Quarterly Budget Report

First Quarter of Fiscal Year 2025-26

OVERVIEW

The accompanying tables summarize the recognized revenues and expenditures for Durham County's General Fund, Capital Improvement Fund, and Reappraisal Reserve Fund through September 30, 2025. 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 2025-26 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 September 30, 2025, the County collected $81,357,053 or 9.91% 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.

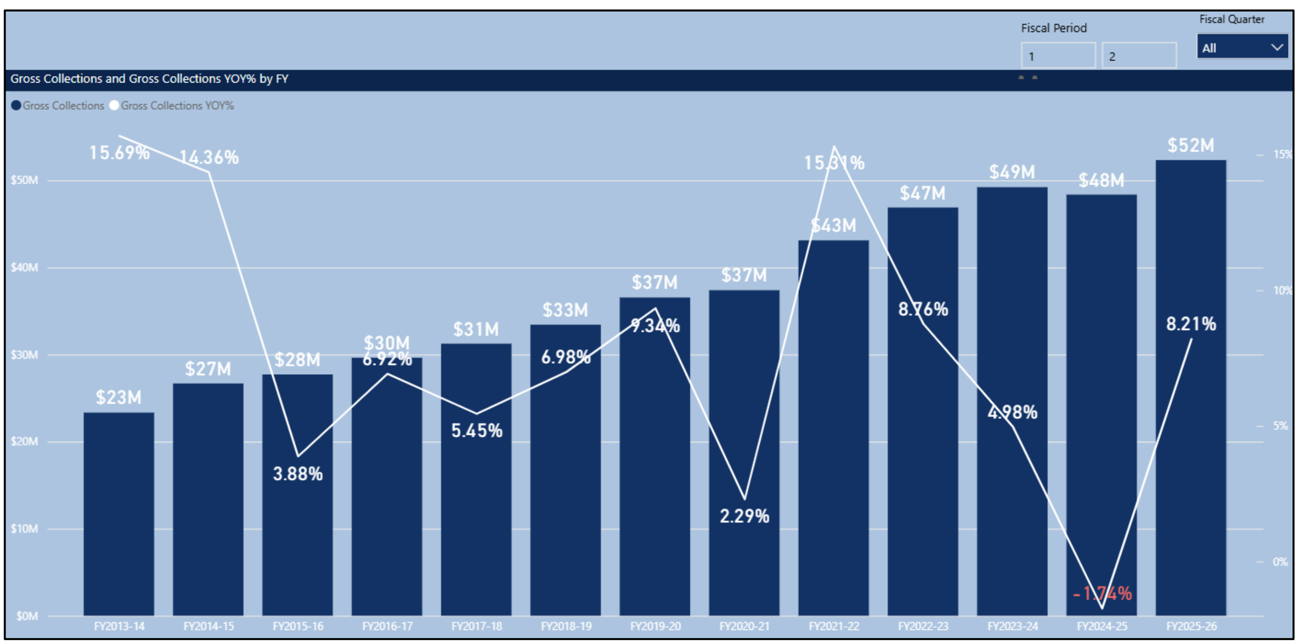
Current year property tax collection, the largest single revenue source for Durham County, is pacing above the 1st Quarter 4-year average (12.29% collected, vs 9.75% respectively). This higher-than-average collection compared to the 4-year average is largely due to lower-than-average collections in previous years which lowers the 4 year average percentage. Overall, the largest revenue source for the General Fund is on a healthy pace to meet expected budget. Vehicle property tax collection is within bounds of the 4-year average. Overall trending for this largest revenue source is stable and positive. Second and third quarters will give more perspective on the property tax collection rates.

Sales tax collections are reported monthly from the State Department of Revenue. For the fiscal year to date revenues are within the normal trending bounds. Due to timing of the actual funds being received from the State and posting in the County's financial system, those entries are not typically seen in this report until Quarter 2. First month collections were above budget estimates but it is too early to say with any trending support that sales tax revenue collection will meet budget. Budgeted amounts are conservative, and early indications are that sale tax revenue collection should meet or exceed budget estimates.

Last fiscal year the first quarter trending for Durham County gross sales tax collection was down significantly from the previous year, signaling possible lower overall sales tax collection for the County in FY 2024-25 and potentially lower sales tax revenue budgeting for FY 2025-26. In fact, that is what played out over the course of last fiscal year.

The good news is that Durham County gross sales tax collection has bounced back for the first two months of FY 2025-26 compared to the same two months last fiscal year. The first two months of Durham County gross sales tax collection are up over 8% compared to the same two months from last year. This is a comforting trend, but it is also an early trend.

Ultimately, sales tax revenue growth is predicated on continued local economic growth and, if local and state economic growth continues to slow, so will sales tax revenue collected. As the second largest revenue for the County's General Fund and Capital Finance Plan Fund, growth in this revenue is extremely important in supporting General Fund expenditures. More monthly data is needed before generalizations about the current fiscal year's actual collections and next year budget predictions can be made, but early trending is positive. The Budget Office will be keeping a very close eye on this trend.



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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	$0	0.00%	15.08%	🔴
Article 39 (1 Cent)	$33,994,836	$0	0.00%	6.90%	🔴
Article 40 (1/2 Cent)	$23,828,028	$0	0.00%	7.08%	🔴
Article 42 (1/2 Cent)	$26,359,571	$0	0.00%	7.01%	🔴
Article 44 (1/2 Cent)		$0	0.00%	0.00%	🟡
Article 46 (1/2 Cent)	$23,334,809	$0	0.00%	7.09%	🔴
City Sales Tax ILA	$22,502,908	$0	0.00%	12.46%	🔴
Deed Registration and Transfer Fees	$5,900,000	$1,609,856	27.29%	23.74%	🟢
Duke EMS Support - Comm. Health Fund	$3,103,526	$3,198,154	103.05%	89.95%	🟢
EMS Patient Fees	$16,060,000	$227,885	1.42%	24.68%	🔴
Fund Balance Appropriated	$28,456,910	$0	0.00%	0.00%	🟢
Intergovernmental Items	$61,226,071	$12,638,259	20.64%	22.16%	🟢
Investment Revenue	$7,825,000	$0	0.00%	42.38%	🔴
Local Occupancy Tax (General Fund)	$2,833,333	$540,611	19.08%	25.02%	🟡
Local Occupancy Tax (NCMLS)	$500,000	$0	0.00%	1.32%	🔴
Other General Funds Revenues	$8,540,958	$1,074,990	12.59%	24.07%	🔴
Property Tax (All Except Vehicle)	$453,658,450	$55,767,142	12.29%	9.75%	🟢
Property Tax (Vehicles Only)	$20,196,607	$5,331,553	26.40%	19.26%	🟢
Property Tax Collection Fees	$2,486,200	$337,685	13.58%	9.90%	🟢
Sheriff Fees	$500,000	$164,543	32.91%	25.04%	🟢
Solid Waste Management Fee Co	$2,559,451	$466,376	18.22%	14.79%	🟢
State Hold Harmless Funds	$10,000,000	$0	0.00%	11.70%	🔴
Transfers From Other Funds	$63,943,732	$0	0.00%	0.28%	🔴
Total	**$820,560,390**	**$81,357,053**	**9.91%**	**10.80%**	

🟢 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

<u>Key revenue items with red indicator include:</u>

- **ABC Net Profit Distribution:** Funds are not typically received from the ABC Board during the first quarter. In recent fiscal years postings were made in the quarter to update entries from the prior fiscal year. No updates were required in FY 2025-26. Revenues are anticipated to be collected at or above projected budget.
- **Articles 39, 40, 42, 46, City Sales Tax ILA:** First quarter revenue has not been posted within the County general ledger; however, first month revenue amounts are known and they are above budget estimates.

- **EMS Patient Fees:** EMS patient fees for the first quarter are not yet posted. An estimated $3.6 million has been received in the first quarter compared to $3.5 million received during the same period last fiscal year.
- **Investment Revenue:** First quarter revenue has not been posted.
- **Local Occupancy Tax (NCMLS):** Occupancy tax postings can vary significantly by month. In one of the four prior fiscal years a small amount was posted to the North Carolina Museum of Life and Science due to postings that year. The Occupancy Tax dedicated to NCMLS Debt Service will be collected at full budget this fiscal year.
- **Other General Funds Revenues:** With increasing revenues anticipated from the City of Durham for their municipal election the amount of revenue anticipated for the fiscal year increased. This revenue will not be posted until later in the fiscal year. The Youth Home increased the budgeted revenue for FY 2025-26 due to opening of the new facility. However, due to staffing challenges, this revenue is not being received yet (see below). Excluding Youth Home and Elections, the amounts collected in Quarter 1 are typical for this time in the fiscal year.
- **State Hold Harmless Funds:** The final prior fiscal year payment is received in August of each year. In prior fiscal years this revenue was posted to the new fiscal year. In FY 2025-26 the August payment was accurately recorded in FY 2024-25. Actual revenues for State Hold Harmless will not be distributed by the State until March of 2026, so the accuracy of budget projections will not be known until then.
- **Transfers from Other Funds:** Transfers from other funds is lagging behind the 4 prior year quarter average, but first 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%	0.00%	
Finance	$180,182,162	$179,471	0.10%	7.59%	
Tax Administration	$481,482,590	$62,346,837	12.95%	10.51%	
Elections	$963,500	$8,210	0.85%	-7.20%	
Register Of Deeds	$6,067,500	$1,655,035	27.28%	23.69%	
General Services	$3,186,651	$622,432	19.53%	16.60%	
Human Resources	$15,000	$0	0.00%	5.09%	
Veterans Services	$2,000	$0	0.00%	0.00%	
County Sheriff	$2,628,894	$466,061	17.73%	19.12%	
Emergency Communications		$0	0.00%	0.00%	
Office of Emergency Services	$20,342,365	$3,695,680	18.17%	35.40%	
Justice Services Department	$1,605,879	$68,300	4.25%	10.96%	
Youth Home	$1,666,351	$8,472	0.51%	6.33%	
Other Transportation	$4,066,192	$0	0.00%	4.84%	
Engineering & Environ Svcs	$2,015,388	$58,115	2.88%	8.58%	
Public Information		$0	0.00%	0.00%	
Planning		$0	0.00%	0.00%	
Cooperative Extension Service	$629,879	$7,317	1.16%	10.26%	
Soil And Water Conservation	$29,788	$0	0.00%	0.00%	
Economic Development	$45,000	$10,098	22.44%	157.44%	
Public Health	$11,410,782	$2,014,931	17.66%	17.45%	
Social Services	$39,528,822	$10,146,063	25.67%	27.45%	
Comm-Bd Interv And Supp Serv	$108,208	$9,708	8.97%	14.86%	
Community Colleges		$0	0.00%	0.00%	
Other Education		$0	0.00%	100.00%	
Library	$639,707	$60,323	9.43%	13.15%	
Nondepartmental	$63,943,732	$0	0.00%	0.28%	
Total	**$820,560,390**	**$81,357,053**	**9.91%**	**10.80%**	

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:

- **Finance**: Changes in the timings of postings in the financial system are affecting this Business Area's revenue to date. See Investment Revenue and State Hold Harmless explanations above.
- **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.
- **Human Resources:** Historical revenues received in this department were for the Employee appreciation program and were funded with County vending machine income. Due to less employees working in Durham County facilities, utilization of vending machines is decreasing. However, unplanned revenue has already posted in the second quarter for Cigna reimbursement of wellness gift cards, so actual revenue will exceed the budgeted revenue amount at year-end.
- **Office of Emergency Services:** EMS patient fees for the first quarter are not yet posted. An estimated $3.6 million has been received in the first quarter compared to $3.5 million received during the same period last fiscal year. EMS patient fees represent the largest revenue source for the Office of Emergency Services.
- **Justice Services:** The department received an increase in JCPC funding, which contributed to a higher overall budget. Revenues are being collected as scheduled; however, some revenue that was received during the first quarter was recorded in the second quarter.
- **Youth Home:** Revenue has been received but was recorded in the second quarter instead of the first. However, the department remains on track to meet its budgeted revenue target.
- **Other Transportation:** No revenue posted for Transportation during the first quarter. Historically, most Transportation revenue posts during the third quarter of the fiscal year. Revenues largely consist of interlocal agreements.
- **Engineering & Environmental Services:** The Engineering & Environmental Services revenue budget is largely comprised of a $1.5M Sustainability Division grant from the United States Department of Energy's Energy Efficiency and Conservation Block Grant Competitive Program. 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. To date – the division has executed subawards and obligated more than $1.4M of the grant and is working with Finance on the restricted funds roll-forward.

- **Cooperative Extension:** Due to delays in establishing the Welcome Baby contract with Duke University, due to needed language changes, there has been a short delay in receiving and processing revenue for the Welcome Baby program. These revenue payments are currently being processed by Finance and there is no cause for concern for under collection.
- **Economic Development:** Economic Development receives monthly repayments of loans that were offered to small businesses impacted by the pandemic. Before FY 2024-25 there was no revenue budgeted in this department, creating the appearance of a large overcollection. During the first quarter of the current fiscal year, Economic Development has collected approximately $10,000 of an expected $45,000 from this program.
- **Community Intervention and Support Services (CISS):** In FY 2024–25, revenue was not posted in the first quarter, which will impact the four-year average for that quarter. However, there is no cause for concern regarding projected revenue collection.
- **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	$1,247,394	$443,694	35.57%	31.74%	
County Administration	$7,128,735	$1,856,994	26.05%	27.33%	
Finance	$5,038,804	$1,441,742	28.61%	28.95%	
Tax Administration	$9,065,948	$1,808,177	19.94%	30.57%	
Legal	$4,137,647	$1,063,416	25.70%	24.93%	
Court Facilities	$566,268	$373,218	65.91%	83.65%	
Elections	$3,750,237	$1,233,974	32.90%	36.30%	
Register Of Deeds	$2,060,928	$422,231	20.49%	30.49%	
General Services	$25,467,025	$11,242,259	44.14%	48.74%	
Information Technology	$20,206,573	$5,400,227	26.73%	33.83%	
Human Resources	$4,256,769	$1,194,081	28.05%	25.66%	
Budget & Management Services	$1,100,067	$289,295	26.30%	25.53%	
Veterans Services	$726,821	$157,512	21.67%	24.76%	
Geographic Information Systems	$561,177	$93,530	16.67%	19.19%	
County Sheriff	$53,877,135	$13,895,547	25.79%	31.38%	
Emergency Communications	$1,964,349	$677,898	34.51%	36.42%	
Office of Emergency Services	$28,027,228	$7,551,742	26.94%	32.19%	
Justice Services Department	$7,523,119	$1,725,279	22.93%	26.26%	
Youth Home	$4,193,151	$887,927	21.18%	24.40%	
Other Transportation	$4,599,695	$253,015	5.50%	16.22%	
Engineering & Environ Svcs	$5,958,407	$1,915,963	32.16%	27.97%	
Other Environmental Protection	$70,273	$70,273	100.00%	100.00%	
Open Space Management	$203,302	$103,302	50.81%	52.87%	
Public Information	$1,016,462	$163,234	16.06%	37.59%	
Planning	$1,774,482	$295,748	16.67%	19.36%	
Cooperative Extension Service	$3,463,040	$621,608	17.95%	28.69%	
Soil And Water Conservation	$1,226,720	$319,924	26.08%	32.70%	
Economic Development	$4,372,777	$1,059,657	24.23%	29.31%	
Public Health	$39,994,649	$9,393,832	23.49%	44.12%	
Mental Health	$4,503,802	$4,503,802	100.00%	67.48%	
Social Services	$68,492,733	$18,775,660	27.41%	32.13%	
Comm-Bd Interv And Supp Serv	$2,331,086	$331,989	14.24%	37.35%	
Other Human Services	$780,636	$245,670	31.47%	94.32%	
Durham Public Schools	$224,528,912	$74,842,971	33.33%	33.33%	
Community Colleges	$12,618,661	$4,206,220	33.33%	33.33%	
Other Education	$9,697,896	$7,393,884	76.24%	66.66%	
Library	$14,716,636	$4,244,129	28.84%	36.24%	
Other Cultural & Recreational	$2,608,124	$2,508,124	96.17%	87.15%	
Nondepartmental	$247,386,532	$20,417,882	8.25%	6.89%	
Total	**$831,244,199**	**$203,425,629**	**24.47%**	**27.45%**	

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

General Fund, Capital Improvement Fund and Reappraisal Reserve Fund expenditures and encumbrances through September 30, 2025, total $203,425,629 or 24.47% of the budget. The percentage is slightly lower than the 4-year average of 27.45%.

It should be noted that the expenditure budget total of $831,244,199 million is higher than the revenue budget of $820,560,390 because the annual encumbrance rollover process had yet to be completed when the quarter ended. $10,683,809 of FY 2024-25 expenditures were rolled over to FY 2025-26 because the bills were not able to be paid until FY 2025-26. The expenditure budget reflects this increase, while the revenue budget, at the end of the quarter, did not. A budget amendment will be approved by the Board of County Commissioners allocating available fund balance (a revenue) to offset this expense. This is an annual occurrence, and normally such differences are not reflected in this 1st quarter report. *It is important to note that for the current fiscal year, the annual encumbrance rollover of prior year obligations is substantially lower than in prior fiscal years, resulting in fewer "red lights" for most departments. So, while it appears that the expenditure rate is lagging behind prior year averages, this is in part due to the reduction in obligations carried forward from prior years since expenditures reflected above include expenses and encumbrances.*

<u>Agency specific expenditure items in red include:</u>

- **Mental Health:** In previous fiscal years, Alliance funding was encumbered (planned to be spent over the year) every quarter and the entire amount sent to the organization. Due to county funds being underspent for the past several fiscal years due to an influx of federal and state dollars, the County has decided to turn to a reimbursable model, where Alliance will bill the County a certain amount, which the County will then pay for out of encumbered funds. Due to this change, the entirety of Alliance's $4.5M allotment has been encumbered in the first quarter of the fiscal year. There is no cause for concern and expenditures will not exceed budgeted amounts.
- **Other Education:** In previous fiscal years, the funding for Pre-K services has been encumbered (planned to be spent over the year) quarterly in equal amounts. In recent fiscal years, the County has moved to encumbering the full amount in the first quarter of the fiscal year. Therefore, the percentage spent or encumbered is significantly higher than prior fiscal years, but there is no cause for concern as expenditures will not exceed budgeted amounts. As the County continues the process of encumbering the entire funding amount in the first quarter, future quarterly reports will no longer flag the amount as an over expenditure.
- **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 continues to be a privileged oasis of economic stability and growth, but some cracks are showing (i.e., slowing sales tax revenue collection growth, even with a bounce back in this year's first quarter). Total revenue collection is lower than average, mostly due to later than normal sales tax revenue being shown in our general ledger (just a technical issue). Expenditures are trending lower than the 4-year average, but that is mostly due to lower, or no, encumbrances rolled over compared to the same period over the last four years. However, with three quarters of the year left, there is still plenty of time for significant changes to this early trending.

Economic growth could slow over coming months affecting sales tax, occupancy tax, and state hold harmless revenue collection for the worse. While at the same time, inflation and other unexpected costs could increase 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 second quarter, significant property tax revenue and three months of sales tax revenue will have been collected. This 2nd quarter report will solidify any general current fiscal year trending the County may experience.

BUDGET CHANGES (AMENDMENTS) SUMMARY

Through FY 2025-26 first quarter, $1,842,000 of General Fund balance was appropriated for three agenda actions. $1.5 million was appropriated to support the Durham Affordable Housing Loan Fund (matching the City's commitment and managed by Self-Help), $30,000 is used to cover the cost of the new OES fleet maintenance facility lease, and was appropriated for the Cooperative Extension 4H Program.

Eleven BOCC budget amendment agenda actions appropriated $1.46 million of additional "Intergovernmental" revenue (grant funding awarded) to various departments, including Public Health, Social Services, Library, Cooperative Extension, and the Sheriff.

Opioid Settlement funding of $72,560 was appropriated to support the addition of a Peer Support Specialist to assist the Community Paramedic Response Team.