



Quarterly Budget Report

Second 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 December 31, 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 second 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 December 31, 2025, the County collected \$438,183,198 or 52.34% 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 slightly above the 2nd Quarter 4-year average (76.61% collected, vs 76.40% respectively). This slightly higher-than-average collection compared to the 4-year average is well within expected tolerance levels. 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. Because of delayed posting of these revenues, there are only three months' worth of actual sales tax collection through the second quarter. Those three months of collections were above budget estimates but it is too early to say with any trending support that sales tax revenue collection will meet budget. While budgeted amounts are conservative, and early indications are that sale tax revenue collection should meet or



Quarterly Budget Report

Second Quarter of Fiscal Year 2025-26

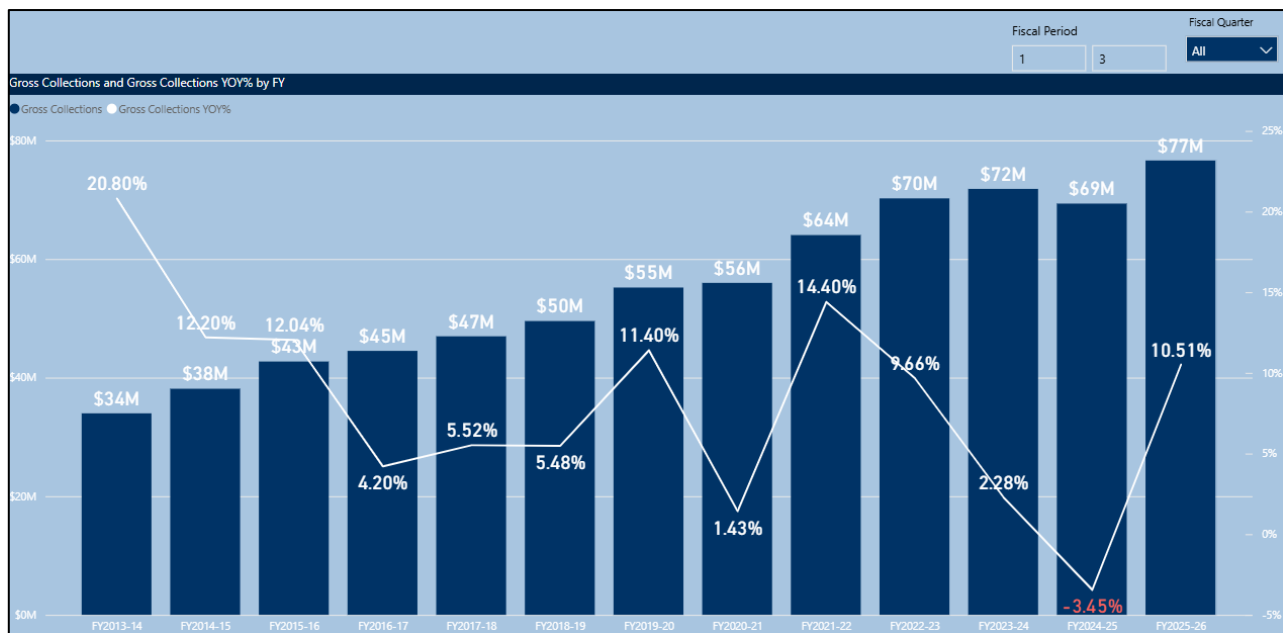


exceed budget estimates, unpredictability in the economy and at the Federal level could ultimately be detrimental to overall total sales tax collection versus budget.

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 in turn forced lower sales tax revenue budgeting for FY 2025-26.

The good news is that Durham County gross sales tax collection has bounced back for the first three months of FY 2025-26 compared to the same three months last fiscal year. The first three months of Durham County gross sales tax collection are up over 10% 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's budget predictions can be made, but early trending is somewhat positive. The Budget Office will be keeping a very close eye on this trend.





Quarterly Budget Report

Second Quarter of Fiscal Year 2025-26



REVENUE SUMMARY

Key Revenues	Current Budget	Revenues End of Qtr.	% Revenues	4 Prior Year Qtr. Average	Status of Revenues
ABC Net Profit Distribution	\$2,750,000	\$498,750	18.14%	31.01%	●
Article 39 (1 Cent)	\$33,994,836	\$8,291,931	24.39%	24.27%	●
Article 40 (1/2 Cent)	\$23,828,028	\$6,094,725	25.58%	31.56%	●
Article 42 (1/2 Cent)	\$26,359,571	\$6,561,638	24.89%	27.73%	●
Article 44 (1/2 Cent)		\$0	0.00%	0.00%	●
Article 46 (1/2 Cent)	\$23,334,809	\$5,781,295	24.78%	27.65%	●
City Sales Tax ILA	\$22,502,908	\$1,932,321	8.59%	29.18%	●
Deed Registration and Transfer Fees	\$5,900,000	\$3,734,264	63.29%	49.45%	●
Duke EMS Support - Comm. Health Fund	\$3,103,526	\$3,198,154	103.05%	89.95%	●
EMS Patient Fees	\$16,060,000	\$7,165,888	44.62%	47.65%	●
Fund Balance Appropriated	\$42,314,939	\$0	0.00%	0.00%	●
Intergovernmental Items	\$62,985,582	\$22,789,110	36.18%	44.18%	●
Investment Revenue	\$7,825,000	\$3,592,560	45.91%	86.99%	●
Local Occupancy Tax (General Fund)	\$2,833,333	\$1,314,543	46.40%	50.53%	●
Local Occupancy Tax (NCMLS)	\$500,000	\$500,000	100.00%	74.23%	●
Other General Funds Revenues	\$8,572,305	\$3,625,413	42.29%	52.63%	●
Property Tax (All Except Vehicle)	\$453,658,450	\$347,529,924	76.61%	76.40%	●
Property Tax (Vehicles Only)	\$20,196,607	\$11,029,973	54.61%	44.47%	●
Property Tax Collection Fees	\$2,486,200	\$2,159,350	86.85%	73.87%	●
Sheriff Fees	\$500,000	\$319,680	63.94%	49.36%	●
Solid Waste Management Fee Co	\$2,559,451	\$2,063,679	80.63%	82.18%	●
State Hold Harmless Funds	\$10,000,000	\$0	0.00%	11.60%	●
Transfers From Other Funds	\$64,936,426	\$0	0.00%	19.43%	●
Total	\$837,201,970	\$438,183,198	52.34%	51.73%	

- 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:

- **ABC Net Profit Distribution:** Funds are variably received from the ABC Board during the first and second quarters. Revenues are anticipated to be collected at or above projected budget.
- **City Sales Tax ILA:** This revenue is collected per an annual interlocal agreement between the City and County. Revenue is collected per an agreed upon formula based on monthly sales tax collection between both entities. Sometimes there is a slight delay in processing



Quarterly Budget Report

Second Quarter of Fiscal Year 2025-26



payments from the City to the County, but such delays are rectified during later periods of the fiscal year. The red light at this time is not a concern for this revenue source.

- **Investment Revenue:** Two months of investment revenue have yet to be recorded for the second quarter. Trending of already collected investment revenue has the Budget Office confident that the budgeted amount will be met or exceeded.
- **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 have not yet been posted. Transferred budget amounts will be met.



Quarterly Budget Report

Second Quarter of Fiscal Year 2025-26



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	\$194,040,191	\$33,308,030	17.17%	19.70%	●
Tax Administration	\$481,482,590	\$363,259,446	75.45%	74.14%	●
Legal		\$0	0.00%	205.71%	●
Elections	\$963,500	\$18,888	1.96%	-21.40%	●
Register Of Deeds	\$6,067,500	\$3,821,285	62.98%	49.26%	●
General Services	\$3,186,651	\$2,370,737	74.40%	76.43%	●
Human Resources	\$15,000	\$0	0.00%	58.34%	●
Veterans Services	\$2,000	\$0	0.00%	0.00%	●
County Sheriff	\$2,790,241	\$1,146,977	41.11%	41.02%	●
Emergency Communications		\$0	0.00%	0.00%	●
Office of Emergency Services	\$20,712,314	\$10,729,795	51.80%	53.89%	●
Justice Services Department	\$1,624,996	\$551,701	33.95%	35.74%	●
Youth Home	\$1,666,351	\$1,054,791	63.30%	22.98%	●
Other Transportation	\$4,994,637	\$98,483	1.97%	18.58%	●
Engineering & Environ Svcs	\$2,228,388	\$104,890	4.71%	19.43%	●
Public Information		\$0	0.00%	0.00%	●
Planning		\$0	0.00%	0.00%	●
Cooperative Extension Service	\$631,379	\$82,067	13.00%	38.24%	●
Soil And Water Conservation	\$29,788	\$0	0.00%	0.00%	●
Economic Development	\$45,000	\$21,360	47.47%	194.51%	●
Public Health	\$11,419,906	\$3,658,501	32.04%	32.31%	●
Mental Health		\$0	0.00%	0.00%	●
Social Services	\$39,607,198	\$17,660,258	44.59%	53.30%	●
Comm-Bd Interv And Supp Serv	\$108,208	\$74,710	69.04%	45.23%	●
Community Colleges		\$0	0.00%	0.00%	●
Other Education		\$0	0.00%	103.95%	●
Library	\$649,707	\$221,278	34.06%	26.38%	●
Nondepartmental	\$64,936,426	\$0	0.00%	19.46%	●
Total	\$837,201,970	\$438,183,198	52.34%	51.73%	

- 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
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Quarterly Budget Report

Second Quarter of Fiscal Year 2025-26



Agency specific REVENUE items with red indicator include:

- **Elections:** Due to the cyclical nature of elections within the United States, Election's revenues fluctuate depending on if it is an election year or not. Given that the county is in a non-electoral year, revenues have decreased. This is to be expected and there is no cause for concern.
- **Human Resources:** In FY 2024-25, the County started receiving revenue for Cigna reimbursement of wellness gift cards. Revenue was originally deposited in the General Fund, but moving forward it will be recorded in the Benefits Fund. Due to this change, a red light indicator will be shown, but it is no cause for concern.
- **Other Transportation:** Transportation revenue largely consists of interlocal and grant agreements, many of which began this year. Because of the new agreements, the budgeted revenue amounts are higher than in prior years, but the additional revenue has not yet been received from these agreements. Current revenue collection tracks with the amounts collected in past years during the first two quarters.
- **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:** The Welcome Baby contract with Duke University was temporarily delayed due to language changes, resulting in a delay in revenue receipt for the Welcome Baby program. These revenue payments are currently being processed by Finance. 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 & second quarters of the current fiscal year, Economic Development has collected approximately \$20,000 of an expected \$45,000 from this program.
- **Nondepartmental:** See explanation given above for "Transfers from Other Funds."



Quarterly Budget Report

Second 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	\$695,395	55.75%	52.68%	●
County Administration	\$7,118,735	\$3,129,764	43.97%	49.34%	●
Finance	\$5,038,804	\$2,424,548	48.12%	15.74%	●
Tax Administration	\$9,065,948	\$4,077,074	44.97%	52.38%	●
Legal	\$4,171,432	\$2,032,771	48.73%	47.16%	●
Court Facilities	\$566,268	\$377,836	66.72%	87.48%	●
Elections	\$3,750,237	\$2,219,256	59.18%	66.10%	●
Register Of Deeds	\$2,060,928	\$1,079,809	52.39%	50.00%	●
General Services	\$25,467,025	\$15,450,497	60.67%	63.39%	●
Information Technology	\$20,206,573	\$10,162,427	50.29%	63.16%	●
Human Resources	\$4,266,769	\$2,340,894	54.86%	51.26%	●
Budget & Management Services	\$1,100,067	\$588,152	53.47%	48.73%	●
Veterans Services	\$726,821	\$323,684	44.53%	50.22%	●
Geographic Information Systems	\$561,177	\$93,530	16.67%	46.08%	●
County Sheriff	\$54,733,848	\$28,499,682	52.07%	53.28%	●
Emergency Communications	\$1,964,349	\$677,898	34.51%	56.68%	●
Office of Emergency Services	\$28,431,107	\$14,915,962	52.46%	54.47%	●
Justice Services Department	\$7,542,236	\$3,695,737	49.00%	45.30%	●
Youth Home	\$4,193,151	\$1,802,948	43.00%	46.33%	●
Other Transportation	\$5,751,140	\$2,012,836	35.00%	24.27%	●
Engineering & Environ Svcs	\$7,370,019	\$3,920,867	53.20%	46.11%	●
Other Environmental Protection	\$70,273	\$70,273	100.00%	100.00%	●
Open Space Management	\$203,302	\$142,192	69.94%	53.00%	●
Public Information	\$1,016,462	\$633,184	62.29%	64.12%	●
Planning	\$1,774,482	\$295,748	16.67%	46.29%	●
Cooperative Extension Service	\$3,464,540	\$1,366,149	39.43%	53.69%	●
Soil And Water Conservation	\$1,236,720	\$768,774	62.16%	66.55%	●
Economic Development	\$4,372,777	\$1,545,167	35.34%	46.23%	●
Public Health	\$40,022,644	\$22,448,278	56.09%	57.18%	●
Mental Health	\$5,251,941	\$4,503,802	85.75%	87.58%	●
Social Services	\$69,572,609	\$35,038,775	50.36%	54.97%	●
Comm-Bd Interv And Supp Serv	\$2,331,086	\$740,702	31.77%	50.43%	●
Durham Human Services	\$989,545	\$428,447	43.30%	99.12%	●
Durham Public Schools	\$224,528,912	\$130,975,199	58.33%	58.33%	●
Community Colleges	\$12,618,661	\$7,360,886	58.33%	58.33%	●
Other Education	\$9,697,896	\$8,336,919	85.97%	82.45%	●
Library	\$14,726,636	\$7,741,953	52.57%	56.49%	●
Other Cultural & Recreational	\$2,608,124	\$2,508,124	96.17%	89.06%	●
Nondepartmental	\$247,386,532	\$33,025,914	13.35%	28.35%	●
Total	\$837,207,170	\$358,452,052	42.82%	48.47%	



Quarterly Budget Report

Second Quarter of Fiscal Year 2025-26



- | |
|---|
| <ul style="list-style-type: none">● 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 December 31, 2025, total \$357,755,678 or 42.73% of the budget. The percentage is slightly lower than the 4-year average of 48.47%.

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.

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.
- **Other Transportation:** Current year expenditures reflect an increase in spending over previous years due to the execution of an agreement with NCDOT to acquire the Durham-to-Roxboro Rail Trail Corridor during the second quarter of the fiscal year. The majority of this cost will be reimbursed to the County by other partners involved in the project. Historically most Transportation expenditures occur during the second half of the fiscal year. Transportation will not overspend its budget.
- **Engineering and Environmental Services:** The Sustainability Division has encumbered about \$1.4M of a \$1.5M grant from the United States Department of Energy’s Energy Efficiency and Conservation Block Grant Competitive Program. The department budgeted the grant last fiscal year but was unable to expend any funding until this fiscal year.
- **Open Space Management:** Open Space Management – also known as Open Space Matching Grants – has almost completely obligated or expended its available budget for FY 2025-26. Funding for all committed contracts was not rolled over from the previous fiscal year, so the department will likely request additional funding from the board later this fiscal year.
- **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 on par with prior years.



Quarterly Budget Report

Second Quarter of Fiscal Year 2025-26



SUMMARY

Durham County continues to be a privileged oasis of economic stability and growth, but some cracks are showing (i.e., variable sales tax revenue collection growth, even with a bounce back in this year's first two quarters, state and federal decisions, a shaky local and national economy).

Economic growth could slow over coming months affecting sales tax, occupancy tax, and state hold harmless revenue collection for the worse. 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 third quarter, significant property tax revenue and at least six months of sales tax revenue will have been collected. The 3rd quarter report will solidify any general current fiscal year trending the County may experience.

BUDGET CHANGES (AMENDMENTS) SUMMARY

Through FY 2025-26 second quarter, \$1,526,180 of General Fund fund balance was appropriated for four agenda actions. \$130,000 was appropriated to Open Space and Real Estate for rent payments of a future childcare center at the affordable housing project, \$271,680 is used to pay for a 911 consolidation and HEART program expansion study, and \$123,000 was used in combination with other funding sources for the acquisition of the Durham-to-Roxboro Rail Trail capital project. An additional \$1,001,500 was appropriated as a technical budget amendment to bring expenditures and revenues into balance for the Low-Income Homeowners Relief Program. Combined with first quarter items, the total General Fund fund balance appropriated through December 31 was \$3,368,180.

In addition to the eleven BOCC budget amendment agenda actions that were approved in the first quarter, an additional \$1.76 million of "Intergovernmental" revenue (typically grant funding awarded) was approved for various departments, including the Office of Emergency Services, Public Health, Social Services, Cooperative Extension, Justice Services Department, and the Sheriff.