



### **Agenda Action Form Overview**

The Board is requested to approve Budget Ordinance Amendment No. 25BCC094 Appropriating \$2,826,700 of General Fund Fund Balance, Increasing Benefits Fund Expense Capacity by \$2,000,000, and Transferring General Fund Available Unspent Funds Among Functional Areas for End-of-Year Reconciliations.

### **Background/Justification**

Personnel budgets for FY 2024-25 (July 1, 2024–June 30, 2025) were developed in January 2023. As a result, estimates may fluctuate due to natural fiscal changes, such as vacancy rates and increased compensatory time expenditures. To reconcile end-of-year personnel over-expenditures, unspent funds from various Functional Areas are reviewed and transferred as needed. For FY 2024-25, the Transportation Department was the only department that exceeded its budget. This over-expenditure resulted from employees being hired at higher salary ranges than originally budgeted for the position, as well as the mid-year addition of a new position.

Benefit funds are monitored throughout the year to ensure expenditures do not exceed authorized budget levels and stay on trend for projected growth. This evaluation is based on monthly and historical annual trend analysis. Durham County is self-funded, which allows for more effective and efficient management of costs for both the county and employees, but it also means the county must carry a fund balance to ensure that funding is available for the level of cost fluctuations that occur within the Benefits fund.

Due to increasing expenditure growth in FY 2023-24, Durham County implemented a tiered benefits approach to mitigate costs and increase revenue. While Durham County saw moderate success with this approach, benefits costs are rising nationally and the county is not immune to this growth. Inflationary growth combined with a significant increase in our total employees, due to new positions and filling previously vacant positions, the County is projected to over-expend its current budget.

Consistent with previous fiscal years board action, the Board of County Commissioners is requested to appropriate General Fund fund balance in the amount of \$2,000,000, as a proactive measure, to ensure that the Benefits fund has enough spending authority to pay for all remaining benefits claims throughout the remainder of the fiscal year. Any funding that remains unspent at the close of the fiscal year in August will fall back to fund balance.

The Office of Emergency Services (OES) contract with Duke University Health System for EMS Medical Director Services expired in September 2021, and work was undertaken at that time to re-negotiate the terms of the contract. Due to the continued lack of a contract, a funds reservation was not possible in FY 2022-23 or in FY 2023-24, so funds could not be rolled forward. There has not been an interruption in support, and services continued to be provided by Duke University Health Services during this time as state administrative code 10A NCAC 13P .0403 requires all emergency medical service systems to have a medical director in order to provide service. OES has used current fiscal year (FY 2024-25) spending authority to pay all outstanding invoices to



Duke. This amendment will replenish FY 2024-25 spending authority to cover other current year obligations.

In June 2019, in response to growing public concern about encampments, the Durham City Council and County Commissioners approved a policy to address encampments on public land. This policy emphasizes the need for accessible services and housing for individuals experiencing unsheltered homelessness in Durham. The City had planned to issue a request for proposals (RFP) to establish an Encampment Lead Agency, tasked with providing direct services and enhancing the existing street outreach infrastructure, which had been supported by Alliance Behavioral Healthcare for the past decade. However, due to state budget cuts, Alliance Health terminated its contract for these services in July 2019.

To bridge this gap in homelessness support, the City and County engaged in months of negotiations to establish joint funding for an Unsheltered Coordinating Agency. Under the proposed agreement, each entity would allocate up to \$79,000 in Fiscal Year 2019-2020, \$215,000 in Fiscal Year 2020-2021, and up to \$215,000 in Fiscal Year 2021-2022. FY 2024-25 marks the third year or the first renewal of the ILA, making it Year 6 overall. Management is currently evaluating whether to continue with the agreement or pursue alternative options moving forward.

#### **Policy Impact**

This reconciliation amendment is necessary to address multiple items that require additional spending authority or redistribution of funds to support end-of-year issues.

#### **Procurement Background**

N/A

#### **Fiscal Impact**

This budget amendment requires General Fund fund balance totaling \$2,826,7000 to be allocated for the expenses items noted. This items is needed to ensure transparent fiscal movement of funds for commitments the County has already paid or for which the County is responsible. Overall, while this individual amount is significant, this action should only minimally impact the final end of year fiscal status. The transfer of \$30,000 in unspent funds for personnel expenses is utilizing already budgeted funds.

#### **Recommendation**

It is recommended that the Board of County Commissioners approve Budget Ordinance Amendment No. 25BCC094 appropriating \$2,826,700 of General Fund fund balance, increasing Benefits Fund expense capacity by \$2,000,000, and transferring General Fund available unspent funds among functional areas for end-of-year reconciliations.