



Quarterly Budget Report

Second Quarter of Fiscal Year 2024-25



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, 2024. 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.

A dashboard representation of first quarter budgets is provided as a convenient way to monitor the progress of FY 2024-25 revenues and expenditures. The dashboard uses a "traffic light" indicator to represent where agency revenues and expenditures are in comparison to a 4-year first 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, 2024, the County collected \$408,875,092 or 51.25% 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 slightly under the 2nd Quarter 4-year average (76.69% collected, vs 77.95% respectively). Vehicle property tax collection is closely following the 4-year average. Overall trending for this largest revenue source is performing slightly under the 4-year average. The underperformance is related to higher budget estimates for these revenues. The Budget Office reviewed the history of over collection of these revenues and tried, for FY 2024-25, to create better budget estimates. Overall revenue collection trending looks to be in line with budget estimates but there will, more than likely, be less property tax overcollection by the end of the fiscal year.

Sales tax collection, while within the normal trending bounds, will not meet budget estimates for the current fiscal year. Two issues are causing concern around this second largest revenue source. First is a huge "refund" month where actual revenue collections were far below expected collections. Second, and more concerning, is an overall reduction in gross sales tax collection over the first five months of the current fiscal year compared to last fiscal year. This is no longer slowing growth in sale tax collection but actual sales tax revenue loss.



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Ultimately, it is very concerning that sales tax revenue growth has slowed and now is actually negative, as it is the second largest revenue for the General Fund and Capital Finance Plan Fund. More monthly data is needed before generalizations about the current fiscal year actual collections and next year's budget predictions can be made. The Budget Office will be keeping a very close eye on this trend.

The first graph on the next page shows gross collection growth over the first five months at 1.62% less than in the same five months from FY 2023-24. This is far lower than any previous five month year over year growth from earlier years. It hints at a slowing, and even retracting, economy for Durham County.

The second and third graph show actual sales tax revenue collection for Durham County from two different sales taxes. One is Article 40 sales tax collection which is collected statewide and distributed to counties based on their population. Year-over-year growth for this sales tax revenue has been slowing for the last several years but is still growing for Durham County. The third graph shows Article 39 sales tax revenue collected by Durham County, related to sales made within the County, and it shows a nearly 10% decrease in year-over-year growth compared to FY 2023-24. Part of this huge reduction is related to a massive "refund" month where the state Department of Revenue refunded Durham County nonprofits for sales tax paid. These "refund" months take chunk out of Durham County monthly sales tax revenue a couple of times a year. The issue is the size of the refund amount that occurred in one of the months for the current fiscal year. Regardless, this is the single biggest sales tax revenue the County collects, and the reduced amount collected so far in the fiscal year will not be able to be made up within the seven months left in the current fiscal year.

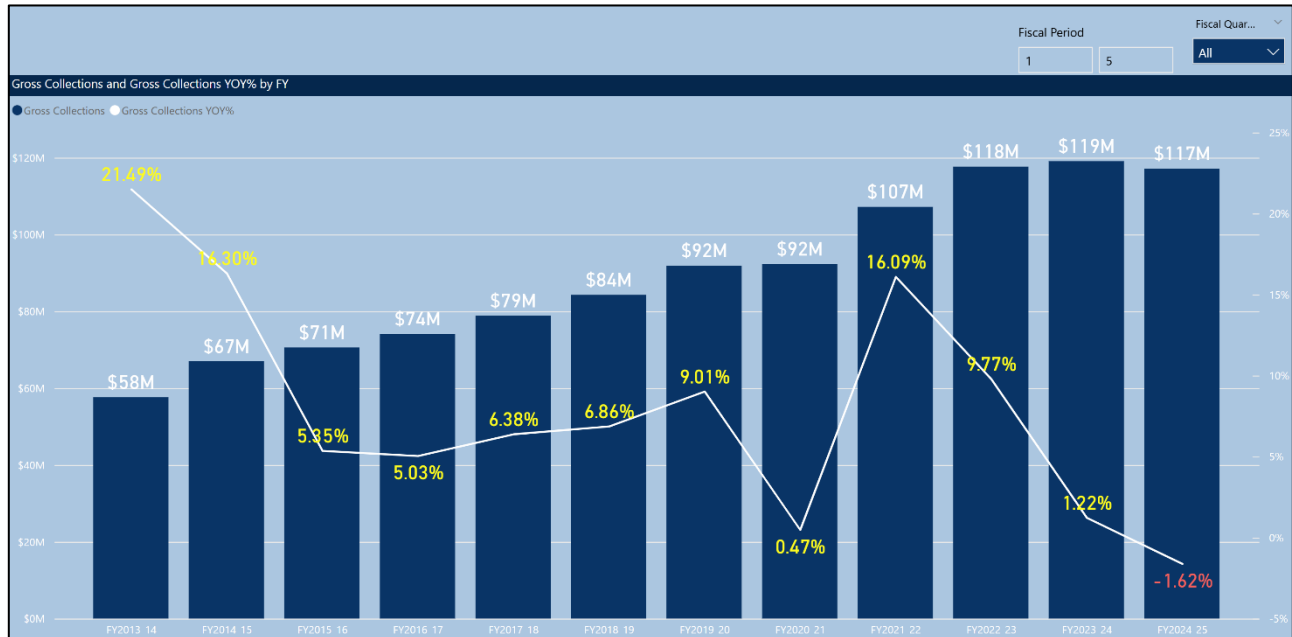
Loss of such a major revenue source, along with lower overcollection of property tax revenue, will put major pressure on the use of General Fund fund balance as a revenue source. In other words, the County will most likely use some amount of General Fund fund balance to support expenditures for FY 2024-25. The use of fund balance in FY 2024-25 will have a limiting effect on revenue budgeting in FY 2025-26.

These revenue trends mean that management and departments will need to pay close attention to spending during the rest of the current fiscal year in order to protect the County current and long-term fiscal standing.



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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	\$2,750,000	\$835,773	30.39%	28.40%	●
Article 39 (1 Cent)	\$34,452,409	\$8,732,621	25.35%	27.48%	●
Article 40 (1/2 Cent)	\$24,088,341	\$7,876,220	32.70%	33.81%	●
Article 42 (1/2 Cent)	\$26,633,596	\$7,693,429	28.89%	30.42%	●
Article 44 (1/2 Cent)		(\$3,889)	0.00%	0.00%	●
Article 46 (1/2 Cent)	\$23,600,744	\$6,686,408	28.33%	30.51%	●
City Sales Tax ILA	\$22,471,994	\$2,110,768	9.39%	36.52%	●
Deed Registration and Transfer Fees	\$6,000,000	\$2,776,601	46.28%	54.02%	●
Duke EMS Support - Comm. Health Fund	\$3,085,153	\$3,106,526	100.69%	89.31%	●
EMS Patient Fees	\$17,834,968	\$7,798,619	43.73%	46.34%	●
Fund Balance Appropriated	\$45,633,826	\$0	0.00%	0.00%	●
Intergovernmental Items	\$64,564,820	\$25,959,957	40.21%	41.08%	●
Investment Revenue	\$5,500,000	\$2,217,857	40.32%	78.31%	●
Local Occupancy Tax (General Fund)	\$4,425,000	\$2,067,763	46.73%	45.86%	●
Local Occupancy Tax (NCMLS)	\$500,000	\$500,000	100.00%	45.89%	●
Other General Funds Revenues	\$7,419,027	\$2,778,779	37.45%	53.85%	●
Property Tax (All Except Vehicle)	\$399,809,201	\$306,602,641	76.69%	77.95%	●
Property Tax (Vehicles Only)	\$26,302,192	\$11,596,410	44.09%	45.77%	●
Property Tax Collection Fees	\$2,264,400	\$1,753,676	77.45%	76.33%	●
Sheriff Fees	\$500,000	\$264,193	52.84%	39.11%	●
Solid Waste Management Fee Co	\$2,399,416	\$1,951,820	81.35%	82.42%	●
State Hold Harmless Funds	\$9,000,000	\$1,957,070	21.75%	10.50%	●
Transfers From Other Funds	\$68,510,130	\$3,611,848	5.27%	19.35%	●
Total	\$797,745,217	\$408,875,092	51.25%	52.97%	

- 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:

- **City Sales Tax ILA:** Receipts through the second quarter are lagging in posting. Overall sales tax ILA revenue trending is on pace to meet budget.
- **Investment Revenue:** Receipts through the second quarter are lagging in posting. Overall investment earning trending is on pace to exceed budget.



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- **Other General Funds Revenues:** The red light in this category is largely the result of three items, all of which are not of concern. 1) Youth Home revenues have been invoiced but are yet to post to the County financial system (as described in more detail below); 2) ARPA investment revenue is a new revenue source that is budgeted for the first time, and while revenue has been received, the math creates a situation that gives a false appearance as under-collected through two quarters; 3) Shoppes at Hope Valley revenues are also similar to ARPA investment in it being a newly budgeted line that distorts percentage collected as compared to the 4-year average.
- **Transfers from Other Funds:** Transfers from other Funds are lagging behind the 4 prior year quarter average, but first and second quarter collections are typically negligible. Additional transfer revenue should be reflected in subsequent quarters as those other Funds collect revenue to transfer.



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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		\$0	0.00%	0.00%	●
County Administration		\$0	0.00%	76.84%	●
Finance	\$195,568,696	\$38,780,168	19.83%	21.37%	●
Tax Administration	\$434,879,793	\$323,289,119	74.34%	75.64%	●
Legal	\$1,000	\$5,000	500.00%	80.00%	●
Elections	\$200	\$1,393	696.54%	50.50%	●
Register Of Deeds	\$6,165,225	\$2,855,489	46.32%	53.74%	●
General Services	\$2,992,808	\$2,218,626	74.13%	76.47%	●
Human Resources	\$15,000	\$21,746	144.98%	30.46%	●
Veterans Services	\$2,000	\$0	0.00%	0.00%	●
County Sheriff	\$3,525,834	\$1,107,218	31.40%	41.21%	●
Emergency Communications		\$0	0.00%	0.00%	●
Office of Emergency Services	\$22,355,050	\$11,118,743	49.74%	53.26%	●
Justice Services Department	\$1,722,603	\$608,120	35.30%	36.55%	●
Youth Home	\$1,170,675	\$20,018	1.71%	31.65%	●
Other Transportation	\$5,327,164	\$581,791	10.92%	37.19%	●
Engineering & Environ Svcs	\$2,112,850	\$405,854	19.21%	32.94%	●
Public Information		\$805	0.00%	0.00%	●
Planning		\$0	0.00%	0.00%	●
Cooperative Extension Service	\$542,889	\$315,779	58.17%	27.30%	●
Soil And Water Conservation	\$29,788	\$0	0.00%	0.00%	●
Economic Development	\$66,053	\$21,017	31.82%	110.99%	●
Public Health	\$11,338,457	\$4,210,337	37.13%	32.25%	●
Social Services	\$39,248,724	\$19,468,690	49.60%	50.29%	●
Comm-Bd Interv And Supp Serv	\$1,175,920	\$56,705	4.82%	58.88%	●
Other Human Services		\$0	0.00%	39.21%	●
Community Colleges		\$24,670	0.00%	0.00%	●
Other Education		\$79	0.00%	100.00%	●
Library	\$994,358	\$151,878	15.27%	30.62%	●
Nondepartmental	\$68,510,130	\$3,611,848	5.27%	19.38%	●
Total	\$797,745,217	\$408,875,092	51.25%	52.97%	

- 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:

- **Youth Home:** Youth Home's actual revenue collection does not reflect the amount of revenue received due to delays in postings in the County finance system. The Youth Home has received \$5,300, but has billed almost \$600K to the state Department of Juvenile Justice during the first two quarters. The department is on track to meet revenue projections. Also, there was a journal entry error with the Supply Chain Grant revenue and revenue received for housing. The department is working with the Finance department to correct these entries.
- **Other Transportation:** Transportation recently executed a \$2.67M grant agreement with the Federal Railroad Administration to fund the East Durham Railroad Crossing study, which will explore the feasibility of changing county railroad crossings. The department expects to begin the study soon. The cost of the study will be covered by funding from the Durham County Transit Plan and the Federal Railroad Administration.
- **Engineering & Environmental Services:** The Engineering & Environmental Services revenue budget is largely comprised of a \$1.5M Sustainability Division grant from the U.S. Department of Energy's Energy Efficiency and Conservation Block Grant Competitive Program. The division received the grant in mid-September 2024 and has not yet filed for any reimbursable grant expenses. The division will use the funding to create and implement the Energy Burden and Emissions Reduction Program, which funds energy efficiency retrofits and limited home repair on low-to-moderate income households in Durham, Orange, and Granville Counties over a three-year period. The Budget Office will work with Sustainability to track this revenue over the fiscal year.
- **Economic Development:** Economic Development receives monthly repayments of loans that were offered to small businesses impacted by the pandemic. The joint City-County program offered 10-year loans, and Economic Development began receiving loan repayments last fiscal year, so there is not much data for comparison. The office expects to collect close to 100 percent of its revenue by the end of the FY 2024-25 Fiscal Year.
- **Community Intervention and Support Services (CISS):** First quarter revenues for the Interlocal Agreement with the City of Durham have not been posted.
- **Library:** Library Gift revenue was not collected in the first quarter. As collection for this gift occurs, Library's overall revenue collection will be on pace to meet budgeted amounts for the fiscal year.
- **Nondepartmental:** See explanation given above for "Transfers from Other Funds."



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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	\$1,203,020	\$658,242	54.72%	53.23%	●
County Administration	\$7,402,230	\$3,275,000	44.24%	50.86%	●
Finance	\$5,466,488	\$2,190,343	40.07%	15.77%	●
Tax Administration	\$8,299,973	\$4,447,615	53.59%	52.02%	●
Legal	\$3,850,389	\$1,663,366	43.20%	49.23%	●
Court Facilities	\$602,790	\$533,262	88.47%	87.25%	●
Elections	\$3,378,633	\$2,484,657	73.54%	70.70%	●
Register Of Deeds	\$2,344,386	\$1,057,324	45.10%	49.97%	●
General Services	\$24,011,526	\$15,847,166	66.00%	62.41%	●
Information Technology	\$19,638,676	\$13,073,633	66.57%	61.67%	●
Human Resources	\$3,786,684	\$1,918,468	50.66%	52.01%	●
Budget & Management Services	\$1,029,863	\$478,699	46.48%	49.59%	●
Veterans Services	\$686,670	\$360,455	52.49%	50.31%	●
Geographic Information Systems	\$535,488			43.89%	
County Sheriff	\$51,635,068	\$26,841,728	51.98%	54.82%	●
Emergency Communications	\$1,805,077	\$403,222	22.34%	50.68%	●
Office of Emergency Services	\$26,506,345	\$14,915,028	56.27%	52.89%	●
Medical Examiner	\$505,550	\$330,575	65.39%	51.92%	●
Justice Services Department	\$7,553,804	\$3,395,922	44.96%	46.03%	●
Youth Home	\$3,334,458	\$1,479,824	44.38%	49.28%	●
Other Transportation	\$5,996,185	\$579,099	9.66%	36.34%	●
Engineering & Environ Svcs	\$6,946,499	\$2,617,258	37.68%	52.29%	●
Other Environmental Protection	\$118,322	\$118,321	100.00%	100.00%	●
Open Space Management	\$146,754	\$47,830	32.59%	60.96%	●
Public Information	\$872,972	\$557,282	63.84%	0.00%	●
Planning	\$1,637,930			44.06%	
Cooperative Extension Service	\$2,979,218	\$1,283,263	43.07%	58.83%	●
Soil And Water Conservation	\$1,107,828	\$753,032	67.97%	64.07%	●
Economic Development	\$4,440,593	\$1,624,847	36.59%	61.69%	●
Public Health	\$38,045,024	\$21,920,892	57.62%	57.44%	●
Mental Health	\$6,503,802			110.16%	
Social Services	\$69,307,072	\$35,313,707	50.95%	53.28%	●
Comm-Bd Interv And Supp Serv	\$4,687,033	\$2,752,273	58.72%	41.61%	●
Other Human Services	\$1,708,558	\$1,700,210	99.51%	91.54%	●
Durham Public Schools	\$208,601,332	\$121,684,110	58.33%	58.33%	●
Community Colleges	\$12,432,083	\$7,252,048	58.33%	58.33%	●
Other Education	\$9,597,858	\$8,222,639	85.67%	80.56%	●
Library	\$14,435,087	\$8,098,071	56.10%	56.66%	●
Other Cultural & Recreational	\$2,458,124	\$2,358,124	95.93%	88.85%	●
Nondepartmental	\$232,145,826	\$40,324,415	17.37%	28.06%	●
Total	\$797,745,217	\$352,561,949	44.19%	48.83%	

- 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, 2024, total \$352,561,949 or 44.19% of the budget. The percentage is slightly lower than the 4-year average of 48.83%.

Agency specific expenditure items in red include:

- **Finance:** Finance's "Red Light" was triggered by transfers occurring in other funds included in the Finance calculation. The department has expended about half of its General Fund budget about half-way through the year. There is no current cause for concern.
- **Medical Examiner:** This line includes a larger-than-average encumbrance amount compared to the 4-year average. The actual expenses (less encumbrances) reflect similar trending levels to the historical average. This line will be closely monitored since examination/autopsy costs are highly variable and difficult to predict, but expenses are not currently projected to exceed budgeted amounts.
- **Public Information Office:** Public Information has moved out of the County Administration to its own business area. With no historical expenditure data as its own business area, Public Information will continue to look as if it is over-expending its budget until the department has enough historical expenditures to make accurate comparisons. There is no cause for concern with overspending in PIO.
- **Community Intervention and Support Services:** Community Intervention and Support Services (CISS) is Durham County's newest department with little historical expenditure or revenue history. With little historical expenditure data, CISS will continue to look as if it is overspending its budget until the department has enough historical expenditure to make accurate comparisons. There is no cause for concern with over expenditure in CISS. However, now that CISS is fully staffed, current expenditure may give insight into future expenditures.
- **Other Human Services:** The overspending alert for this area is related to encumbrances, which in past fiscal years were encumbered into quarters three and four. This year, the entire budget was encumbered in the first two quarters. The area is not on trend to overspend and there is no cause for concern.
- **Other Education:** Unlike in previous fiscal years, the funding for Pre-K services in the current and past fiscal year has been encumbered (planned to be spent) in the first quarter of FY 2024-25. In previous fiscal years, a quarterly payment was provided. Therefore, the percentage spent or encumbered is significantly higher than prior fiscal years. Expenditures will not exceed budgeted amounts.
- **Other Cultural & Recreational:** All spending in this area is as expected. The Convention Center budget was reduced this fiscal year due to the strong recovery seen in the past couple of years. This led to a mathematically higher spending rate (lower denominator with same numerator) that is actually on par with prior years.



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SUMMARY

Durham County has been a privileged oasis of economic stability and growth for well over a decade, but cracks are showing (i.e., slowing sales tax revenue collection growth or even revenue reductions). Total revenue collection is reasonable mostly due to property tax revenue collection. Expenditures are trending close to the 4-year average. With two quarters of the year left, there is still time for course correction (per management decisions) or possible positive changes to this early trending.

Economic growth has been slowing over the past 12 months affecting sales tax, occupancy tax, and state hold harmless revenue collection for the worse. At the same time, inflation and other unexpected costs are increasing the spending pace for the County. A healthy General Fund fund balance can handle any “one time” major spending issues, while continued property tax valuation growth and near perfect collection rate will generally buffer any revenue collection anomalies. But it should be remembered that continued judicious decision making by the Board and management will also smooth out any potential revenue or expenditure disturbances.

By the end of the third quarter significant property tax revenue and three months of sales tax revenue will have been collected. This 3rd quarter report will solidify any general current fiscal year trending the County may experience.

BUDGET CHANGES (AMENDMENTS) SUMMARY

During the second quarter of FY 2024-25, \$217,860 of General Fund fund balance was appropriated to add two positions in the County Attorney’s office. This item is in addition to the \$386,123 of General Fund fund balance appropriated for two agenda actions in the first quarter - \$300,000 for Master Aging Plan support and \$86,123 for Public Health grant matching funds.

An additional \$3.16 million of “intergovernmental” revenue was recognized during the second quarter via 13 budget ordinance amendments. This is in addition to the 15 BOCC budget amendment items appropriated during the first quarter, bringing the total increase in funding to \$6.3 million for various departments, including Public Health, Social Services, Cooperative Extension, Library, Engineering, and the Sheriff.

ARPA funds interest earned of \$731,586 was appropriated in the first quarter to various General Fund departments to support County needs.