



Quarterly Budget Report

Third Quarter of Fiscal Year 2019-20



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, 2020. Please note that four-year third quarter averages have been provided for comparison. This average reflects what was reported in the third quarter report for the four preceding fiscal years.

Additionally, a dashboard representation is provided as a convenient way to monitor the progress of FY 2019-20 revenues and expenditures. The dashboard uses a "traffic light" indicator to represent where agencies' revenues and expenditures are in comparison to a four-year third quarter average. The indicator alone is not a cause for concern, rather an alert that merits a second look. Within this report, for all "red light" indicators, an overview of the cause is provided.

For revenues, green represents revenues at 90% or greater than the four-year average, yellow represents revenues between 70% and up to 90% of the four-year average, and red represents revenues below 70% of the average.

For expenditures, green represents expenditures not more than 2% greater than the four-year average, yellow represents expenditures between 2% and 5% greater than the average, and red represents expenditures greater than 5% of the average.

This quarterly report does not, in large part, account for expenditures or revenue changes directly related to the Coronavirus pandemic, nor the countywide cyber-attack. The effects of those two events will be significant in relation to total FY 2019-20 spending and revenue collection and an end of year (EOY) report will be produced to review any significant budget and actual expenditure/revenue issues that may arise from those two events.

EXECUTIVE SUMMARY

Revenues: Through March 31, 2020, the County collected \$411,235,190,577 or 74.88% of the budgeted General Fund, Capital Improvement Fund, and Reappraisal Reserve Fund revenue. This overall collection is slightly lower the four prior year average of 76.92%

The most significant revenue sources are Property taxes and Sales taxes. Current year property tax collection, the largest single revenue source for Durham County, is above the 3rd quarter four-year average (101.96% collected, vs. 100.48% respectively) as most of the property taxes are collected through the month of December and January. Sales tax collections are on track and above the four-year average as well.

It should be noted that sales tax collection for the 4th quarter of FY 2019-20 will be significantly lower than usual due to the economic effects of the Coronavirus pandemic, which began having



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deleterious effects starting in late March. The Coronavirus economic effects on sales tax will last well into FY 2020-21 and will bear close attention and analysis.

Key Revenues	Current Budget	Revenues End of Qtr.	% Revenues	4 Prior Year Qtr. Average	Status of Revenues
ABC Net Profit Distribution	\$2,400,000	\$888,934	37.04%	36.13%	●
Animal Control Fees	\$40,000	\$23,494	58.73%	68.84%	●
Article 39 (1 Cent)	\$25,460,000	\$13,051,322	51.26%	48.85%	●
Article 40 (1/2 Cent)	\$14,744,000	\$7,763,188	52.65%	52.03%	●
Article 42 (1/2 Cent)	\$17,585,000	\$9,267,805	52.70%	50.80%	●
Article 44 (1/2 Cent)		\$10,078	0.00%		
Article 46 (1/4 Cent)	\$15,100,000	\$8,174,280	54.13%	52.84%	●
City Sales Tax ILA	\$14,482,000	\$7,986,663	55.15%	54.17%	●
Community Health Fund	\$2,660,167	\$2,560,167	96.24%	99.01%	●
Court Facilities Fees	\$250,000	\$211,769	84.71%	60.64%	●
Deed Registratration and Transfer Fees	\$5,400,000	\$4,810,465	89.08%	90.68%	●
EMS Patient Fees	\$9,020,000	\$5,990,162	66.41%	70.31%	●
Environment Engineering Permit Fees	\$537,500	\$567,322	105.55%	92.80%	●
Fund Balance Appropriated	\$28,020,136	\$0	0.00%		●
Intergovernmental Items	\$40,111,685	\$26,320,362	65.62%	66.61%	●
Investment Revenue	\$2,110,000	\$1,385,364	65.66%	298.20%	●
Local Occupancy Tax (General Fund)	\$3,950,000	\$2,519,977	63.80%	77.04%	●
Local Occupancy Tax (NCMLS)	\$500,000	\$500,000	100.00%	100.00%	●
Other General Funds Revenues	\$10,737,976	\$7,678,075	71.50%	79.96%	●
Property Tax (Vehicles Only)	\$16,972,909	\$12,545,543	73.92%	70.33%	●
Property Taxes (all Except Vehicle)	\$289,913,893	\$295,605,346	101.96%	100.48%	●
Sheriff Fees	\$750,000	\$557,016	74.27%	69.02%	●
Solid Waste Management Fee Co	\$2,176,490	\$2,179,646	100.14%	101.85%	●
Transfers From Other Funds	\$46,272,145	\$638,597	1.38%	43.65%	●
Total	\$549,193,901	\$411,235,577	74.88%	76.92%	

- 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:

- **Investment Revenue:** The main reason behind the red-light indicator is the delay in posting of accrued investment revenue. Investment revenue is posted well past the actual months of funds being received. As we get closer to the end of the fiscal year, we should be able to assess the collected revenue against the budgeted amount to determine if the target is met.



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- **Transfers from Other Funds:** The red-light indicator here is due to a delay in posting transfers from the General Fund, Community Health Trust Fund, and Capital Projects. This is a technical issue and once the transfer is posted, the 4-year average should be back to normal.

Revenues by Department	Current Budget	Revenues End of Qtr.	% Revenues	4 Prior Year Qtr. Average	Status of Revenues
County Administration	\$35,632	\$23,755	66.67%	99.95%	●
Finance	\$121,698,716	\$50,874,811	41.80%	42.20%	●
Tax Administration	\$314,196,802	\$314,128,860	99.98%	98.37%	●
Legal	\$2,000	\$9,463	473.13%	36.09%	●
Elections	\$662,800	\$600,289	90.57%	90.11%	●
Register Of Deeds	\$5,580,000	\$4,951,655	88.74%	90.90%	●
General Services	\$2,883,690	\$2,574,763	89.29%	93.97%	●
Human Resources	\$30,000	\$30,818	102.73%	100.92%	●
Veterans Services	\$2,000	\$0	0.00%	119.61%	●
County Sheriff	\$2,017,546	\$2,111,298	104.65%	75.28%	●
Emergency Services		\$0	0.00%		
Fire Marshal	\$940,015	\$668,744	71.14%	72.55%	●
Criminal Justice Resource Center	\$1,243,555	\$732,919	58.94%	56.72%	●
Youth Home	\$570,000	\$360,555	63.26%	72.12%	●
Emergency Medical Services	\$13,415,167	\$9,259,499	69.02%	76.72%	●
Engineering & Environ Svcs	\$642,755	\$796,607	123.94%	93.60%	●
Other Environmental Protection		\$5,390	0.00%	199.42%	●
Cooperative Extension Service	\$307,405	\$177,484	57.74%	63.87%	●
Soil And Water Conservation	\$26,760	\$17,390	64.98%	73.54%	●
Economic Development	\$445,000	\$0	0.00%	52.38%	●
Public Health	\$7,194,945	\$4,478,345	62.24%	70.59%	●
Social Services	\$28,429,118	\$18,194,195	64.00%	61.79%	●
Other Human Services	\$919,059	\$58,541	6.37%	54.61%	●
Library	\$814,652	\$517,597	63.54%	64.28%	●
Nondepartmental	\$47,136,284	\$662,597	1.41%	43.46%	●
Total	\$549,193,901	\$411,235,577	74.88%	76.92%	

- 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:

- **County Administration:** A one-time donation to My Brother's Keeper program in FY 2017-18 that was not budgeted has created an artificially elevated four-year average.



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- **Veteran Services:** The reason behind the red-light indicator is due to delay in receiving the State-grant as opposed to previous fiscal quarters. Once the grant is received and posted, the red-light indicator should be back to normal.
- **Other Environmental Protection:** The revenue line here is related to Sewer Connection Fees. The current collection is on track against the budgeted amount and similar to FY 2018-19. The reason behind the red-light indicator is because of a one-time higher collection in FY 2017-18 and FY 16-17 in which skewed the 4-year average.
- **Economic Development:** Revenue in this Business Area is one-time grants, making the prior year average, not a reliable benchmark. There is one grant in the current budget that is yet to be received. Staff will monitor this in the coming months.
- **Other Human Services:** Intergovernmental revenue from the state and grants have yet to be collected, where as in previous years they were collected by the 3rd quarter. The County will pay attention to this revenue area to make sure all available funds are collected by the end of the fiscal year.
- **Non-departmental:** The reason behind the red-light indicator was due to transfer posting time frame when it is compared to previous years, causing the 4-year average to be skewed. Additionally, transfers are yet to be posted for Reappraisal Reserve Fund and Capital Improvement Fund, causing lower actuals than previous years.



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Expenditures

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	\$693,998	\$488,390	70.37%	72.68%	●
County Administration	\$2,888,450	\$2,011,200	69.63%	67.25%	●
Finance	\$4,556,151	\$2,897,011	63.58%	44.68%	●
Tax Administration	\$7,041,927	\$5,351,844	76.00%	73.52%	●
Legal	\$2,570,626	\$1,953,893	76.01%	68.88%	●
Court Facilities	\$687,243	\$511,925	74.49%	80.75%	●
Elections	\$2,789,634	\$2,138,642	76.66%	73.60%	●
Register Of Deeds	\$1,992,050	\$1,540,038	77.31%	70.59%	●
General Services	\$16,111,202	\$12,456,406	77.32%	74.32%	●
Information Technology	\$11,058,655	\$8,767,733	79.28%	71.04%	●
Human Resources	\$2,573,419	\$1,719,274	66.81%	71.45%	●
Budget & Management Services	\$969,125	\$653,231	67.40%	56.14%	●
Veterans Services	\$372,268	\$226,708	60.90%	67.70%	●
Geographic Information Systems	\$498,843	\$332,629	66.68%	72.06%	●
County Sheriff	\$39,517,099	\$30,980,666	78.40%	76.03%	●
Emergency Communications	\$1,384,907	\$938,944	67.80%	72.01%	●
Fire Marshal	\$2,744,297	\$2,176,461	79.31%	71.31%	●
Medical Examiner	\$250,000	\$239,800	95.92%	69.43%	●
Criminal Justice Resource Center	\$5,095,491	\$3,519,683	69.07%	68.69%	●
Youth Home	\$1,275,858	\$986,416	77.31%	70.17%	●
Emergency Medical Services	\$17,192,495	\$12,019,362	69.91%	71.99%	●
Other Transportation	\$412,500	\$124,506	30.18%	33.71%	●
Engineering & Environ Svcs	\$3,521,685	\$2,487,654	70.64%	67.23%	●
Other Environmental Protection	\$50,506	\$50,506	100.00%	100.00%	●
Open Space Management	\$260,930	\$183,755	70.42%	71.69%	●
Planning	\$1,248,462	\$832,308	66.67%	66.55%	●
Cooperative Extension Service	\$1,415,713	\$932,009	65.83%	68.11%	●
Soil And Water Conservation	\$593,947	\$467,498	78.71%	75.96%	●
Economic Development	\$3,710,178	\$2,353,745	63.44%	57.37%	●
Public Health	\$28,062,361	\$21,883,838	77.98%	75.86%	●
Mental Health	\$6,336,751	\$6,336,751	100.00%	100.00%	●
Social Services	\$49,181,292	\$36,962,500	75.16%	69.31%	●
Other Human Services	\$1,746,171	\$1,637,105	93.75%	86.31%	●
Durham Public Schools	\$145,970,717	\$121,642,264	83.33%	83.28%	●
Community Colleges	\$7,900,158	\$6,583,465	83.33%	83.33%	●
Other Education	\$5,649,586	\$4,332,803	76.69%	70.00%	●
Library	\$11,389,606	\$8,895,462	78.10%	76.79%	●
Other Cultural & Recreational	\$1,817,841	\$1,767,841	97.25%	89.85%	●
Nondepartmental	\$157,661,759	\$23,069,475	14.63%	61.18%	●
Total	\$549,193,901	\$332,453,743	60.53%	72.42%	

- Current year expenditures are more than 5% greater than 4-year average
- Current year expenditures are between 2% to 5% greater of 4-year same quarter average
- Current year expenditures are up to 2% greater than 4-year average



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Expenditures: General Fund, Capital Improvement Fund, and Reappraisal Reserve Fund expenditures and encumbrances through March 31, 2020, total \$332,453,743 or 60.53% of the budget. The percentage is below the four-year average of 72.42%.

During the third quarter, expenditure percentages for some departments exceeded the four-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:

- **Finance:** The red-light indicator is the result of 100% of capital purchases (items over \$5,000 in value) being expended earlier in the year than in the past. Also, the overall budget (the denominator side of the % equation) has decreased over the last several years, making the percentage spent higher than the average. Other categories are in-line with traditional spending patterns.
- **Legal:** Some of the commitment items that are spent at a greater amount to date are Books, Contracted Services, and Personnel (due to staffing patterns). There is no indication they will require additional funding.
- **Register of Deeds:** Expenses in this quarter are on track. The reason behind the red light indicator was due to encumbrance in Misc. Contracted Services to finish the “Index Project 1881 to 1962,” which caused the expenses for this quarter to be abnormal when it is compared to the 4-year average.
- **Information Technology:** The red-light indicator is due to an above-average expenditure of a variety of operating commitment items at this point in the fiscal year in comparison to previous years. This is attributable to the department moving to have contracts, subscriptions, and like expenditures renew on a fiscal year rotation and not a calendar year. The expenses are also in the personnel line, and that was due to pay-plan adjustment compared to the previous years and the 4-year average.
- **Budget and Management Services:** The reason for the red-light indicator is due to normal expenditures in the personnel line. Historically for the last several years the Budget Office has significantly underspent personnel related budget due to vacant positions, for the current fiscal year those budgeted funds have been spent at a faster pace, but still under the 75% average for quarter 3.
- **Fire Marshal:** The Fire Marshal’s third-quarter expenditures exceeded its four-year average due to largely to increased operational spending in the Emergency Management fund center. The department fully expended its Computer Equipment, Miscellaneous Machinery, and Dues and Subscription lines, as well as about 85 percent of its Miscellaneous Contracted Services budget by the end of the quarter.
- **Medical Examiner:** This fiscal year the funds for the Medical Examiner fees were encumbered early in the year, as opposed to in the past when the charges were only posted as they were paid. Expenses in this area continue to be variable from year to year and will be watched accordingly as FY 2019-20 progresses.



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- **Youth Home:** The Youth Home's third-quarter expenditures exceeded its four-year quarter average due to increased temp/part-time salaries and overtime costs. The Youth Home has had to hire more part-time staff and pay more overtime to compensate for several full-time vacancies. Also, the Youth Home has increased staff due to safety concerns related to Raise the Age legislation, which mandates that 16 and 17-year-olds are now placed under Youth Home supervision.
- **Economic Development:** The Industrial Expansion Policy (IEP) commitment item contains projected payments that are anticipated to occur in the fiscal year for economic development-related agreements. Projections are made based on the schedule of the agreement of payments and prior year's performance in the case of older agreements. In the current year, a greater proportion of payments were rendered through the first two quarters of the fiscal year as compared to previous fiscal years. Payment is rendered after the County is invoiced by the Company, and verification of performance criteria is confirmed. We anticipate that the budgeted amount will be invoiced by year's end and given outstanding liability, could possibly exceed the budgeted.
- **Social Services:** The red-light indicator is the result of an above-average expenditure as compared to Quarter Three in prior years. Personnel items have been spent at a higher amount compared to previous years including personnel salary due to staffing patterns and personnel training for staff to hit target numbers with increased demand of services.
- **Other Human Services:** Encumbered funds are higher than normal for the current fiscal year, but funds are on pace to be spent at budgeted amount for the entire fiscal year.
- **Other Education:** Encumbered funds are higher than normal for the current fiscal year, but funds are on pace to be spent at budgeted amount for the entire fiscal year.
- **Other Cultural & Recreational:** The reason behind the red-light indicator is due to Durham Tourism Association funding. In FY 2016-2017, Durham Tourism Association had a budget of \$333,000 with no posted offsetting expenses for that one year, which in return cased the 4-year average to be off and not a reliable benchmark. Additionally, Durham Tourism Association is no longer in FY 2019-20 budget. As we move forward with the next fiscal years, the 4-year average should go back to normal.