



Quarterly Budget Report

Third Quarter of Fiscal Year 2021-22



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, 2022. 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 2021-22 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, 2022, the County collected \$512,691,764 or 79.7% 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 this quarter of the fiscal year.

Current year property tax collection, the largest single revenue source for Durham County, is slightly over the third quarter 4-year average (102.08% collected vs 101.46% respectively). Current vehicle property tax collection is in line with the 4-year average. Overall trending for this largest revenue source (total property tax) is looking above average and it is expected that end of year property tax overcollection will be significant.

Sales Tax collection is on track and higher, across all major sales tax articles, than the 4-year average. The Budget Office has had a difficult time trying to predict how the local and state economy would react to COVID related changes in consumer spending, but actual collections over the last 1.75 years has pointed towards consistently higher spending. It remains to be seen whether that spending will continue in the face of significantly higher inflation and/or any potential near term economic slowdown.

Register of Deeds Registration and Transfer fees continue to collect at a high level in every quarter for the last two years, reflective of a very active Durham County housing market.



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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	\$2,500,000	\$1,152,406	46.10%	37.46%	●
Animal Control Fees	\$40,000	\$23,096	57.74%	56.90%	●
Article 39 (1 Cent)	\$27,825,156	\$15,455,737	55.55%	49.22%	●
Article 40 (1/2 Cent)	\$16,389,296	\$10,223,782	62.38%	54.16%	●
Article 42 (1/2 Cent)	\$19,585,353	\$11,621,084	59.34%	51.87%	●
Article 44 (1/2 Cent)		(\$479)	0.00%	0.00%	●
Article 46 (1/2 Cent)	\$16,956,287	\$10,335,983	60.96%	52.96%	●
City Sales Tax ILA	\$13,799,581	\$7,868,386	57.02%	56.73%	●
Community Health Fund	\$2,606,506	\$2,638,659	101.23%	98.07%	●
Court Facilities Fees	\$220,000	\$155,017	70.46%	63.35%	●
Deed Registratration and Transfer Fees	\$6,300,000	\$7,833,008	124.33%	85.68%	●
EMS Patient Fees	\$9,430,000	\$8,196,581	86.92%	72.07%	●
Fund Balance Appropriated	\$41,775,762	\$0	0.00%	0.00%	●
Intergovernmental Items	\$79,196,293	\$54,930,910	69.36%	56.20%	●
Investment Revenue	\$1,010,005	\$78,957	7.82%	115.84%	●
Local Occupancy Tax (General Fund)	\$2,309,194	\$2,129,293	92.21%	61.62%	●
Local Occupancy Tax (NCMLS)	\$264,186	\$217,871	82.47%	75.00%	●
Other General Funds Revenues	\$9,592,397	\$7,936,458	82.74%	76.43%	●
Property Tax (All Except Vehicle)	\$312,170,383	\$318,679,083	102.08%	101.46%	●
Property Tax (Vehicles Only)	\$19,047,516	\$13,633,792	71.58%	71.65%	●
Sheriff Fees	\$500,000	\$326,490	65.30%	60.23%	●
Solid Waste Management Fee Co	\$2,321,057	\$2,283,086	98.36%	100.77%	●
State Hold Harmless Funds	\$4,000,000	\$0	0.00%	0.00%	●
Transfers From Other Funds	\$55,452,950	\$36,972,564	66.67%	34.80%	●
Total	\$643,291,922	\$512,691,764	79.70%	76.62%	

- 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:** Although investment revenue has actually been received, the allocation of these earnings to the individual funds has not been fully posted to quarter 3. In future quarterly reports these revenues will be updated. While the annual budget was revised in response to lower investment earnings since the onset of the pandemic, actual collections are still going to be significantly lower than in recent years.



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Revenues by Department	Current Budget	Revenues End of Qtr.	% Revenues	4 Prior Year Qtr. Average	Status of Revenues
Board Of County Commissioners		\$1	0.00%	0.00%	●
County Administration		\$0	0.00%	95.94%	●
Finance	\$149,870,667	\$57,559,918	38.41%	43.97%	●
Tax Administration	\$336,765,379	\$338,120,249	100.40%	99.27%	●
Legal		\$0	0.00%	212.36%	●
Elections	\$659,300	\$325,850	49.42%	97.27%	●
Register Of Deeds	\$6,520,520	\$8,002,602	122.73%	85.39%	●
General Services	\$2,789,757	\$2,676,999	95.96%	94.86%	●
Human Resources	\$20,000	\$10,320	51.60%	80.07%	●
Veterans Services	\$2,000	\$0	0.00%	83.72%	●
County Sheriff	\$4,725,283	\$2,932,319	62.06%	74.20%	●
Emergency Communications		\$399,268	0.00%	0.00%	●
Office of Emergency Services	\$14,579,159	\$11,485,072	78.78%	72.54%	●
Criminal Justice Resource Center	\$1,344,288	\$1,001,247	74.48%	61.71%	●
Youth Home	\$669,238	\$312,389	46.68%	70.55%	●
Other Transportation	\$736,469	\$187,772	25.50%	0.00%	●
Engineering & Environ Svcs	\$27,350	\$25,531	93.35%	99.46%	●
Other Environmental Protection		\$0	0.00%	124.82%	●
Planning		\$451,820	0.00%	0.00%	●
Cooperative Extension Service	\$208,400	\$124,156	59.58%	60.93%	●
Soil And Water Conservation	\$29,788	\$0	0.00%	23.28%	●
Economic Development		\$100,000	0.00%	47.01%	●
Public Health	\$18,572,921	\$7,123,634	38.35%	61.75%	●
Social Services	\$49,697,608	\$44,624,490	89.79%	58.06%	●
Other Human Services		\$0	0.00%	39.21%	●
Other Education	\$2,000	\$2,000	100.00%	0.00%	●
Library	\$618,844	\$244,799	39.56%	59.99%	●
Nondepartmental	\$55,452,950	\$36,981,329	66.69%	34.79%	●
Total	\$643,291,922	\$512,691,764	79.70%	76.62%	

● 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:

- 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



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returned to the organization. The negative revenue, shown as a red indicator, reflects that repayment of unspent grant dollars to the organization. Other Election related revenues are expected to be collected as budgeted for the remainder of the fiscal year.

- **Human Resources:** Revenues received in this department are for the Employee appreciation program and are funded with County vending machine income. Due to the ongoing COVID-19 pandemic, less employees are working in Durham County facilities and utilizing vending machines. Revenue projections will be reviewed and adjusted in the coming fiscal year relative to expected work trends.
- **Veterans Services:** Veterans Services receives grant revenue from the NC Department of Military and Veterans Affairs each fiscal year. Revenue for FY 2021-22 has not been disbursed yet.
- **Youth Home:** \$491K has been billed to the state Department of Juvenile Justice this year but has not yet posted in the County finance system. The billed amount is on target with previous fiscal year trends and is expected to be reflected in the upcoming quarter.
- **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 fourth quarter of FY 2021-22. The department is confident it will fully collect its revenue budget.
- **Public Health:** Public Health's total budgeted revenue, in the first three quarters of FY 2021-22, has increased by over 10 million due to various COVID-19 grant awards. Revenue collection for these grants is ongoing and will continue well into the fourth quarter of the year. Additionally, Public Health has received confirmation from the State of North Carolina that several of these COVID-19 grants can carry over into FY 2022-23, so revenue collection for those grants will be ongoing. Non-Covid related revenues continue to be collected, but most of those collections occur in fourth quarter of the fiscal year. Some key fourth quarter revenue collections for Public Health include \$1.5 million in Medicaid Cost Settlement, a variety of State AA grants budgeted with May being the largest month for collecting those grants, and the Bull City Strong and Dental Hope Grant that total \$1+ million. These factors have 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 should normalize by the end of the fiscal year.
- **Library:** A Library grant for \$134,757 was mistakenly budgeted twice. Adjusting for the overbudgeted revenues, Library revenue collection for the third quarter is 50.5%, placing it in the yellow status. Internal control mechanisms are being implemented to ensure this oversight does not occur again.



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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	\$783,101	\$558,874	71.37%	76.34%	●
County Administration	\$3,919,346	\$2,700,153	68.89%	70.06%	●
Finance	\$7,620,636	\$2,844,865	37.33%	60.69%	●
Tax Administration	\$7,340,757	\$5,458,814	74.36%	73.17%	●
Legal	\$2,678,533	\$2,098,393	78.34%	69.99%	●
Court Facilities	\$384,085	\$312,785	81.44%	75.77%	●
Elections	\$3,219,531	\$2,223,023	69.05%	79.73%	●
Register Of Deeds	\$2,223,914	\$1,705,393	76.68%	74.35%	●
General Services	\$18,658,929	\$15,244,487	81.70%	77.57%	●
Information Technology	\$13,714,080	\$11,398,213	83.11%	75.52%	●
Human Resources	\$3,020,972	\$2,516,621	83.31%	73.15%	●
Budget & Management Services	\$899,011	\$611,096	67.97%	62.39%	●
Veterans Services	\$377,346	\$296,064	78.46%	68.44%	●
Geographic Information Systems	\$468,927	\$351,695	75.00%	72.63%	●
County Sheriff	\$41,102,099	\$30,610,994	74.48%	77.53%	●
Emergency Communications	\$1,566,863	\$1,179,532	75.28%	72.15%	●
Office of Emergency Services	\$22,140,332	\$15,840,963	71.55%	70.70%	●
Medical Examiner	\$350,000	\$90,600	25.89%	78.46%	●
Criminal Justice Resource Center	\$5,868,557	\$4,003,842	68.23%	68.72%	●
Youth Home	\$1,496,725	\$1,067,181	71.30%	75.48%	●
Other Transportation	\$1,240,996	\$770,936	62.12%	38.53%	●
Engineering & Environ Svcs	\$2,676,892	\$1,867,249	69.75%	71.06%	●
Other Environmental Protection	\$58,640	\$58,640	100.00%	100.00%	●
Open Space Management	\$232,644	\$146,469	62.96%	66.95%	●
Planning	\$1,339,063	\$1,004,297	75.00%	70.89%	●
Cooperative Extension Service	\$3,337,860	\$2,825,963	84.66%	70.43%	●
Soil And Water Conservation	\$837,417	\$606,432	72.42%	71.79%	●
Economic Development	\$3,992,484	\$2,901,431	72.67%	64.62%	●
Public Health	\$43,277,502	\$29,741,432	68.72%	75.56%	●
Mental Health	\$6,349,700	\$6,349,700	100.00%	100.00%	●
Social Services	\$75,708,653	\$59,636,864	78.77%	63.50%	●
Other Human Services	\$677,182	\$381,531	56.34%	70.94%	●
Durham Public Schools	\$166,206,627	\$138,505,523	83.33%	83.22%	●
Community Colleges	\$8,954,166	\$7,461,805	83.33%	83.33%	●
Other Education	\$6,665,301	\$6,097,752	91.49%	85.38%	●
Library	\$12,332,269	\$9,536,421	77.33%	77.62%	●
Other Cultural & Recreational	\$2,300,841	\$2,186,341	95.02%	97.53%	●
Nondepartmental	\$169,269,941	\$124,937,128	73.81%	47.75%	●
Total	\$643,291,922	\$496,129,501	77.12%	68.77%	

- 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 March 31, 2022, total \$496,129,501 or 77.12% of the budget. The percentage is higher than the 4-year average of 68.77%.

During the third quarter, expenditure percentages for some departments exceeded 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.

Agency specific expenditure items in red include:

- **Legal:** County Attorney's personnel lines are trending higher than normal. Due to multiple retention efforts approved mid-year, including longevity bonuses and vacation buy-back programs, the County Attorney's office is spending more on personnel than the 4-year average. The personnel lines are not projected to exceed the FY 2021-22 budget.
- **Court Facilities:** The Court Facilities expenditure line represents the budget of seven different Court-Related cost centers. The Court Facilities expenditure rate exceeded its 4-year average in part because the Public Defender's Office had a one-time office furniture and equipment purchase that increased the average rate of third quarter expenditures. The collective cost centers are not projected to exceed their annual budgets for FY 2021-22.
- **Information Technology:** IS&T has incurred higher expenditures due to ongoing effects of COVID-19. Primary drivers of higher expenditures through Q3 of FY 2021-22 include three time-limited positions, contracts to facilitate remote and hybrid work environments, and inflation of maintenance as it pertains to these contracts. Current spending patterns may necessitate a budget amendment request and one will be brought forth if determined necessary. IS&T's budget for the remaining quarter of FY 2021-22 will be closely monitored.
- **Human Resources:** Due to the Covid-19 pandemic, all individuals who enter County facilities must pass through a screening process. The cost for the screening is in Human Resources' budget leading to a higher-than-normal percentage expenditure over the 4-year average. Other operating expenditures in Human Resources are trending normal and end of year projections are expected to be within the end of year budget.
- **Budget and Management Services:** During the FY 2021-22 budget process, the Budget and Management Services Department (BMS) reduced its operating budget to better align with spending patterns. This adjustment is resulting in higher-than-average expenditures relative to the overall budget. BMS will not exceed its annual budget for FY 2021-22.
- **Veteran Services:** Veteran Services spending is higher-than-average due to remote work-related dues and subscriptions. Adjustments have been made to account for these dues and subscriptions in next year's annual budget. The Department will not exceed its annual budget for FY 2021-22.
- **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 2021-22 fiscal year to pay Durham



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City invoices. Also, the area may appear 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.

- **Cooperative Extension Service:** As mentioned in previous quarterly reports, Cooperative Extension expenditures will remain higher than average as the department continues to support Food Security efforts in Durham County. The COVID-19 Pandemic exacerbated food security issues in Durham County. To combat the rise in food insecurity, the County has contracted out with local businesses such as Beyu Café and Farmer Foodshare to prepare fresh cooked meals or produce boxes that are delivered to food insecure families in Durham County. These COVID-related contracts account for the increase in overall expenditures for Cooperative Extension in the third quarter by roughly \$1.5 million dollars. Expenditures for Cooperative Extension will likely remain higher than average as emergency food security funding continues to be approved for Durham County residents in this fiscal year and next, but the overall budget is not expected to be exceeded.
- **Economic Development:** This year, the office has instituted process improvements that have resulted in more timely invoicing, standardized document submission, and payment issuances that are closer to the annual invoice date than previous fiscal years. Consequently, some payments are occurring earlier in the fiscal year than the past. As this schedule of payment becomes more routine, spending deviations are anticipated to even out. Additionally, a one-time, pass-through payment was processed in the first quarter, as well as a payment issuance that was initially budgeted in FY 2020-21 but rendered in FY 2021-22.
- **Social Services:** The Emergency Rental Assistance Program, assisting Durham County residents with monthly rent payments and preventing evictions caused by the Covid-19 pandemic, has increased Social Services expenditures by over \$17 million with over 80% of the ERAP budget being spent by the third quarter of the fiscal year. Additionally, other assistance programs have caused increased expenditures especially in the Public Assistance fund center, which spent most of its budget by the end of the third quarter of the fiscal year. While Social Services expenditures are likely to continue to be higher than average and certain line items overspent, DSS is not expected to overspend its entire budget by the end of the fiscal year.
- **Other Education:** Pre-K fund center expenditures are higher than the 4-year average as monthly DPS Pre-K expenditures for The Whitted School for July 2021 through February 2021 were all processed and posted in the March 2022. The increased expenditures are only temporarily skewed as multiple quarters of payments were posted in the third quarter. Additionally, the Early Childhood fund center has spent most of its operating budget via one-time expenditures for the Early Childhood Action Plan by the third quarter. This business area is not expected to overspend by the end of FY 2021-22.
- **Non-departmental:** In previous fiscal year’s non-departmental was used as a place to hold the budget for operating dollars that not clearly fit into an existing department’s budget. Following Board direction, the County has begun to move away from using non-



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departmental as a permanent location for budget, but only as temporary location. The red-light indicator is due to a high percentage of expenditures transferring out to permanent departmental budgets.

SUMMARY

FY 2021-22 third quarter revenue summary information looks steady and encouraging. Total revenue collection is higher than average, largely due to significant residential and business property valuation growth and continued increased consumer spending providing increased sales tax revenue.

Through the third quarter, General Fund expenditure trending is higher than the 4-year average, due to a range of issues including mid-year compensation adjustments, continued unplanned COVID related costs, and indirect costs related to departmental vacancies.

As always, the third quarter budget report brings into better focus overall revenue and expenditure trends that more accurately predict end-of-year revenue collection and actual expenditures. Use of General Fund fund balance as a revenue source has increased for FY 2021-22 and based off third quarter trending, it may be possible that the County actually uses some of its accumulated savings by the end of the fiscal year. Again, this will ultimately be determined by final revenue collection versus final actual expenditures. If General Fund fund balance is used, that should not come as a surprise to Commissioners as growth in General Fund fund balance as a viable and usable revenue source was recognized and discussed at the end of FY 2020-21 (per the ACFR).

Choices made during the first three quarters of FY 2021-22 around compensation changes and unexpected increased expenditures were largely offset by increased use of General Fund fund balance with the expectation that said fund balance was available for use.