

September 8, 2020

Summary of Durham County COVID budgeted support from FY 2019-20 through FY 2020-21

This memo is a condensed summary of what Durham County has budgeted over two fiscal years related to Durham County COVID support and costs. Throughout the last six plus months the County has used a variety of funding sources (revenue) to support a myriad of related COVID derived expenditures.

One issue to recognize is that the County has set lines around the beginning and end of fiscal years which encapsulates spending within that twelve-month time frame, so while we talk about COVID spending in full, a time frame that may cross several fiscal years, the County has to account for spending in each fiscal year.

The emphasis of this summary is on “**budgeted**” funding choices considered by the Board of County Commissioners, and related budget decisions through budget amendments. The County’s Finance department is still collecting and tabulating all “actual” COVID related costs for the County across two fiscal years and all departments. When that data becomes available it will be shared with the Board.

Four key areas of BOCC related COVID budgeting that have occurred in FY 2019-20 and FY 2020-21 are:

- 1. Durham County General Fund fund balance appropriations**
 - a. Several fund balance appropriations were made in FY 2019-20 because there were not available funds already budgeted
- 2. Specific COVID related grant allocations**
 - a. Grant funding for Durham County were received in both FY 2019-20 and FY 2020-21
- 3. Durham County COVID Relief funds**
 - a. Budgeted as part of the FY 2020-21 General Fund budget in the initial amount of \$4.5 million
- 4. Coronavirus Relief Fund (CARES Act funding) revenue received by Durham County: \$8,790,103**
 - a. FY 2019-20: \$5,480,715
 - b. FY 2020-21: \$3,309,388

1. Durham County General Fund fund balance appropriations

As the COVID pandemic began to take hold in Durham County in March 2020, the Board began considering response and mitigation strategies. Enough funding for these strategies was not available in the FY 2019-20 operating budgets of various departments forcing the Board to appropriate General Fund fund balance as a source of response and mitigation funding.

On the next page is a summary of COVID related FY 2019-20 General Fund fund balance appropriations. A more detailed review of that spending is included as a separate document (“County COVID Relief General Fund FUND BALANCE Expenditures”).

| County COVID Relief General Fund FUND BALANCE Expenditure Timeline | | Budgeted Expense Amount |
|---|--|-------------------------|
| FY 2019-20 | | \$3,937,440 |
| 4/13/2020 | | \$3,837,440 |
| Marriott - Temp housing for homeless | | \$1,885,000 |
| PPE for DCo Employees | | \$1,010,253 |
| DSS Remote work needs and Program Support | | \$453,639 |
| Janitorial | | \$253,716 |
| EOC running costs | | \$115,223 |
| Sheriff PPE | | \$68,574 |
| DCo increased Security | | \$51,035 |
| 4/27/2020 | | \$100,000 |
| Increase Funding for Urban Ministries for Homeless Covid-19 Support | | \$100,000 |
| County Dollars Appropriated | | \$3,937,440 |

2. Specific COVID related grant allocations

As part of COVID response and mitigation in the County, a number of different state and federal entities have provided direct funding to various department either through grants for specific purposes or donations (one from RTF). Below is a summary view, across two fiscal years, of COVID related grant funding received by various departments. A more detailed review of grant spending is included as a separate document (*"County COVID Relief Funds GRANT Expenditures"*).

| County COVID Relief Funds GRANT Expenditure Timeline | Budgeted Expense Amount | Offsetting Revenue |
|---|-------------------------|--------------------|
| FY 2019-20 | \$303,962 | \$303,962 |
| 4/13/2020 | \$195,954 | \$195,954 |
| Public Health Emergency Response to Covid-19 | \$195,954 | \$195,954 |
| 6/8/2020 | \$108,008 | \$108,008 |
| Covid19 Emergency Supplemental Funding | \$58,008 | \$58,008 |
| Donation to EM from RTF to EOC | \$50,000 | \$50,000 |
| FY 2020-21 | \$1,211,884 | \$1,211,884 |
| 8/10/2020 | \$792,426 | \$792,426 |
| CARES Act funding for PPE, Vehicle Supplies, Medical Supplies | \$219,744 | \$219,744 |
| Covid-19 Voting Support | \$277,268 | \$277,268 |
| Monitor Key Activities within PH on Covid-19 related issues | \$99,460 | \$99,460 |
| Covid-19 Emergency Support for Epidemiology Support | \$195,954 | \$195,954 |
| 9/14/2020 | \$419,458 | \$419,458 |
| Covid-19 Support to Increase Testing Capabilities | \$419,458 | \$419,458 |
| Total Grant Funds Received To Date | \$1,515,846 | \$1,515,846 |

3. Durham County COVID Relief funds

These funds were budgeted as part of the County's FY 2020-21 General Fund budget and were specifically set aside to use as COVID related allocations during the fiscal year arose. This budget amount was not supported with Coronavirus Relief Fund revenue, FEMA reimbursement revenue, or any other outside source, but rather these were available County dollars that were reallocated from other potential purposes like supporting new positions, buy additional vehicles, or reducing the property tax rate.

While \$4.5 million was budgeted for COVID support as part of the FY 2020-21 budget development process, the Board, during that same process, took \$1 million of the \$4.5 million and allocated to the COVID small business loan program, in partnership with Duke University and the City of Durham.

Additional allocations from the remaining \$3.5 million are summarized below. Currently there is \$1.19 million available for additional COVID related allocation, however, pending COVID issues are noted in the second table that would potentially cost more than is available. Any funding over the available \$1.19 million would need to come from an additional revenue source and/or County fund balances (from different funds, but largely from the General Fund). A more detailed review of County COVID Relief spending is included as a separate document (*"FY 2020-21 DCO COVID Relief Budget (\$4.5 million)"*).

| County COVID Relief Funds Expenditure Timeline | | Budgeted Expense |
|--|--|------------------|
| | | Amount |
| [-] FY 2020-21 | | \$1,189,746 |
| [-] 7/1/2020 | | \$3,500,000 |
| ⊕ FY 2020-21 COVID Relief Funds set aside in Non-Departmental (9800) | | \$4,500,000 |
| ⊕ Small Business Loan program | | \$1,000,000 |
| [-] 7/13/2020 | | \$1,010,160 |
| ⊕ Carolina Duke Inn COVID Shelter | | \$570,000 |
| ⊕ Associated Expenses for Carolina Duke Inn COVID Shelter | | \$440,160 |
| [-] 8/10/2020 | | \$195,000 |
| ⊕ COVID+ Families Food Security | | \$100,000 |
| ⊕ Media purchase for Back on the Bull Campaign | | \$95,000 |
| [-] 8/24/2020 | | \$1,105,094 |
| ⊕ Health Ambassador Program | | \$229,244 |
| ⊕ Feed Covid + Families with Local Durham Restaurants | | \$470,250 |
| ⊕ HOPE Learning Center for 338 Seats Partner Agencies - 6 Weeks | | \$405,600 |
| County COVID Relief Funds Available | | \$1,189,746 |

| County COVID Relief Funds Expenditure Timeline | | Budgeted Expense |
|--|--|------------------|
| | | Amount |
| [-] FY 2020-21 | | \$1,321,465 |
| [-] Pending | | \$1,321,465 |
| ⊕ Temporary Shelter for COVID Testing for American Disabilities Act compliance | | \$48,000 |
| ⊕ Janitorial | | \$718,465 |
| ⊕ DCo increased Security | | \$250,000 |
| ⊕ Bi-Weekly Testing of DCo employees (300 - Sheriff, GS, CJRC, Youth Home) | | \$255,000 |
| ⊕ Personal Protective Equipment | | \$50,000 |
| County COVID Relief Funds Available | | \$1,321,465 |

It is worth noting that most if not all the budgeted \$4.5 million General Fund COVID funds could be allocated by the end of September, three months into a 12-month fiscal year. This raises financial concern about COVID related spending needs for the next 3, 6, 9 months, and the revenue source that would support those potential additional needs.

While FEMA funds may reimburse the County for COVID related expenditures, it is unknown how much and when those funds would arrive. Therefore, the County would have to provide the money "up front"

with County cash, either from a fund balance allocation or a reallocation from existing department budgets. Each of those options can have financial and operational ramifications.

4. Coronavirus Relief Fund (CRF) revenue received by Durham County: \$8,790,103

Much discussion by the Board has been around understanding and applying CRF funds, totaling \$8.79 million, to various County related COVID costs. This document will not rehash that information, but rather note that \$5.48 million of that revenue was allocated in FY 2019-20, and therefore at the end of the year became part of the County's overall General Fund fund balance.

| Corona Relief Funds (CRF) Revenue Received Timeline | | Revenue Received |
|---|--|------------------|
| FY 2019-20 | | \$5,480,715 |
| 6/22/2020 | | \$5,480,715 |
| Coronavirus Relief Funding from State | | \$5,480,715 |
| FY 2020-21 | | \$3,309,388 |
| (blank) | | \$3,309,388 |
| Second Round of CRF Funding from State | | |
| (blank) | | \$3,309,388 |
| CRF Funds Received | | \$8,790,103 |

(Attachment "CRF Revenue Received by Durham County")

While there may be FY 2019-20 and FY 2020-21 COVID costs identified as offsetting expenditures related to that initial \$5.4 million, for reporting purposes, from an end of year financial point of view those funds helped offset FY 2019-20 potential use of fund balance. If the County ends up using General Fund fund balance as part of the FY 2019-20 budget (a very rare occurrence), but for this \$5.4 million appropriation of CRF revenue, fund balance use would have been \$5.4 million higher.

It should also be clearly understood that potential expenditures that could be applied as a reporting offset to this total \$8.79 million of CRF funding are identified as nearly triple the amount of the CRF funds. This means that deciding which existing or new expenditure should be applied to CRF funds is a bit of a shell game in that any new identified expenditure offset will simply push another identified expenditure offset off the table of possible choices. The result being that another revenue source (potential FEMA reimbursement dollars or General Fund fund balance appropriation) will need to be used to support those costs.

Conclusion

In summary, the County has budgeted over two fiscal years (so far) \$9.95 million of expenditures related to COVID, while receiving over that same period \$10,305,949 in intergovernmental revenue sources and using \$3.94 million of its own fund balance as a revenue.

| Expenditure Type | FY 2019-20 | FY 2020-21 | Total |
|------------------------|------------------|--------------------|--------------------|
| County Direct Spending | \$3,937,440 | | \$3,937,440 |
| Grant Funding | \$303,962 | \$1,211,884 | 1,515,846 |
| County COVID Support | | \$4,500,000 | \$4,500,000 |
| Total | 7,241,402 | \$5,711,884 | \$9,953,286 |

| Revenue Type | FY 2019-20 | FY 2020-21 | Total |
|---------------------|------------------|--------------------|---------------------|
| County Fund Balance | \$3,937,440 | | \$3,937,440 |
| Grant Funding | \$303,962 | \$1,211,884 | 1,515,846 |
| CRF Support | \$5,480,715 | \$3,309,388 | 8,790,103 |
| Total | 7,241,402 | \$5,711,884 | \$14,243,389 |

At first glance it may seem that the amount of revenue budgeted is more than expenditures budgeted, and while that is technically true, there are many COVID identified actual costs to the County that are occurring daily that are using FY 2020-21 department budgeted dollars that were allocated for something else. For example, the County's 10% COVID hazard pay is continuing to occur, but the dollars to pay for it are coming out of dollars budgeted for regular salary. EMS may be spending already budgeted dollars that were allocated for regular EMS supplies now on PPE supplies for staff. This actual spending related to COVID has not, as was noted in the beginning of the report, finished being compiled by Finance. Once those numbers are presented, the Board should see significantly higher COVID related spending as compared to COVID revenue received.

Ultimately the County will have to consider COVID related expenditures, whether budgeted or not, in a holistic way, as the expenditure amount grows and could potentially affect the General Fund fund balance standing over two fiscal years. Such changes, if significant, may impact future bond issuances related to County capital projects, along with future year annual budgets, where fund balance may not be available as a significant revenue source.

Finally, COVID related expenditures are only one side of a County budget equation. Growing expenditures create pressure on the budget to use additional fund balance as a revenue source, but so does declining revenue. If FY 2020-21 actual sales tax collection comes in under budget and/or property tax collection does as well that too will put pressure on fund balance as a revenue source to fill in the gap. How bad is it? Occupancy tax revenue is 60+% below for this past 6 months compared to the same 6 months a year ago. The County has budgeted occupancy tax revenue at a significantly lower amount for FY 2020-21, but if COVID issues persist for some significant amount of additional time, it is highly likely that Occupancy tax revenue will actually come in under budget, putting the same pressure on the overall budget as increased expenditures.

While the needs around COVID mitigation continue and even increase, the twin pressures of additional County spending and potentially lower revenue collection create a significant financial challenge. A challenge the Board must include in its COVID related priorities, deliberations, and decisions.