single revenue source for Durham County, is significantly above the 2nd Quarter 4-year average (83.60% collected, vs a 76.89% four-year average respectively). This is primarily due to significantly more billed property valuation than what was budgeted. This higher "actual" valuation means, in turn, that the County is experiencing higher than expected actual property tax collection. Assuming property valuation "holdbacks" (valuation under appeal) don't increase substantially, and that the property tax collection rate continues to be at least 91.1%, the County can expect to significantly over collect property tax revenue.

Sales Tax collection is on track and higher across all major sales tax articles than the 4-year average due to a lowered budget amount estimated as part of the FY 2020-21 budget process. Back in March 2020, sales tax revenue estimates were being developed under the beginning economic pressures and downturn related to COVID. The Budget Office had a difficult time trying to predict how the local and state economy might react over the next 15 months (from March 2020 to June 2021) and decided to budget sales tax somewhat conservatively. Current sales tax collection is on pace to meet or exceed those conservatively budgeted amounts for the current fiscal year. It remains to be seen what the long-term economic impacts of COVID will be on Durham County's overall economy.



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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 | \$461,041 | 19.21% | 16.01% | ● |
| Animal Control Fees | \$40,000 | \$14,151 | 35.38% | 44.47% | ● |
| Article 39 (1 Cent) | \$25,061,015 | \$5,621,522 | 22.43% | 19.81% | ● |
| Article 40 (1/2 Cent) | \$14,028,246 | \$4,169,810 | 29.72% | 25.19% | ● |
| Article 42 (1/2 Cent) | \$17,328,568 | \$4,410,594 | 25.45% | 22.35% | ● |
| Article 44 (1/2 Cent) | | \$196 | 0.00% | | |
| Article 46 (1/4 Cent) | \$15,200,000 | \$3,798,295 | 24.99% | 22.93% | ● |
| City Sales Tax ILA | \$11,821,383 | \$3,678,172 | 31.11% | 24.84% | ● |
| Community Health Fund | \$2,606,506 | \$2,606,506 | 100.00% | 98.05% | ● |
| Court Facilities Fees | \$240,000 | \$72,092 | 30.04% | 42.64% | ● |
| Deed Registratration and Transfer Fees | \$5,400,000 | \$3,789,104 | 70.17% | 56.30% | ● |
| EMS Patient Fees | \$9,030,000 | \$3,699,543 | 40.97% | 46.70% | ● |
| Environment Engineering Permit Fees | \$2,500 | \$70,560 | 2822.40% | 53.06% | ● |
| Fund Balance Appropriated | \$17,755,100 | \$0 | 0.00% | | ● |
| Intergovernmental Items | \$67,308,397 | \$22,639,804 | 33.64% | 42.14% | ● |
| Investment Revenue | \$2,010,000 | \$0 | 0.00% | 99.17% | ● |
| Local Occupancy Tax (General Fund) | \$2,823,264 | \$650,770 | 23.05% | 46.58% | ● |
| Local Occupancy Tax (NCMLS) | \$500,000 | \$0 | 0.00% | 45.34% | ● |
| Other General Funds Revenues | \$9,277,053 | \$4,019,138 | 43.32% | 45.00% | ● |
| Property Tax (Vehicles Only) | \$16,887,703 | \$8,466,637 | 50.13% | 45.79% | ● |
| Property Taxes (all Except Vehicle) | \$294,244,482 | \$245,996,719 | 83.60% | 76.89% | ● |
| Sheriff Fees | \$750,000 | \$151,585 | 20.21% | 45.36% | ● |
| Solid Waste Management Fee Co | \$2,371,725 | \$1,951,686 | 82.29% | 85.50% | ● |
| Transfers From Other Funds | \$53,336,753 | \$461,862 | 0.87% | 3.10% | ● |
| Total | \$570,422,695 | \$316,729,787 | 55.53% | 52.07% | |

- 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:** Although the investment revenue has been received and currently resides in Treasury Pool, the allocation of these earnings to the individual funds have not been allocated due to system issues. The allocation of interest earnings to the funds will occur in the third quarter and will be captured in the third quarter report. Investment earnings that do not need to be allocated between the funds have been posted to the individual funds. The SWAP investment earnings received in September was \$915,857.76. This distribution is higher than the first quarter distributions for fiscal year's 2019 and 2020 (both pre-COVID). The delay for the allocation of earnings within the Treasury Pool does not impact the overall fiscal outlook.
- **Local Occupancy Tax (General Fund and NCMLS):** Through the second quarter, actual collections are down approximately 60% from what was received in the same period last



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fiscal year. Despite having adjusted the budget prior to the start of the fiscal year, the duration of the impact on the hotel and tourism industry was/is simply not known, nor projected to be this significant. As noted in the First Quarter Report, 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 around 40%-50% under budget (\$1.4M - \$1.8M vs. budgeted amount of \$2.8M). Planning will occur to buffer this adjustment. Efforts are underway on next fiscal year's projection, that captures projected revenues based on the economic climate.

- 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 about \$300K, about \$100K less than it anticipated in the first quarter.
- Transfer from Other Funds:** Transfers are done on a schedule directed by the Finance department. Any variability of these transfers is simply a matter of timing. The full budgeted amount will be transferred by the end of the current fiscal year.

| Revenues by Department | Current Budget | Revenues End of Qtr. | % Revenues | 4 Prior Year Qtr. Average | Status of Revenues |
|----------------------------------|----------------------|----------------------|---------------|---------------------------|--------------------|
| County Administration | \$151,694 | \$103,159 | 68.00% | 82.21% | ● |
| Finance | \$116,054,403 | \$23,464,140 | 20.22% | 18.67% | ● |
| Tax Administration | \$317,365,374 | \$257,061,389 | 81.00% | 74.50% | ● |
| Elections | \$1,744,283 | \$2,000,783 | 114.71% | 0.94% | ● |
| Register Of Deeds | \$5,600,000 | \$3,902,393 | 69.69% | 56.15% | ● |
| General Services | \$2,854,825 | \$2,091,600 | 73.27% | 75.66% | ● |
| Human Resources | \$35,000 | \$9,716 | 27.76% | 67.58% | ● |
| Veterans Services | \$2,000 | \$0 | 0.00% | | ● |
| County Sheriff | \$3,092,946 | \$1,074,345 | 34.74% | 47.84% | ● |
| Office of Emergency Services | \$14,476,690 | \$6,424,031 | 44.37% | 53.10% | ● |
| Criminal Justice Resource Center | \$1,509,737 | \$425,945 | 28.21% | 39.87% | ● |
| Youth Home | \$570,000 | \$219,631 | 38.53% | 36.55% | ● |
| Engineering & Environ Svcs | \$166,350 | \$93,952 | 56.48% | 58.14% | ● |
| Cooperative Extension Service | \$288,200 | \$79,111 | 27.45% | 28.12% | ● |
| Soil And Water Conservation | \$26,760 | \$0 | 0.00% | 27.77% | ● |
| Economic Development | \$250,000 | \$0 | 0.00% | 31.13% | ● |
| Public Health | \$9,938,497 | \$3,780,753 | 38.04% | 45.19% | ● |
| Social Services | \$41,635,718 | \$15,351,784 | 36.87% | 41.62% | ● |
| Other Human Services | \$581,025 | \$0 | 0.00% | 32.38% | ● |
| Library | \$742,440 | \$185,193 | 24.94% | 40.84% | ● |
| Nondepartmental | \$53,336,753 | \$461,862 | 0.87% | 3.10% | ● |
| Total | \$570,422,695 | \$316,729,787 | 55.53% | 52.07% | |



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- 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:

- **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.
- **County Sheriff:** County Sheriff revenues are down for several reasons: Animal Control fees have been under-collected because of a decreased demand for services related to COVID, and the Justice Assistance Grant (JAG) funding has not yet been approved by the Board of County Commissioners. Sheriff staff expect an approval request for the JAG to go before the board soon. However, there is unanticipated, unbudgeted revenue related to housing federal prisoners that may offset the under collection in the second half of the fiscal year. The Budget Office is closely tracking the issue.
- **Soil and Water Conservation:** There has been 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:** 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. 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.
- **Other Human Services:** the issue is related to the Durham ACCESS business area; revenue has not been recorded/posted yet from GoTriangle due to a delay in the reimbursement process. In addition, the FY2020-21 State budget eliminated the Rural Operating Assistance Program (ROAP) which had been included in the County budget. Lastly, revenues in this area are variably collected throughout the fiscal year, causing the 4-year average to be an unreliable benchmark when compared to the previous fiscal years.
- **Library:** Due to the approval of the "Fine Free" Initiative for FY 2020-21, which eliminates overdue fines for books and audiovisuals to remove barriers to library access, revenues for fine collection are significantly down. With the passage of this initiative, revenue collection for fees was expected to decrease for FY 2020-21 and subsequent fiscal years will continue to see decreased revenue collections. As Durham County continues to implement the "Fine Free" initiative in future fiscal years, the four-year quarter average will reflect a new baseline for revenue collection and revenue collection will no longer be in the red.
- **Nondepartmental:** The Nondepartmental business area includes the transfer fund center, which is the only revenue budgeted in the business area. Any variability of these transfers is simply a matter of timing. The full budgeted amount will be transferred by the end of the current fiscal year.



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EXPENDITURE SUMMARY

General Fund, Capital Improvement Fund and Reappraisal Reserve Fund expenditures and encumbrances through December 31, 2020 total \$253,012,669 or 43.86% of the budget. The percentage is slightly lower than the 4-year average of 48.05%.

During the second 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.

| 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 | \$370,866 | 57.99% | 51.92% | ● |
| County Administration | \$2,922,383 | \$1,497,808 | 51.25% | 50.29% | ● |
| Finance | \$3,899,279 | \$1,616,491 | 41.46% | 39.30% | ● |
| Tax Administration | \$7,515,677 | \$3,903,936 | 51.94% | 57.26% | ● |
| Legal | \$2,567,840 | \$1,300,143 | 50.63% | 46.79% | ● |
| Court Facilities | \$394,929 | \$349,364 | 88.46% | 76.00% | ● |
| Elections | \$4,337,228 | \$3,723,982 | 85.86% | 60.78% | ● |
| Register Of Deeds | \$2,112,379 | \$959,361 | 45.42% | 52.67% | ● |
| General Services | \$16,792,816 | \$10,460,374 | 62.29% | 58.46% | ● |
| Information Technology | \$12,843,963 | \$7,762,975 | 60.44% | 51.50% | ● |
| Human Resources | \$2,619,238 | \$1,406,225 | 53.69% | 54.02% | ● |
| Budget & Management Services | \$848,903 | \$420,918 | 49.58% | 39.96% | ● |
| Veterans Services | \$396,927 | \$215,307 | 54.24% | 45.17% | ● |
| Geographic Information Systems | \$519,091 | \$43,258 | 8.33% | 48.90% | ● |
| County Sheriff | \$38,217,193 | \$22,199,812 | 58.09% | 55.20% | ● |
| Emergency Communications | \$1,514,937 | \$108,902 | 7.19% | 54.39% | ● |
| Office of Emergency Services | \$22,399,382 | \$11,192,911 | 49.97% | 51.50% | ● |
| Medical Examiner | \$269,900 | \$254,550 | 94.31% | 57.19% | ● |
| Criminal Justice Resource Center | \$5,539,348 | \$2,737,725 | 49.42% | 49.91% | ● |
| Youth Home | \$1,343,789 | \$770,859 | 57.36% | 48.38% | ● |
| Other Transportation | \$412,500 | \$118,039 | 28.62% | 26.65% | ● |
| Engineering & Environ Svcs | \$3,434,168 | \$1,637,528 | 47.68% | 47.41% | ● |
| Other Environmental Protection | \$68,987 | \$68,987 | 100.00% | 100.00% | ● |
| Open Space Management | \$264,257 | \$187,082 | 70.80% | 64.00% | ● |
| Planning | \$1,461,777 | \$121,815 | 8.33% | 45.05% | ● |
| Cooperative Extension Service | \$2,320,461 | \$1,492,251 | 64.31% | 48.60% | ● |
| Soil And Water Conservation | \$652,528 | \$368,482 | 56.47% | 53.70% | ● |
| Economic Development | \$3,753,529 | \$1,702,390 | 45.35% | 46.80% | ● |
| Public Health | \$31,315,374 | \$18,429,571 | 58.85% | 59.86% | ● |
| Mental Health | \$6,336,751 | \$6,336,751 | 100.00% | 100.00% | ● |
| Social Services | \$62,942,743 | \$27,231,649 | 43.26% | 48.74% | ● |
| Other Human Services | \$1,274,883 | \$527,277 | 41.36% | 60.15% | ● |
| Durham Public Schools | \$153,177,778 | \$89,353,704 | 58.33% | 58.33% | ● |
| Community Colleges | \$7,872,799 | \$4,592,466 | 58.33% | 58.33% | ● |
| Other Education | \$6,343,433 | \$5,340,882 | 84.20% | 56.82% | ● |
| Library | \$11,598,899 | \$6,629,064 | 57.15% | 58.75% | ● |
| Other Cultural & Recreational | \$1,817,841 | \$1,767,841 | 97.25% | 83.24% | ● |
| Nondepartmental | \$154,094,728 | \$15,812,059 | 10.26% | 27.12% | ● |
| Total | \$576,838,183 | \$253,013,604 | 43.86% | 48.05% | |

- 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 include:

- **Board of County Commissioners:** During FY 2020-21 budget development process, budget reductions were made across the County. The Board Contingency Fund (\$100,000 in FY 2019-20) was removed in an effort to ensure all available funds were being utilized to their best effect. Therefore, the budget in FY 2020-21 is lower than in previous fiscal years. When the ratio of expenses to budget is compared to the 4-year average, the ratio is higher because expenses remained stable, while the budget is lower. There is no reason for concern; the expenses are on track and similar to previous fiscal years.
- **Court Facilities:** The Court Facilities expenditure line represents the budgets of seven different Court-Related cost centers. The Court Facilities expenditure rate exceeded its four-year average for several reasons: The Public Defender's office carried forward \$50K in funding for office renovations that have been completed, and it has fully encumbered the Assistant Public Defender annual contract. Also, the Court Facilities fund center has fully encumbered a lease on Chapel Hill Street, which is the entirety of its county budget.
- **Elections:** The majority of the Board Election's budget was funding for the November 2020 presidential election. Expenses for the department were largely accrued in preparation of that election, thus the percentage spent for the current fiscal year is higher than the average of previous years. This budget will largely be fully spent because of the election and the related effects and precautions around COVID. Because election cycles are different from year to year the four-year average for the Board of Election is typically skewed due to the number and time of year of elections.
- **Information Technology:** Due to the malware attack and Covid-19 pandemic response, IST has faced numerous challenges that have required different spending patterns than prior years. Actual expenses and encumbered funds are higher than prior fiscal years, primarily in miscellaneous contracted services. It is anticipated that some of these expenses will be recovered through malware insurance and/or COVID relief reimbursement. Expenses here will continue to be monitored throughout the remaining fiscal year, and as needed budget adjustments may be brought forward.
- **Budget and Management Services:** During the second quarter of FY 2020-21, there were two posted payments for a service provided to print the annual budget document. Additionally, there was a one-time computer purchase that was posted in the second quarter of the fiscal year. These two expenditures caused the overall encumbrances amount to be higher when it is compared to the 4-year average. The Budget Office is not expected to meet or exceed its current budget.
- **Veteran Services:** The higher-than-normal spending percentage 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.
- **Medical Examiner:** Total funding for the Medical Examiner fees began to be encumbered early in the year beginning in FY 2019-20 and this process was repeated in FY 2020-21. Before FY 2019-20, funds were not encumbered in this manner; but instead, charges were only



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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.

- **Youth Home:** Due to a combination of the Raise the Age law and COVID precautions, the Youth Home has had to house a larger than anticipated number of juveniles in other counties. The increase has been so steep that it has already expended about 75 percent of its annual budget for out-of-county juvenile placements. That budget includes a \$100K General Fund appropriation the Board of County Commissioners in November to supplement the YH's original out-of-county budget of \$17,775. Youth Home Director Angela Nunn anticipates asking for a budget increase to support these out-of-county placements in the FY 2021-22 budget. The YH has also seen an increase in Overtime pay due to staff vacancies, FMLA leave, and COVID-quarantine leave.
- **Open Space Management:** This business area captures the County's investment in the Matching Grant program. Most relevant is that this budget will not be overspent. This red indicator is a result of some agencies completing their work in a timely manner and therefore receiving their payment sooner than in most prior fiscal years.
- **Cooperative Extension:** Cooperative Extensions personnel expenditures have increased for FY 2020-21 compared to previous fiscal years due to an Early Childhood Coordinator position originally budgeted in CES. The Early Childhood Coordinator position was approved by the Board of County Commissioners in FY 2019-20 and the budget for this position was placed in the Cooperative Extension budget, however, budgetary expenses for this position have recently been moved from Cooperative Extension to "Other Education" within the Education functional area. This move was a collaborative effort between Budget staff, the Chief of Staff, Cooperative Extension Director, and the Early Childhood Coordinator. While quarter two personnel expenditures exceed four-year average expenditures, this budgetary funding move will decrease expenditures to reflect similar personnel expenditures in previous fiscal years.
- **Other Education:** Funding in this area includes designated funding for nonprofits, Pre-K contracted support (the largest amount at over \$5 million), and support for an Early Childhood Coordinator position. While contracted amounts may either be encumbered early, or spent faster, the areas will not be overspent due to contractual stipulations (for nonprofits and Pre-K support). The Early Childhood Coordinator position and related operating costs are not expected to be overspent by the end of the fiscal year.
- **Other Cultural and Recreational:** 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.



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SUMMARY

The first two quarters of FY 2020-21 have been active from a budget amendment perspective. Use of COVID relief set-aside funding has been significant, with nearly all of the \$4.5 million budgeted for various uses. Additional revenue support of \$8.7 million related to FY 2019-20 and FY 2020-21 (first two quarters) came by way of CARES ACT support. This revenue offset salary and operational costs related to COVID and has helped the overall General Fund budget weather unexpected expenditures related to the pandemic. Finally, additional grant funding related to COVID needs has come into the County through budget amendments all through the first two quarters, and additional grant funding is expected throughout the rest of the fiscal year.

Overall General Fund expenditure trending is on pace with budget, but the next six months could continue to bring forward unplanned expenditure costs related to the pandemic, vaccine rollout, economic support of small businesses, school reopening, cleaning of public buildings, pent up County capital needs, and any additional items totally off the radar. Paying for those unplanned expenditures will come from an additional \$4.2 million set aside in the current year for potential revenue shortfalls from pooled lapsed salaries, which will not be needed as of the mid-year fiscal outlook or from General Fund fund balance.

So far, the County has been judicious in its use of General Fund fund balance, in support of largely one-time cost issues, but will continue needing to be vigilant about FY 2020-21 spending choices that may have an effect on future year General Fund spending.

As always, the third quarter budget report will bring into better focus overall revenue expenditure trends that will more accurately predict end of year revenue collection and actual expenditures. At this point the County is expecting to see reasonable growth in General Fund(s) fund balance at the end of this fiscal year, based on current trending and continued prudent operations and service delivery.