



Quarterly Budget Report

Second Quarter of Fiscal Year 2022-23



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, 2022. 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 2022-23 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, 2022, the County collected \$395,840,171 or 55.41% 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 second quarter of the fiscal year.

Current year property tax collection, the largest single revenue source for Durham County, is slightly under the 2nd Quarter 4-year average (79.44% collected, vs 80.46% respectively). Vehicle property tax collection is closely following the 4-year average. Overall trending for this largest revenue source is performing at the 4 year average. It should be noted that the 4 year average has seen each annual property tax revenue collection year's revenue grow significantly. In summation, while the percentages look "normal" actual property tax collection continues to grow at a strong pace. 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 continues to have a difficult time trying to predict how the local and state economy would react to COVID related changes in consumer spending, inflation increases, as well as assessing Durham County's strong economy, but is coming to the conclusion, based on the last two and half years' worth of collection, that consumer spending will continue at a significantly higher level. It remains to be seen whether this type of annual sales tax growth will continue in the foreseeable future for Durham County's overall economy.



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Register of Deeds Registration and Transfer fees have been collected at a high level in every quarter for the last two fiscal years, reflective of a very active Durham County housing market. However, second quarter FY 2022-23 collections as a percentage of budget are down from the previous years. This is largely because the revenue budget for FY 2022-23 was adjusted up by more than \$2.7M from the previous fiscal year to reflect previous trending actual revenue collection. But it should also be noted that the pace of actual monthly collections in this fiscal year has slowed compared to last fiscal year, largely related to the slowdown in home sales which in turn is due to significantly higher interest rates for mortgages.

Key Revenues	Current Budget	Revenues End of Qtr.	% Revenues	4 Prior Year Qtr. Average	Status of Revenues
ABC Net Profit Distribution	\$2,600,000	\$568,073	21.85%	18.10%	●
Animal Control Fees	\$25,000	\$13,664	54.66%	36.47%	●
Article 39 (1 Cent)	\$30,420,279	\$10,467,120	34.41%	22.51%	●
Article 40 (1/2 Cent)	\$18,332,756	\$7,503,364	40.93%	27.68%	●
Article 42 (1/2 Cent)	\$21,833,774	\$8,192,729	37.52%	24.99%	●
Article 44 (1/2 Cent)		\$138	0.00%	0.00%	●
Article 46 (1/2 Cent)	\$19,100,000	\$7,314,553	38.30%	25.29%	●
City Sales Tax ILA	\$16,424,789	\$10,138,757	61.73%	26.63%	●
Court Facilities Fees	\$220,000	\$119,301	54.23%	45.11%	●
Deed Registration and Transfer Fees	\$9,000,000	\$3,759,624	41.77%	69.29%	●
EMS Patient Fees	\$12,670,000	\$5,804,165	45.81%	47.90%	●
Fund Balance Appropriated	\$68,949,788	\$0	0.00%	0.00%	●
Intergovernmental Items	\$64,798,013	\$22,970,037	35.45%	41.80%	●
Investment Revenue	\$1,510,000	\$1,651,176	109.35%	49.32%	●
Local Occupancy Tax (General Fund)	\$3,650,000	\$1,981,543	54.29%	42.16%	●
Local Occupancy Tax (NCMLS)	\$500,000	\$313,347	62.67%	30.00%	●
Other General Funds Revenues	\$11,523,490	\$8,399,164	72.89%	58.31%	●
Property Tax (All Except Vehicle)	\$325,931,670	\$258,934,789	79.44%	80.46%	●
Property Tax (Vehicles Only)	\$22,069,665	\$9,635,272	43.66%	47.25%	●
Sheriff Fees	\$500,000	\$248,371	49.67%	38.92%	●
Solid Waste Management Fee Co	\$2,387,744	\$1,937,625	81.15%	85.23%	●
State Hold Harmless Funds	\$9,000,000	\$346,789	3.85%	86.93%	●
Transfers From Other Funds	\$72,884,354	\$35,540,571	48.76%	0.90%	●
Total	\$714,331,322	\$395,840,171	55.41%	54.43%	

- 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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Key revenue items with red indicator include:

- **Deed Registration and Transfer Fees:** Register of Deeds Registration and Transfer fees have been collected at a high level in every quarter for the previous two fiscal years, reflective of a very active Durham County housing market. However, first and second quarters of FY 2022-23 collections, as a percentage of budget, are down from the previous years. This is largely because the revenue budget for FY 2022-23 was adjusted up by more than \$2.7M to reflect previous fiscal year actual revenue collection of more than \$10M. But it should also be noted that the pace of actual monthly collections in this fiscal year has slowed compared to last fiscal year, largely related to the slowdown in home sales which in turn is due to significantly higher interest rates for mortgages. The third and fourth quarters will clarify whether overall trending is on a consistent decline.
- **State Hold Harmless Funds:** This indicator is red because Durham County began budgeting for this revenue in FY 2021-22. In prior years the revenue was not as significant or reliable. Now that it can be expected, the revenue is budgeted. The large percentage in this table is a bit misleading due to prior years not having a budget to start with. In August of each fiscal year a final “true up” amount is received from the state for the prior fiscal year. However, the largest portion (80-90%) of this distribution is seen in March of every year. More discussion and explanation for this revenue line can be seen in the [FY 2022-23 Approved Budget Revenue Highlights section](#) (Page 89).



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REVENUE SUMMARY

Revenues by Department	Current Budget	Revenues End of Qtr.	% Revenues	4 Prior Year Qtr. Average	Status of Revenues
Board Of County Commissioners	\$50,000	\$0	0.00%	0.00%	●
County Administration		\$0	0.00%	67.94%	●
Finance	\$196,932,154	\$45,371,706	23.04%	19.65%	●
Tax Administration	\$355,497,835	\$273,145,099	76.83%	78.03%	●
Legal	\$2,500	\$0	0.00%	117.62%	●
Elections	\$615	\$55	8.94%	53.96%	●
Register Of Deeds	\$9,225,225	\$3,844,145	41.67%	68.77%	●
General Services	\$2,862,144	\$2,200,339	76.88%	76.87%	●
Human Resources	\$15,000	\$5,577	37.18%	54.88%	●
Veterans Services	\$2,000	\$0	0.00%	0.00%	●
County Sheriff	\$3,843,581	\$1,441,349	37.50%	40.92%	●
Emergency Communications		\$0	0.00%	0.00%	●
Office of Emergency Services	\$18,563,202	\$10,600,963	57.11%	52.16%	●
Criminal Justice Resource Center	\$1,407,517	\$518,635	36.85%	40.55%	●
Youth Home	\$674,240	\$213,566	31.68%	40.02%	●
Other Transportation	\$697,669	\$95,173	13.64%	54.40%	●
Engineering & Environ Svcs	\$30,000	\$23,160	77.20%	72.54%	●
Other Environmental Protection		\$0	0.00%	0.00%	●
Planning		\$0	0.00%	0.00%	●
Cooperative Extension Service	\$487,991	\$107,583	22.05%	29.70%	●
Soil And Water Conservation	\$30,000	\$0	0.00%	9.43%	●
Economic Development		\$0	0.00%	25.54%	●
Public Health	\$17,569,527	\$4,243,789	24.15%	34.55%	●
Social Services	\$31,585,654	\$17,627,547	55.81%	48.67%	●
Comm-Bd Interv And Supp Serv	\$1,182,566	\$472,046	39.92%	0.00%	●
Other Human Services		\$0	0.00%	27.81%	●
Other Education	\$0	\$0	0.00%	100.00%	●
Library	\$787,548	\$321,406	40.81%	34.69%	●
Nondepartmental	\$72,884,354	\$35,608,031	48.86%	0.91%	●
Total	\$714,331,322	\$395,840,171	55.41%	54.43%	

- 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
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Agency specific REVENUE items with red indicator include:

- **Legal:** In previous years, the County Attorney would occasionally collect attorney fees in litigation matters. This has historically been a declining practice and not a cause for concern because it is such a small revenue amount. Legal does not expect to collect any fees this year. This revenue will be removed from the budget in FY 2023-24.
- **Elections:** In FY 2020-21, the Board of Elections 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. This resulted in a negative revenue figure in FY 2021-22, which affects the entire 4-year same quarter average. It is not a cause for concern related to Election's projected revenue collection by the end of the fiscal year.
- **Register of Deeds:** See explanation given above related to key revenues.
- **Human Resources:** Revenues received in this department are for the Employee appreciation program and are funded with County vending machine income. As COVID-19 remains an issue, less employees are working in Durham County facilities and utilizing vending machines. Revenues were reviewed and adjusted for current fiscal year. Revenue projections will be reviewed and adjusted in the coming fiscal year relative to expected work trends.
- **Other Transportation:** Other Transportation received about \$315K in the first two quarters of this fiscal year, but SAP did not reflect any actual collections at the time the report was run. Also, the current iteration of the Other Transportation agency – which houses GoTriangle, RDU Airport Authority, County Transportation Demand, and Durham County ACCESS – began in FY 2021-22, so there is only one year of full fiscal year budget to use as a comparison. Budgeted collection is expected to be met by the end of the fiscal year.
- **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 2022-23. The department is confident it will fully collect its revenue budget.
- **Public Health:** Public Health's total budgeted revenue continues to include additional grant revenue related to the long-term effects of COVID. In the 1st and 2nd quarter of the fiscal year, Public Health's revenue budget increased by \$7.8+ million. This increased budget, combined with Public Health collecting most of their non-pandemic related grants in the 3rd and 4th quarter of the year, has 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 will normalize as the fiscal year progresses.



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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	\$916,389	\$500,545	54.62%	55.33%	●
County Administration	\$4,984,729	\$2,473,874	49.63%	49.18%	●
Finance	\$26,106,870	\$2,325,762	8.91%	33.70%	●
Tax Administration	\$7,871,804	\$4,255,227	54.06%	54.95%	●
Legal	\$3,395,523	\$1,579,847	46.53%	50.02%	●
Court Facilities	\$607,456	\$518,054	85.28%	74.50%	●
Elections	\$2,657,860	\$1,867,582	70.27%	67.35%	●
Register Of Deeds	\$2,211,137	\$1,046,049	47.31%	52.47%	●
General Services	\$21,044,428	\$13,916,010	66.13%	59.83%	●
Information Technology	\$15,757,042	\$10,043,525	63.74%	58.03%	●
Human Resources	\$3,043,292	\$1,581,909	51.98%	54.78%	●
Budget & Management Services	\$882,067	\$499,074	56.58%	47.70%	●
Veterans Services	\$515,485	\$232,943	45.19%	48.62%	●
Geographic Information Systems	\$481,263	\$200,525	41.67%	45.81%	●
County Sheriff	\$43,953,598	\$24,497,674	55.74%	55.28%	●
Emergency Communications	\$1,704,233	\$916,725	53.79%	48.86%	●
Office of Emergency Services	\$23,754,810	\$11,983,228	50.45%	49.82%	●
Medical Examiner	\$350,000	\$227,200	64.91%	60.10%	●
Criminal Justice Resource Center	\$6,571,199	\$3,091,775	47.05%	48.96%	●
Youth Home	\$1,753,803	\$904,162	51.55%	52.29%	●
Other Transportation	\$1,689,460	\$645,793	38.22%	32.36%	●
Engineering & Environ Svcs	\$2,984,030	\$1,410,779	47.28%	51.32%	●
Other Environmental Protection	\$90,444	\$90,444	100.00%	100.00%	●
Open Space Management	\$268,484	\$168,485	62.75%	65.80%	●
Planning	\$1,307,159	\$544,650	41.67%	45.62%	●
Cooperative Extension Service	\$2,928,293	\$1,513,517	51.69%	60.79%	●
Soil And Water Conservation	\$809,525	\$516,852	63.85%	57.74%	●
Economic Development	\$5,069,977	\$1,926,068	37.99%	63.63%	●
Public Health	\$43,468,657	\$24,917,324	57.32%	58.33%	●
Mental Health	\$6,349,700	\$6,349,700	100.00%	100.00%	●
Social Services	\$59,380,720	\$30,979,086	52.17%	53.20%	●
Comm-Bd Interv And Supp Serv	\$3,147,608	\$1,306,668	41.51%	0.00%	●
Other Human Services	\$657,383	\$380,356	57.86%	47.31%	●
Durham Public Schools	\$177,151,627	\$103,338,449	58.33%	58.33%	●
Community Colleges	\$9,743,434	\$5,683,670	58.33%	58.33%	●
Other Education	\$8,326,585	\$7,210,659	86.60%	68.80%	●
Library	\$13,494,502	\$7,921,210	58.70%	57.59%	●
Other Cultural & Recreational	\$2,411,341	\$2,144,176	88.92%	90.47%	●
Nondepartmental	\$206,489,405	\$99,074,189	47.98%	16.19%	●
Total	\$714,331,322	\$378,783,765	53.03%	45.77%	

- 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, 2022, total \$378,783,765 or 53.03% of the budget. The percentage is higher than the 4-year average of 45.77%.

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:

- **Court Facilities:** The Court Facilities' expenditure line represents the budgets of seven different Court-related cost centers. The primary reason that the expenditure rate exceeded its four-year average is not a result of true overspending, but rather an increase in encumbrances (considered as expenditures) as a portion of the budget. Increasing the contracts for the Assistant DA and Assistant PD positions takes up a larger portion of the overall budget when those funds are reserved at the beginning of the fiscal year.
- **General Services:** General Services expenditures have increased for reasons that include unexpected increases to contracted security and janitorial services, and inflation-driven cost increases for items such as HVAC repairs, fleet maintenance/repair, and gasoline. A budget amendment has been approved by the Board of Commissioners to increase the department's ability to pay for these unexpected costs. The Budget office and General Services are closely monitoring the budget.
- **Information Technology:** Information Technology expenditures have increased for reasons that include inflation cost increases for maintenance/repair of equipment. The Budget Office and Information Technology will continue to monitor departmental expenditures.
- **Budget and Management Services:** Budget and Management Services expenditure rate exceeds its four-year average due to the inclusion of retention bonuses. There should be no over-expenditure by the end of this fiscal year.
- **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 2022-23 fiscal year to pay Durham City invoices. Also, the area appears 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 4-year comparison is no longer valid. There is no concern for overspending in this area.
- **Soil and Water Conservation:** Soil and Water Conservation has encumbered several contracts earlier than past years. There is no cause for concern of over-expenditure during this fiscal year. The Budget Office will continue to monitor departmental expenditures and revenues.



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- **Community Intervention and Support Services:** Community Intervention and Support Services (CISS) is Durham County’s newest department with no historical expenditure or revenue history. With no historical expenditure data, Community Intervention and Support Services will continue to look as if it is over-expending its budget until the department has enough historical expenditures to make accurate comparisons.
- **Other Human Services:** The increased expenditures in the Other Human Services department is due a large budget transfer to another department for easier contractual management. Housing for homeless individuals during the COVID-19 pandemic have been expended from this department but will be managed by Public Health in the future.
- **Other Education:** Unlike in previous fiscal years, the funding for Pre-K services is showing as encumbered (planned to be spent over the year) in the first quarter of FY 2022-23. In previous fiscal years, funding was encumbered at lower levels throughout the fiscal year. Therefore, the percentage spent or encumbered is displaying significantly higher than prior fiscal years. Expenditures will not exceed budgeted amounts and there is no cause for concern.
- **Nondepartmental:** The driver of this indicator is earlier than prior fiscal years posting of transfers out of these General Funds. Typically, these transfers are completed (at near 100%) by fiscal year end, but this year they are posting on a more regular basis. There is no cause for concerns here.

SUMMARY

FY 2022-23 second quarter summary information looks steady. Total revenue collection is higher than average, and expenditures are slightly higher than the 4-year average. Some expenditure choices, largely around employee compensation have and will continue to drive overall expenditure trends. But with half of the year left there is plenty of time for significant changes to this trending, and judicious decision making should mean 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 2021-22) the County can expect generally lower than normal expenditures due to higher vacancy rates throughout the fiscal year 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. However, if additional expenditure support is needed for various General Fund department, the County has a very healthy available General Fund fund balance (revenue) that can be used to offset increased spending.