



Quarterly Budget Report

Third 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 March 31, 2026. Please note that 4-year third quarter averages have been provided for comparison. These averages reflect what was reported in the third quarter report for the four preceding fiscal years.

A dashboard representation of third 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 third 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 March 31, 2026, the County collected \$640,605,572, or 76.14% of the budgeted General Fund, Capital Improvement Fund, and Reappraisal Reserve Fund revenue.

Current year property tax collection, the largest single revenue source for Durham County, is slightly under the 3rd Quarter 4-year average (98.85% collected, vs 100.80% respectively). However, after the 2025 countywide revaluation process, a significant number of property valuations were successfully appealed. These appeals mean that the actual total county valuation taxed is significantly lower than the estimated valuation that was budgeted. That difference will mean that FY 2025-26 property tax collection will under-collect for the year. Vehicle property tax collection is closely following the 4-year average and is not affected or altered by the revaluation process. Overall trending for this largest revenue source is performing slightly under the 4-year average, but again, is forecast to come in under budget due to revaluation appeals explained above. FY 2026-27 property tax collection will not experience this unique set of circumstances, as revaluations are generally done only once every four years.

Sales tax collection, while within the normal trending bounds, will struggle to meet budget estimates for the current fiscal year. This is largely due to budget estimates for FY 2025-26 being developed with five months left before the end of FY 2024-25, and those five months not doing as well as predicted. In hindsight, had the Budget Office known how the last five months would play out, the sales tax revenue budget estimate for FY 2025-26 would have been lower.

Ultimately, the larger and more concerning issue is that sales tax revenue growth has slowed significantly over the last three years and shows no signs of picking up the growth pace in the near future.



Quarterly Budget Report

Third Quarter of Fiscal Year 2025-26



With under-collection of property tax revenue as well as flat collection of sales tax, the lack of expected revenue from these two main sources 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 2025-26. The use of fund balance in FY 2025-26 will have a limiting effect on revenue budgeting in FY 2026-27.

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.

Key Revenues	Current Budget	Revenues End of Qtr.	% Revenues	4 Prior Year Qtr. Average	Status of Revenues
ABC Net Profit Distribution	\$2,750,000	\$1,111,748	40.43%	55.93%	●
Article 39 (1 Cent)	\$33,994,836	\$16,593,914	48.81%	52.22%	●
Article 40 (1/2 Cent)	\$23,828,028	\$12,406,469	52.07%	59.28%	●
Article 42 (1/2 Cent)	\$26,359,571	\$13,235,308	50.21%	55.69%	●
Article 44 (1/2 Cent)		\$6	0.00%	0.00%	●
Article 46 (1/2 Cent)	\$23,334,809	\$11,614,197	49.77%	55.92%	●
City Sales Tax ILA	\$22,502,908	\$9,885,765	43.93%	67.87%	●
Deed Registration and Transfer Fees	\$5,900,000	\$5,057,236	85.72%	70.64%	●
Duke EMS Support - Comm. Health Fund	\$3,103,526	\$3,198,154	103.05%	89.95%	●
EMS Patient Fees	\$16,060,000	\$13,137,159	81.80%	71.15%	●
Fund Balance Appropriated	\$44,636,326	\$0	0.00%	0.00%	●
Intergovernmental Items	\$64,127,945	\$40,616,270	63.34%	66.75%	●
Investment Revenue	\$7,825,000	\$4,798,181	61.32%	147.39%	●
Local Occupancy Tax (General Fund)	\$2,833,333	\$1,961,397	69.23%	74.95%	●
Local Occupancy Tax (NCMLS)	\$500,000	\$500,000	100.00%	97.37%	●
Other General Funds Revenues	\$8,572,305	\$6,403,427	74.70%	90.45%	●
Property Tax (All Except Vehicle)	\$453,658,450	\$445,735,531	98.25%	100.80%	●
Property Tax (Vehicles Only)	\$20,196,607	\$16,226,362	80.34%	69.54%	●
Property Tax Collection Fees	\$2,486,200	\$3,020,089	121.47%	105.35%	●
Sheriff Fees	\$500,000	\$481,688	96.34%	77.65%	●
Solid Waste Management Fee Co	\$2,559,451	\$2,497,196	97.57%	98.20%	●
State Hold Harmless Funds	\$10,000,000	\$0	0.00%	128.63%	●
Transfers From Other Funds	\$65,668,657	\$32,125,476	48.92%	38.65%	●
Total	\$841,397,952	\$640,605,572	76.14%	75.33%	

- 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



Quarterly Budget Report

Third Quarter of Fiscal Year 2025-26



Key revenue items with red indicator include:

- **City Sales Tax ILA:** Receipts through the third quarter have not yet been posted, but funds will be deposited as the City and County sync up payments. This revenue follows a prescribed formula spelled out in an interlocal agreement between the City and County. Trending shows that this revenue is expected to be over collected.
- **Investment Revenue:** Receipts through the third quarter are lagging in posting. Overall investment earnings are on pace to exceed budget.
- **State Hold Harmless Funds:** Receipts through the third quarter have not yet been posted, but state reporting has confirmed another \$8.7 million in revenue will come to the County. Overall revenue collection for the current year should meet budget.



Quarterly Budget Report

Third Quarter of Fiscal Year 2025-26



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%	●
Finance	\$196,361,578	\$70,379,689	35.84%	43.75%	●
Tax Administration	\$481,482,590	\$469,058,942	97.42%	98.71%	●
Legal		\$0	0.00%	205.71%	●
Elections	\$963,500	\$843,927	87.59%	75.53%	●
Register Of Deeds	\$6,067,500	\$5,186,048	85.47%	70.43%	●
General Services	\$3,186,651	\$2,961,783	92.94%	94.83%	●
Information Technology		\$68	0.00%	0.00%	●
Human Resources	\$15,000	\$10,800	72.00%	73.01%	●
Veterans Services	\$2,000	\$0	0.00%	81.94%	●
County Sheriff	\$2,790,241	\$1,908,375	68.39%	66.37%	●
Emergency Communications		\$0	0.00%	0.00%	●
Office of Emergency Services	\$20,762,710	\$16,988,847	81.82%	74.11%	●
Justice Services Department	\$1,624,996	\$921,313	56.70%	67.80%	●
Youth Home	\$1,666,351	\$1,165,664	69.95%	53.09%	●
Other Transportation	\$4,994,637	\$438,375	8.78%	24.14%	●
Engineering & Environ Svcs	\$2,799,388	\$200,944	7.18%	26.26%	●
Public Information		\$0	0.00%	0.00%	●
Planning		\$0	0.00%	0.00%	●
Cooperative Extension Service	\$1,121,200	\$181,494	16.19%	44.83%	●
Soil And Water Conservation	\$29,788	\$0	0.00%	0.00%	●
Economic Development	\$45,000	\$44,303	98.45%	222.03%	●
Public Health	\$11,422,154	\$6,656,693	58.28%	48.92%	●
Mental Health		\$0	0.00%	0.00%	●
Social Services	\$39,636,097	\$31,060,217	78.36%	81.54%	●
Comm-Bd Interv And Supp Serv	\$108,208	\$156,394	144.53%	61.25%	●
Community Colleges		\$0	0.00%	0.00%	●
Other Education		\$0	0.00%	103.95%	●
Library	\$649,707	\$316,220	48.67%	43.99%	●
Nondepartmental	\$65,668,657	\$32,125,476	48.92%	38.68%	●
Total	\$841,397,952	\$640,605,572	76.14%	75.33%	

- 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



Quarterly Budget Report

Third Quarter of Fiscal Year 2025-26



Agency specific REVENUE items with red indicator include:

- **Veterans Services:** Veteran Services receives annual revenue of \$2,000 from the State of North Carolina for the veterans' services program at the end of each fiscal year. The department anticipates receiving this revenue again this year.
- **Other Transportation:** Transportation received a budget amendment for the completion of a land purchase related to the Durham to Roxboro Rail Trail. While this money has been expended, revenues for reimbursement from multiple outside agencies have not yet been received. Revenues are now expected to be received during FY 2026-27 due to changes in the final purchase schedule by NCDOT. Transportation also has several reimbursable grants which have not yet received revenues.
- **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. The funding is budgeted in the current fiscal year budget but received before the end of the FY 2024-25 Fiscal Year and fell to restricted funds. The funding is available – and has been encumbered – but won't show in the FY 2025-26 revenue actuals.
- **Cooperative Extension:** Cooperative Extension has received several grants in the third quarter including two large grants – one for the Farm Campus Program in North Durham County and creation of the Farm Manager FTE, and a large grant for Welcome Baby to extend group services for fathers within the community. These two grants alone added almost \$1 million in additional revenues that Cooperative Extension has just begun collecting. Other revenue sources are being collected at a normal rate and there is no cause for concern.
- **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 has already collected over 98% of expected revenue; however, overcollections in previous years create the appearance of under-collection for the current fiscal year.



Quarterly Budget Report

Third Quarter of Fiscal Year 2025-26



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	\$904,410	72.50%	70.43%	●
County Administration	\$6,951,317	\$4,379,645	63.00%	69.86%	●
Finance	\$5,156,435	\$3,351,770	65.00%	23.48%	●
Tax Administration	\$9,065,948	\$5,750,134	63.43%	75.95%	●
Legal	\$4,171,432	\$3,069,442	73.58%	72.52%	●
Court Facilities	\$778,406	\$546,446	70.20%	91.36%	●
Elections	\$3,750,237	\$3,126,464	83.37%	78.91%	●
Register Of Deeds	\$2,060,928	\$1,519,720	73.74%	67.69%	●
General Services	\$25,467,025	\$19,603,819	76.98%	80.74%	●
Information Technology	\$20,206,573	\$15,181,396	75.13%	80.62%	●
Human Resources	\$4,266,769	\$3,434,268	80.49%	74.44%	●
Budget & Management Services	\$1,100,067	\$869,166	79.01%	72.54%	●
Veterans Services	\$726,821	\$476,871	65.61%	74.19%	●
Geographic Information Systems	\$561,177	\$327,355	58.33%	75.22%	●
County Sheriff	\$54,859,340	\$40,155,734	73.20%	74.79%	●
Emergency Communications	\$1,964,349	\$1,311,286	66.75%	78.07%	●
Office of Emergency Services	\$28,517,783	\$20,131,539	70.59%	76.95%	●
Justice Services Department	\$7,542,236	\$4,964,707	65.83%	62.67%	●
Youth Home	\$4,193,151	\$2,581,726	61.57%	66.45%	●
Other Transportation	\$5,751,140	\$4,256,313	74.01%	34.49%	●
Engineering & Environ Svcs	\$8,668,019	\$5,558,922	64.13%	61.08%	●
Other Environmental Protection	\$70,273	\$70,273	100.00%	100.00%	●
Open Space Management	\$303,302	\$199,792	65.87%	57.66%	●
Public Information	\$1,016,462	\$821,397	80.81%	83.34%	●
Planning	\$1,774,482	\$1,035,118	58.33%	75.46%	●
Cooperative Extension Service	\$4,191,779	\$2,215,484	52.85%	69.81%	●
Soil And Water Conservation	\$1,236,720	\$1,014,187	82.01%	82.93%	●
Economic Development	\$4,372,777	\$1,822,723	41.68%	54.76%	●
Public Health	\$41,134,638	\$29,905,200	72.70%	72.04%	●
Mental Health	\$5,251,941	\$5,193,997	98.90%	87.58%	●
Social Services	\$69,601,508	\$48,463,128	69.63%	74.64%	●
Comm-Bd Interv And Supp Serv	\$2,331,086	\$1,590,165	68.22%	71.18%	●
Other Human Services	\$1,339,545	\$1,329,958	99.28%	35.63%	●
Durham Public Schools	\$224,528,912	\$187,107,427	83.33%	83.33%	●
Community Colleges	\$12,618,661	\$10,515,551	83.33%	83.33%	●
Other Education	\$9,697,896	\$8,657,787	89.27%	92.65%	●
Library	\$14,726,636	\$10,747,206	72.98%	76.68%	●
Other Cultural & Recreational	\$2,608,124	\$2,508,124	96.17%	91.74%	●
Nondepartmental	\$247,586,663	\$161,802,008	65.35%	53.83%	●
Total	\$841,397,952	\$616,500,658	73.27%	70.16%	

- 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



Quarterly Budget Report

Third Quarter of Fiscal Year 2025-26



General Fund, Capital Improvement Fund, and Reappraisal Reserve Fund expenditures and encumbrances through March 31, 2026, total \$616,500,658 or 73.27% of the budget. The percentage is slightly higher than the 4-year average of 70.16%.

Agency specific expenditure items in red include:

- **Finance:** Previous years included funds reserved for the Capital Improvement Plan that were unspent in the first two quarters. These reserved funds are not included in the current year's expenditure budget, resulting in a lower amount of total expenses budgeted and the appearance of a higher spending rate. There is no concern that Finance will overspend its budget this year.
- **Register of Deeds:** Register of Deeds has purchased non-capital furniture and equipment to update processes within the department. These expenses, combined with inflationary increases on a few select contracts and an increase in cost for shipping, has caused expenditures for the third quarter to trend slightly higher than previous years. However, most of these costs are one-time purchases that will be used across fiscal years and there is enough remaining budget to cover inflationary increases. There is no cause for concern for over-expenditure.
- **Human Resources:** A mid-year reorganization occurred that moved two staff members from other departments to the Human Resources department. Corresponding budget has not been moved, but there is no cause for concern since this is an expected expenditure in the HR department.
- **Budget & Management Services:** The increase in third-quarter expenditures compared to prior years is largely attributable to salary and benefit costs resulting from an internal promotion and additional compensation adjustments during the reporting period. There is no cause for concern.
- **Other Transportation:** Transportation has ongoing contracts for multiple studies connected to grant-related expenditures. These funds were budgeted in prior years but were unable to be spent. Spending of these funds is occurring in FY 2025-26 which is causing the appearance of higher-than-average spending. There is no cause for concern that Transportation will overspend its budget.
- **Open Space Management:** The FY 2025-26 budget includes \$199,792 of prior year spending obligations that have been encumbered or expended. There is not concern that Open Space will over-expend its budget this fiscal year.
- **Mental Health:** Per the MOU agreement with Alliance, the County encumbers all of Alliance's expenditures at the beginning of the fiscal year. Alliance then submits invoices and Finance reduces the encumbrance to pay for the invoices. Due to SAP's system, when funding is encumbered, it is recorded within the system as being spent. However, the funds remain with the County and are only expended once an invoice is received and processed by the Finance Department. Alliance expenditures are still consistent with significant underspending of County funds due to continued State revenue increases from Medicaid



Quarterly Budget Report

Third Quarter of Fiscal Year 2025-26



Transformation and policy that dictates Alliance must utilize all state funds provided before spending County funds. Alliance expenditures are projected to be \$2.5 million at the end of the fiscal year and the remaining funds will be unencumbered and fall to General Fund fund balance. There is no cause for concern.

- **Other Human Services:** The overspending alert for this area is related to encumbrances, which in past fiscal years were encumbered into quarter 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.
- **Nondepartmental:** Expenditure trending in this area is largely due to encumbrances related to planned vehicle purchases. Much of the total budget for vehicle purchases has been encumbered, which counts as spent in our reports. This department is not expected to overspend by the end of the year.



Quarterly Budget Report

Third Quarter of Fiscal Year 2025-26



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 soft mostly due to lower property tax revenue collection (related to Revaluation appeals). Expenditures are trending close to the 4-year average. With one quarter of the year left, revenue and expenditure trending, as described in this report, is largely set. The County will likely end the fiscal year with lower-than-expected revenue collection and hopefully lower than budgeted expenditures.

Economic growth has been slowing over the past 24 months, affecting sales tax revenue collection for the worse. At the same time, inflation and other unexpected costs are increasing the spending pace for the County. Finally, Federal and State policy changes have negatively affected intergovernmental revenue. These “headwinds” pose significant policy decisions for County management and the Board of County Commissioners.

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.

Through three quarters of the current fiscal year, along with longer trending over the last couple of years, revenue collection has been slowing. Add to that current and potential future economic instability and warning signs are beginning to flash. Durham County government must be disciplined and judicious in its expenditure growth with so many revenue related concerns in order to be prepared for continued negative contingencies.

BUDGET CHANGES (AMENDMENTS) SUMMARY

During the third quarter of FY 2025-26, \$1.66 million of General Fund fund balance was appropriated for nine agenda actions. An additional \$2.48 million in General Fund restricted fund balance (unspent funds that were received prior to June 30, 2025) were approved for three departments. Combined with first and second quarter items, the total General Fund fund balance (excluding restricted funds) appropriated through March 31 is \$5.03 million.

An additional \$1.83 million of “Intergovernmental” revenue (typically grant funding awarded) was approved for various departments, including Social Services, Cooperative Extension, Public Health, Library, and Justice Services Department.