



Quarterly Budget Report

Third Quarter of Fiscal Year 2022-23



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, 2023. 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 2022-23 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, 2023, the County collected \$536,407,358 or 74.71% 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 closely following the historic third quarter 4-year average (101.07% collected, vs 101.79% respectively). Vehicle property tax collection is lagging slightly behind the 4-year average (67.24% vs 72.87%), but it should be noted that the combination of these two revenue sources continues to grow at a strong pace compared to the budget as well as year over year actual collections.

Sales Tax collection is significantly out-performing the 4-year average across all major sale tax articles. The Budget Office continues to have a difficult time trying to predict how the local and state economy would react to COVID-related changes in consumer spending, inflation increases, as well as assessing Durham County's strong economy. But based on the last two and half years' worth of collection, consumer spending continues at a significantly higher level than expected. It remains to be seen whether this type of annual sales tax growth will continue in the foreseeable future for Durham County's overall economy, especially with recession concerns continuing to make national headlines. While the percentages shown in relation to the FY 2022-23 budget, actual collections will be significantly over the previous year's actual collections as well. All this means that the County will, in turn, experience higher budgeted sales tax collection for the upcoming fiscal year (FY 2023-24)



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Register of Deeds Registration and Transfer fees have been collected at a high level in every quarter for the last two fiscal years, reflective of a very active Durham County housing market. However, the third quarter of FY 2022-23 collections as a percentage of budget are down from the previous years. This is largely because the revenue budget for FY 2022-23 was adjusted up by more than \$2.7M from the previous fiscal year to reflect previous trending actual revenue collection. But it should be noted that the pace of actual monthly collections in this fiscal year has slowed compared to last fiscal year, largely related to the slowdown in home sales which in turn is due to significantly higher interest rates for mortgages.

Key Revenues	Current Budget	Revenues End of Qtr.	% Revenues	4 Prior Year Qtr. Average	Status of Revenues
ABC Net Profit Distribution	\$2,600,000	\$1,279,143	49.20%	40.35%	●
Article 39 (1 Cent)	\$30,420,279	\$19,188,119	63.08%	50.72%	●
Article 40 (1/2 Cent)	\$18,332,756	\$13,119,976	71.57%	57.16%	●
Article 42 (1/2 Cent)	\$21,833,774	\$14,671,796	67.20%	54.12%	●
Article 44 (1/2 Cent)		\$233	0.00%	0.00%	●
Article 46 (1/2 Cent)	\$19,100,000	\$13,067,237	68.41%	55.23%	●
City Sales Tax ILA	\$16,424,789	\$12,576,636	76.57%	57.56%	●
Deed Registration and Transfer Fees	\$9,000,000	\$5,061,441	56.24%	96.59%	●
EMS Patient Fees	\$12,670,000	\$9,095,876	71.79%	75.48%	●
Fund Balance Appropriated	\$72,072,835	\$0	0.00%	0.00%	●
Intergovernmental Items	\$65,004,355	\$35,180,552	54.12%	62.76%	●
Investment Revenue	\$1,510,000	\$4,150,340	274.86%	90.80%	●
Local Occupancy Tax (General Fund)	\$3,650,000	\$2,623,066	71.86%	66.23%	●
Local Occupancy Tax (NCMLS)	\$500,000	\$500,000	100.00%	69.03%	●
Other General Funds Revenues	\$9,946,990	\$8,818,861	88.66%	79.25%	●
Property Tax (All Except Vehicle)	\$325,931,670	\$329,414,263	101.07%	101.79%	●
Property Tax (Vehicles Only)	\$22,069,665	\$14,840,313	67.24%	72.87%	●
Property Tax Collection Fees	\$1,971,500	\$2,166,598	109.90%	113.49%	●
Sheriff Fees	\$500,000	\$390,182	78.04%	59.74%	●
Solid Waste Management Fee Co	\$2,387,744	\$2,241,255	93.86%	99.99%	●
State Hold Harmless Funds	\$9,000,000	\$12,274,930	136.39%	705.02%	●
Transfers From Other Funds	\$73,026,854	\$35,746,542	48.95%	43.47%	●
Total	\$717,953,211	\$536,407,358	74.71%	78.53%	

- 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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Key revenue items with red indicator include:

- **Deed Registration and Transfer Fees:** Register of Deeds Registration and Transfer fees have been collected at a high level in every quarter for the previous two fiscal years, reflective of a very active Durham County housing market. However, first, second and third quarters of FY 2022-23 collections, as a percentage of budget, are down from the previous years. This is largely because the revenue budget for FY 2022-23 was adjusted up by more than \$2.7M to reflect previous fiscal year actual revenue collection of more than \$10M. But it should be noted that the pace of actual monthly collections in this fiscal year has slowed compared to last fiscal year, largely related to the slowdown in home sales which in turn is due to significantly higher interest rates for mortgages. The fourth quarter will likely continue this trend, and the FY 2023-24 Recommended Budget has been adjusted accordingly.
- **State Hold Harmless Funds:** This indicator is red because Durham County began budgeting for this revenue in FY 2021-22. In prior years the revenue was not as significant or reliable. Now that the revenue source is expected annually the revenue is budgeted. The large percentage in this table is misleading due to prior years not having a beginning budgeted amount. So, while the collection is under the 4-year average, it is well above budgeted projections. More discussion and explanation for this revenue line can be seen in the [FY 2022-23 Approved Budget Revenue Highlights section](#) (Page 89).



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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	\$50,000	\$0	0.00%	0.00%	●
County Administration		\$0	0.00%	84.87%	●
Finance	\$200,055,201	\$89,725,292	44.85%	44.74%	●
Tax Administration	\$355,497,835	\$350,696,868	98.65%	99.81%	●
Legal	\$2,500	\$0	0.00%	211.37%	●
Elections	\$615	\$55	8.94%	89.81%	●
Register Of Deeds	\$9,225,225	\$5,185,768	56.21%	95.99%	●
General Services	\$2,862,144	\$2,656,661	92.82%	93.60%	●
Human Resources	\$15,000	\$8,901	59.34%	75.94%	●
Veterans Services	\$2,000	\$0	0.00%	80.11%	●
County Sheriff	\$3,843,581	\$3,022,987	78.65%	70.06%	●
Emergency Communications		\$0	0.00%	0.00%	●
Office of Emergency Services	\$18,563,202	\$14,427,761	77.72%	74.44%	●
Justice Services Department	\$1,486,181	\$1,024,300	68.92%	66.50%	●
Youth Home	\$679,347	\$283,335	41.71%	60.50%	●
Other Transportation	\$697,669	\$190,345	27.28%	60.73%	●
Engineering & Environ Svcs	\$180,000	\$27,501	15.28%	117.74%	●
Other Environmental Protection		\$0	0.00%	0.00%	●
Planning		\$0	0.00%	0.00%	●
Cooperative Extension Service	\$487,991	\$184,374	37.78%	61.89%	●
Soil And Water Conservation	\$30,000	\$0	0.00%	16.12%	●
Economic Development		\$0	0.00%	36.41%	●
Public Health	\$17,692,098	\$6,724,660	38.01%	49.10%	●
Social Services	\$31,585,654	\$25,185,924	79.74%	72.71%	●
Comm-Bd Interv And Supp Serv	\$1,182,566	\$764,534	64.65%	0.00%	●
Other Human Services		\$0	0.00%	33.11%	●
Other Education	\$0	\$0	0.00%	100.00%	●
Library	\$787,548	\$484,090	61.47%	53.83%	●
Nondepartmental	\$73,026,854	\$35,814,002	49.04%	43.45%	●
Total	\$717,953,211	\$536,407,358	74.71%	78.53%	

- 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:

- **Legal:** In previous years, the County Attorney would occasionally collect attorney fees in litigation matters. This has historically been a declining practice and not a cause for concern because it is such a small revenue amount. Legal does not expect to collect any fees this year. This revenue will be removed from the budget in FY 2023-24.
- **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.
- **Register of Deeds:** See explanation given above related to key revenues.
- **Veterans Services:** Veterans Services receives grant revenue from the NC Department of Military and Veterans Affairs each fiscal year. Revenue is typically received for this grant in quarter three or quarter four. For FY 2022-23, the revenue will be posted in the fourth quarter.
- **Youth Home:** \$620K has been billed to the state Department of Juvenile Justice this year but has not yet been posted to 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.
- **Other Transportation:** Other Transportation received \$221K of revenue in the second quarter of this fiscal year, as well as \$48K in the third quarter, but SAP did not reflect these actual collections at the time the report was run. Also, the current iteration of the Other Transportation agency, which houses GoTriangle, RDU Airport Authority, County Transportation Demand, and Durham County ACCESS, began in FY 2021-22, so there is only one year of full fiscal year budget to use as a comparison. Budgeted collection is expected to be met by the end of the fiscal year.
- **Engineering and Environmental Services:** In February 2023, the Board of County Commissioners approved \$150K in funding for property management services for the Shoppes of Hope Valley Shopping Center (SOHV), which the county expected to purchase in the first quarter of the fiscal year. However, the SOHV closing has been delayed until mid-May due to title issues, so the property management contract has not been executed and the budgeted revenue has not been collected. Staff has said there is a possibility that the purchase won't be finalized — and no revenue collected — until next fiscal year FY 2023-24.
- **Cooperative Extension:** Cooperative Extension received a \$170,000 grant from the USDA that increased Cooperative Extension's budgeted revenue by approximately 70%. While the revenue budget increased, Cooperative Extension has only just begun drawing down revenue for this grant. Additionally, Cooperative Extension's third quarter collection rates for the Welcome Baby Smart Start grant are slightly lower than the past 4-year third quarter average. Overall revenue collection for the Welcome Baby Smart Start grant is on pace to



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collect all budgeted revenue, while staff has said collection for the USDA grant will continue into FY 2023-24.

- **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 position. 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 2022-23. The department is confident it will fully collect its revenue budget.



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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	\$916,389	\$684,447	74.69%	74.07%	●
County Administration	\$4,968,387	\$3,687,696	74.22%	70.39%	●
Finance	\$26,106,870	\$3,199,852	12.26%	53.84%	●
Tax Administration	\$7,871,804	\$6,121,022	77.76%	72.97%	●
Legal	\$3,720,523	\$2,584,434	69.46%	73.10%	●
Court Facilities	\$607,456	\$566,583	93.27%	75.07%	●
Elections	\$2,657,860	\$2,169,469	81.62%	79.40%	●
Register Of Deeds	\$2,211,137	\$1,625,305	73.51%	77.06%	●
General Services	\$21,044,428	\$17,541,548	83.35%	79.18%	●
Information Technology	\$15,757,042	\$12,429,306	78.88%	77.53%	●
Human Resources	\$3,043,292	\$2,264,843	74.42%	75.80%	●
Budget & Management Services	\$882,067	\$743,207	84.26%	68.21%	●
Veterans Services	\$515,485	\$349,781	67.85%	69.23%	●
Geographic Information Systems	\$481,263	\$320,840	66.67%	75.00%	●
County Sheriff	\$44,038,605	\$34,444,622	78.21%	77.01%	●
Emergency Communications	\$1,704,233	\$1,254,231	73.60%	75.18%	●
Office of Emergency Services	\$23,662,303	\$17,530,284	74.09%	70.13%	●
Medical Examiner	\$350,000	\$296,000	84.57%	68.83%	●
Justice Services Department	\$6,649,863	\$4,364,266	65.63%	68.47%	●
Youth Home	\$2,008,910	\$1,274,116	63.42%	75.07%	●
Other Transportation	\$1,689,460	\$711,415	42.11%	52.72%	●
Engineering & Environ Svcs	\$3,291,530	\$2,175,917	66.11%	71.19%	●
Other Environmental Protection	\$90,444	\$90,444	100.00%	100.00%	●
Open Space Management	\$268,484	\$168,485	62.75%	67.35%	●
Planning	\$1,307,159	\$871,440	66.67%	75.00%	●
Cooperative Extension Service	\$2,940,061	\$2,054,496	69.88%	77.77%	●
Soil And Water Conservation	\$809,525	\$698,788	86.32%	71.09%	●
Economic Development	\$5,069,977	\$2,181,417	43.03%	67.66%	●
Public Health	\$43,896,808	\$31,242,294	71.17%	72.87%	●
Mental Health	\$6,349,700	\$6,349,700	100.00%	100.00%	●
Social Services	\$59,380,720	\$44,903,984	75.62%	69.86%	●
Comm-Bd Interv And Supp Serv	\$5,147,608	\$3,697,419	71.83%	0.00%	●
Other Human Services	\$657,383	\$380,356	57.86%	69.69%	●
Durham Public Schools	\$177,151,627	\$147,626,356	83.33%	83.23%	●
Community Colleges	\$9,743,434	\$8,119,528	83.33%	83.33%	●
Other Education	\$8,781,585	\$8,359,224	95.19%	88.27%	●
Library	\$13,494,502	\$10,769,576	79.81%	77.19%	●
Other Cultural & Recreational	\$2,411,341	\$2,258,677	93.67%	97.40%	●
Nondepartmental	\$206,265,497	\$106,797,266	51.78%	53.47%	●
Total	\$717,944,761	\$492,908,635	68.66%	71.01%	

- 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, 2023, total \$472,908,635, or 68.66% of the budget. The percentage is lower than the 4-year average of 71.01%.

During the first three quarters, expenditure percentages for some departments exceed the 4-year average spending levels due in part to the timing of encumbered contracts. 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:

- **Court Facilities:** The Court Facilities' expenditure line represents the budgets of seven different Court-related cost centers. The primary reason that the expenditure rate exceeded its 4-year average is not a result of true overspending, but rather an increase in encumbrances (considered as expenditures) as a portion of the budget. Increasing the contracts for the Assistant DA and Assistant PD positions takes up a larger portion of the overall budget when those funds are reserved at the beginning of the fiscal year.
- **Budget and Management Services:** The Budget Office had two major expenses this fiscal year, operational expense for the BOCC budget retreat and personnel line increases due to retention efforts approved mid-year. Those expenses caused the overall expenditure to trend higher than the 4-year average. This is simply a change in expenditures pattern compared to previous years. There will be no over-expenditure by the end of this fiscal year.
- **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.
- **Soil and Water Conservation:** Soil and Water Conservation has encumbered several contracts earlier than past years. Additionally, the FY 2022-23 third quarter actuals include invoices paid for several two-year Small Farmer Grants awarded in FY 2021-22. There is no cause for concern of over-expenditure during this fiscal year. The Budget Office will continue to monitor departmental expenditures and revenues.
- **Social Services:** Social Services is showing a higher expenditure rate compared to the 4-year average due to the Emergency Rental Assistance Program funding being charged prior to an established budget. The County is working to address this issue appropriately, and an amendment is pending Board approval to ensure that the appropriate budget is added to DSS. This indicator should not be present in the fourth quarter.
- **Community Intervention and Support Services:** Community Intervention and Support Services (CISS) is Durham County's newest department with no historical expenditure or revenue history. With no historical expenditure data, Community Intervention and Support Services will continue to look as if it is over-expending its budget until the department has enough historical expenditures to make accurate comparisons. Overall CISS is anticipated to



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underspend their allotted budget as they work towards more accurately understanding their funding needs.

- **Other Education:** Other Education has a slightly higher third quarter expenditure budget due to increased mid-year personnel costs that did not have an associated budget. While third quarter expenditures are slightly higher than the previous four-year average, funding will be appropriated to support additional personnel costs in the fourth quarter.

SUMMARY

FY 2022-23 third quarter summary revenue and expenditure trending continues to look steady. Even though total revenue collection is lagging slightly below the 4-year average, the strong over-collection rate over the last few years has raised the 4 year average bar as a comparison. In general revenue collection continues to grow at a significant pace largely due to a strong and growing local economy.

Total expenditures are trending slightly below the 4-year average, even while some compensation decisions continue to impact low-vacancy departments. It is estimated that overall actual spending will be a higher percentage of the budget as compared to recent years largely due to compensation changes instituted to reduce high vacancy rates and high turnover in certain position groups. Also, inflation is beginning to impact actual spending.

This third quarter report gives a better picture of overall trends since the significant “major” revenue sources have been collected and expenditure trends are well established. Actual use of General Fund fund balance was planned for the FY 2022-23 fiscal year, but as this year continues to progress and come into better focus, it becomes unlikely that the County will need to use all of this budgeted amount due to continued robust revenue collection. Continued investments in personnel could result in increased expenditures in the fourth quarter, but the healthy General Fund fund balance remains a viable source to offset this necessary spending.

As a note, the fourth quarter review of the FY 2022-23 fiscal year is largely carried out within the ACFR document produced by the Finance department in the fall/wintertime period. That document will complete the annual revenue collection and spending reporting for the FY 2022-23 fiscal year and will convey how General Fund(s) fund balance ended up as of July 31, 2023.