



Quarterly Budget Report

Second Quarter of Fiscal Year 2021-22



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, 2021. 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.

A dashboard representation of second quarter budgets is provided as a convenient way to monitor the progress of FY 2021-22 revenues and expenditures. The dashboard uses a "traffic light" indicator to represent where agency revenues and expenditures are in comparison to a 4-year second quarter average. The indicator, if red, is not a cause for concern, but rather an indicator of 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, 2021, the County collected \$348,717,916 or 55.29% 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 this quarter of the fiscal year.

Current year property tax collection, the largest single revenue source for Durham County, is slightly over the 2nd quarter 4-year average (83.58% collected vs 78.83% respectively). Current vehicle property tax collection is in line with the 4-year average. Overall trending for this largest revenue sources is looking above average. The third quarter will provide more definitive perspective on these revenue collection trends.

Sales Tax collection is on track and higher, across all major sales tax articles, than the 4-year average. The Budget Office has had a difficult time trying to predict how the local and state economy would react to COVID related changes in consumer spending, but is coming to the conclusion, based on the last one and half years' worth of collection, that consumer spending will continue at a significantly higher level. It remains to be seen what the long-term economic impacts of COVID will be on Durham County's overall economy.

Register of Deeds Registration and Transfer fees continue to collect at a high level in every quarter for the last two years, reflective of a very active Durham County housing market.



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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	\$2,500,000	\$513,222	20.53%	16.89%	●
Animal Control Fees	\$40,000	\$13,578	33.95%	40.00%	●
Article 39 (1 Cent)	\$27,825,156	\$9,208,806	33.10%	20.45%	●
Article 40 (1/2 Cent)	\$16,389,296	\$3,308,407	20.19%	26.33%	●
Article 42 (1/2 Cent)	\$19,585,353	\$5,653,512	28.87%	23.15%	●
Article 44 (1/2 Cent)		(\$416)	0.00%	0.00%	●
Article 46 (1/2 Cent)	\$16,956,287	\$5,026,325	29.64%	23.31%	●
City Sales Tax ILA	\$13,799,581	\$2,966,061	21.49%	25.80%	●
Community Health Fund	\$2,606,506	\$2,638,659	101.23%	98.07%	●
Court Facilities Fees	\$220,000	\$98,436	44.74%	40.78%	●
Deed Registratration and Transfer Fees	\$6,300,000	\$5,430,442	86.20%	60.69%	●
EMS Patient Fees	\$9,430,000	\$4,847,924	51.41%	46.30%	●
Fund Balance Appropriated	\$37,851,253	\$0	0.00%	0.00%	●
Intergovernmental Items	\$74,994,102	\$30,360,124	40.48%	38.65%	●
Investment Revenue	\$1,010,005	\$91,349	9.04%	64.33%	●
Local Occupancy Tax (General Fund)	\$2,309,194	\$1,305,082	56.52%	40.65%	●
Local Occupancy Tax (NCMLS)	\$264,186	\$0	0.00%	34.00%	●
Other General Funds Revenues	\$9,591,497	\$4,777,611	49.81%	44.57%	●
Property Tax (All Except Vehicle)	\$312,170,383	\$260,923,147	83.58%	78.83%	●
Property Tax (Vehicles Only)	\$19,047,516	\$8,892,217	46.68%	46.35%	●
Sheriff Fees	\$500,000	\$197,177	39.44%	39.74%	●
Solid Waste Management Fee Co	\$2,321,057	\$1,982,629	85.42%	84.79%	●
Transfers From Other Funds	\$54,969,145	\$483,625	0.88%	1.99%	●
Total	\$630,680,517	\$348,717,916	55.29%	52.99%	●

●	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

- Investment Revenue:** Although investment revenue has actually been received, the allocation of these earnings to the individual funds has only been minimally posted. In future quarterly reports these revenues will be updated. While the annual budget was revised, in response to lower investment earnings since the onset of the pandemic, actual collections are potentially still going to be lower than in recent years.
- Local Occupancy Tax (NCMLS):** Funds from this portion of Occupancy Tax are used to offset debt service related to NCMLS capital projects. The pandemic affected all Occupancy Tax including the portion dedicated to NCMLS. While in FY 2020-21, no funds were collected for



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this dedicated revenue, it is anticipated that the budget will be met and possibly surpassed to include the full \$500,000 as the hotel industry continues to recover.

- **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. All transfers will occur by the end of the fiscal year.

Revenues by Department	Current Budget	Revenues End of Qtr.	% Revenues	4 Prior Year Qtr. Average	Status of Revenues
Board Of County Commissioners		\$1	0.00%	0.00%	●
County Administration		\$0	0.00%	83.43%	●
Finance	\$145,946,158	\$27,135,882	18.59%	19.03%	●
Tax Administration	\$336,765,379	\$273,364,316	81.17%	76.33%	●
Legal		\$0	0.00%	118.57%	●
Elections	\$659,300	(\$351,833)	-53.36%	69.53%	●
Register Of Deeds	\$6,520,520	\$5,547,646	85.08%	60.41%	●
General Services	\$2,789,757	\$2,226,508	79.81%	76.68%	●
Human Resources	\$20,000	\$6,208	31.04%	56.69%	●
Veterans Services	\$2,000	\$0	0.00%	0.00%	●
County Sheriff	\$4,725,283	\$1,908,043	40.38%	42.03%	●
Emergency Communications		\$399,268	0.00%	0.00%	●
Office of Emergency Services	\$14,555,607	\$7,868,231	54.06%	51.44%	●
Criminal Justice Resource Center	\$1,260,328	\$581,274	46.12%	38.41%	●
Youth Home	\$669,238	\$7,857	1.17%	39.21%	●
Other Transportation	\$477,000	\$0	0.00%	0.00%	●
Engineering & Environ Svcs	\$27,350	\$21,804	79.72%	62.76%	●
Other Environmental Protection		\$0	0.00%	76.15%	●
Planning		\$451,820	0.00%	0.00%	●
Cooperative Extension Service	\$208,400	\$74,512	35.75%	28.48%	●
Soil And Water Conservation	\$29,788	\$0	0.00%	18.52%	●
Economic Development		\$100,000	0.00%	36.14%	●
Public Health	\$17,961,604	\$4,564,031	25.41%	40.84%	●
Social Services	\$42,473,716	\$24,154,704	56.87%	39.30%	●
Other Human Services		\$0	0.00%	31.70%	●
Other Education	\$2,000	\$2,000	100.00%	0.00%	●
Library	\$617,944	\$163,251	26.42%	38.36%	●
Nondepartmental	\$54,969,145	\$492,390	0.90%	1.99%	●
Total	\$630,680,517	\$348,717,916	55.29%	52.99%	

- 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



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Agency specific REVENUE items with red indicator include:

- **Elections:** In FY 2020-21 the Board of Election's received a grant from The Center for Tech and Civic Life to assist with costs associated with holding an election in the middle of the COVID-19 pandemic. Any grant dollars not expended by the end of FY 2020-21 were to be returned to the organization. The negative revenue, shown as a red indicator, reflects that repayment of unspent grant dollars to the organization. Other Election related revenues are expected to be collected as budgeted for the remainder of the fiscal year.
- **Human Resources:** Revenues received in this department are for the Employee appreciation program and are funded with County vending machine income. Due to the ongoing COVID-19 pandemic less employees are working in Durham County facilities and utilizing vending machines. Revenue projections will be reviewed and adjusted in the coming fiscal year relative to expected work trends.
- **Youth Home:** \$300K has been billed to the state Department of Juvenile Justice this year but has not yet posted in the County finance system. The billed amount is on target with previous fiscal year trends and is expected to be reflected in the upcoming quarter.
- **Soil and Water Conservation:** The State Department of Agriculture (Division of Soil and Water Conservation) reimburses the County for a portion of the cost of the department's Natural Resource Conservationist FTE. In previous fiscal years, the state offered quarterly reimbursements, but now reimburses counties only one time per fiscal year. Durham County Soil and Water expects to receive its state reimbursement in the third quarter of FY 2021-22. The department is confident it will fully collect its revenue budget.
- **Public Health:** Public Health's total budgeted revenue, in the first two quarters of FY 2022-23, has increased by \$9.5 million due to various grant awards. Revenue collection for these grants is ongoing and will continue well into the 3rd and 4th quarter of the year. Additionally, non-Covid related revenues continue to be collected, but most of those collections occur in the 3rd and 4th quarter of the fiscal year. These two factors have temporarily skewed Public Health's current year collection rate percentage. While the collection rate percentage is currently lower, the total amount collected and the collection percentage average should normalize as the fiscal year progresses.
- **Library:** A Library grant for \$134,757 was mistakenly budgeted twice. Adjusting for the overbudgeted revenues, Library revenue collection for the 2nd quarter is 33.92%, placing it in the yellow status. Internal control mechanisms are being implemented to ensure this oversight does not occur again.
- **Non-departmental:** Transfers from other Funds is included in this "department". Please see the comprehensive explanation for this indicator under "Transfers from Other Funds" under the Key Revenue section above.



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EXPENDITURE SUMMARY

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	\$783,101	\$421,321	53.80%	56.93%	●
County Administration	\$3,969,846	\$1,883,118	47.44%	49.31%	●
Finance	\$9,864,349	\$2,144,084	21.74%	41.88%	●
Tax Administration	\$7,340,757	\$3,954,438	53.87%	55.92%	●
Legal	\$2,678,533	\$1,369,416	51.13%	48.44%	●
Court Facilities	\$384,085	\$307,873	80.16%	75.44%	●
Elections	\$3,219,531	\$1,948,141	60.51%	66.66%	●
Register Of Deeds	\$2,223,914	\$1,246,397	56.05%	50.97%	●
General Services	\$18,404,312	\$10,667,588	57.96%	60.01%	●
Information Technology	\$13,714,080	\$7,922,312	57.77%	55.67%	●
Human Resources	\$3,020,972	\$1,829,275	60.55%	53.01%	●
Budget & Management Services	\$699,011	\$413,817	46.03%	42.78%	●
Veterans Services	\$377,346	\$195,835	51.90%	48.58%	●
Geographic Information Systems	\$468,927	\$195,386	41.67%	47.41%	●
County Sheriff	\$40,551,886	\$20,749,217	51.17%	56.34%	●
Emergency Communications	\$1,566,863	\$753,005	48.06%	48.92%	●
Office of Emergency Services	\$22,198,035	\$11,001,970	49.56%	51.05%	●
Medical Examiner	\$350,000	\$74,800	21.37%	66.40%	●
Criminal Justice Resource Center	\$5,729,425	\$2,866,566	50.03%	48.90%	●
Youth Home	\$1,496,725	\$725,122	48.45%	52.80%	●
Other Transportation	\$981,527	\$328,708	33.49%	26.60%	●
Engineering & Environ Svcs	\$2,447,704	\$1,424,826	58.21%	50.34%	●
Other Environmental Protection	\$58,640	\$58,640	100.00%	100.00%	●
Open Space Management	\$232,644	\$132,469	56.94%	66.95%	●
Planning	\$1,339,063	\$557,943	41.67%	45.40%	●
Cooperative Extension Service	\$2,870,627	\$1,898,494	66.14%	52.47%	●
Soil And Water Conservation	\$724,943	\$452,678	62.44%	54.18%	●
Economic Development	\$3,992,484	\$2,701,618	67.67%	59.51%	●
Public Health	\$42,336,156	\$23,500,386	55.51%	60.23%	●
Mental Health	\$6,349,700	\$6,349,700	100.00%	100.00%	●
Social Services	\$67,014,212	\$43,481,393	64.88%	46.01%	●
Other Human Services	\$677,182	\$420,777	62.14%	47.90%	●
Durham Public Schools	\$166,206,627	\$96,953,866	58.33%	58.33%	●
Community Colleges	\$8,954,166	\$5,223,264	58.33%	58.33%	●
Other Education	\$6,382,115	\$4,717,476	73.92%	64.92%	●
Library	\$12,276,215	\$6,846,659	55.77%	58.90%	●
Other Cultural & Recreational	\$2,300,841	\$2,033,674	88.39%	88.17%	●
Nondepartmental	\$166,293,973	\$16,868,359	10.14%	21.50%	●
Total	\$630,680,517	\$284,620,609	45.13%	46.59%	

- 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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General Fund, Capital Improvement Fund and Reappraisal Reserve Fund expenditures and encumbrances through December 31, 2021, total \$284,620,609 or 45.13% of the budget. The percentage is slightly lower than the 4-year average of 46.59%.

During the first and second quarters, expenditure percentages for some departments exceed 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:

- **Register of Deeds:** The Register of Deeds Office is in the process of installing a new computer system and is paying for it out of its Automation cost center budget. The department purchased cash drawers, label printers and receipt printers in the second quarter. The new system has a “Go-Live” date of May 16, 2022. Otherwise, overall ROD actual spending is on pace with budget.
- **Human Resources:** Due to the Covid-19 pandemic, all individuals who enter County facilities must pass through a screening process. The cost for the screening is in Human Resources’ budget leading to a higher-than-normal percentage expenditure over the four-year average. Other operating expenditures in Human Resources are trending normal and end of year projections are expected to be within or under budget.
- **Other Transportation:** The entire annual amount of GoTriangle grant funding (\$196,100) used to support ACCESS transit services was encumbered in the first quarter. That encumbrance will be expended over the course of the FY 2021-22 fiscal year to pay Durham City invoices. Also, the area may appear to be trending higher in current year spending because the ACCESS fund center and one FTE were moved to “Other Transportation” beginning in FY 2021-22, and thus the previous four-year comparison is no longer valid. There is no concern for overspending in this area.
- **Engineering & Environmental Services:** More than \$161K of Stormwater personnel expenditures were incorrectly charged to Engineering & Environmental Services department. The Stormwater fund center was originally created under the umbrella of the Engineering & Environmental Services Department, but currently has its own separate fund (5005500000) and fund center. Budget is working with Finance to journal voucher the charges to their correct location, and there is no concern that the Engineering & Environmental Services department will over-expend its budget this fiscal year.
- **Cooperative Extension Service:** The Covid-19 Pandemic exacerbated food security issues in Durham County. To combat the rise in food insecurity, the County has contracted out with local businesses such as Beyu Café and Farmer Foodshare to prepare fresh cooked meals or produce boxes that are delivered to food insecure families in Durham County. These Covid related contracts account for the increase in overall expenditures for Cooperative Extension in the second quarter by roughly \$500,000. This in addition to an increase in food security expenditures in the first quarter by \$700,000+. Expenditures for Cooperative Extension will



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likely remain higher than average as emergency food security funding continues to be approved for Durham County residents, but the overall budget is not expected to be exceeded.

- **Soil and Water Conservation:** Soil and Water exceeded its second quarter Contracted Services budget of roughly \$108K because there was a delay rolling FY 2020-21 unspent Southern Sustainability Community Grant funding into the FY 2021-22 budget, and the department used available Contracted Services budget to meet first and second quarter grant deliverables. The FY 2020-21 grant funding was eventually rolled over and budgeted in Soil and Water in early January, and the department should not exceed its FY 2021-22 Contracted Services budget.
- **Economic Development:** The office this year has instituted process improvements that have resulted in more timely invoicing, standardized document submission, and payment issuances that are closer to the annual invoice date than previous fiscal years. Consequently, some payments are occurring earlier in the fiscal year than the past. As this schedule of payment becomes more routine, spending deviations are anticipated to even out. Additionally, a one-time, pass-through payment was processed in the first quarter, as well as a payment issuance that was initially budgeted in FY 2020-21 but rendered in FY 2021-22.
- **Social Services:** The Emergency Rental Assistance Program, assisting Durham County residents with monthly rent payments and preventing evictions caused by the Covid-19 pandemic, has increased Social Services expenditures by over \$10 million and the entirety of the ERAP budget has been spent by the second quarter of the fiscal year. Social Services expenditures are likely to continue to be higher than average as more ERAP funding will be recognized in the 3rd quarter of the fiscal year. DSS is not expected to overspend by the end of the fiscal year.
- **Other Human Services:** Due to the Covid-19 Pandemic the County has funded emergency shelters to prevent and stop the spread of Covid within the unhoused population. Both an encumbrance and actual payments within the second quarter have been processed to pay for this endeavor, making the current year spending percentage higher than normal. Additionally, Durham Access Transportation was moved from this business area to the Transportation business area, and inadvertently charges meant for the transportation business area have been charged to this business area. The business area will not be overspent at the end of FY 2021-22.
- **Other Education:** Pre-K fund center expenditures are higher than the 4-year average as both first and second quarter monthly payments were processed in the second quarter of the fiscal year. The increased expenditures are only temporarily skewed as third quarter payments have been processed in a timely manner. Additionally, the Early Childhood fund center began planning the Early Childhood Action Plan (ECAP) in the first quarter of the fiscal year. The majority of the one-time expenditures for ECAP were processed in the second quarter temporarily skewing the expenditures for the business area. This business area is not expected to overspend by the end of FY 2021-22.



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SUMMARY

FY 2021-22 second quarter summary information looks steady and encouraging. Total revenue collection is higher than average, and expenditures are slightly lower than the 4-year average. With half of the year left there is plenty of time for significant changes to this trending, but judicious decision making and a hopefully receding pandemic environment will stabilize the local community and economy, which means few to no expensive surprises. ARPA related funding and spending, if cycled through the General Fund, may skew future quarter numbers depending on policy and programmatic decisions made by management and the Board of County Commissioners. Even if that happens it is more of a mathematical issue than any real change in County financial stability, as all ARPA related spending will be supported with an equal amount of ARPA funding.

By the end of the third quarter significant “major” revenue sources will have been collected and expenditure trends solidly established. The 3rd quarter report should identify and confirm any general trending attributes the County may be experiencing. If trends are similar to the previous fiscal year (FY 2020-21) the County can expect generally lower than normal expenditures due to higher vacancy rates throughout the fiscal year and other COVID related limitations on annual spending, while also expecting higher than budgeted revenue collection. These two expected outcomes should continue to support a strong “end-of-year” fund balance for the County’s General Funds.