



**Date:** March 7, 2022

**To:** Wanda S. Page, City Manager  
**From:** John A. Allore, Budget and Management Services Director  
David Hickman, Interim Finance Director  
**Subject:** FY 2021-22 Second Quarter Financial Report

### **Executive Summary**

The administration is pleased to present the Second Quarter Financial Report for FY 2021-22. This report is based on six months of financial information. The administration provides a financial report to City Council at the conclusion of each fiscal quarter. The report will also be published on the City's website at: <http://durhamnc.gov/Archive.aspx?AMID=39>.

### **Motion**

To receive the FY 2021-22 Second Quarter Financial Report.

### **Background**

Each quarter the administration provides a financial report to City Council. This report provides City Council with an update on the financial status of the City's major funds. The report will also be published on the City's website at <http://durhamnc.gov/Archive.aspx?AMID=39>.

### **Issues and Analysis**

#### **Attached Exhibits**

A number of charts and tables are attached to this document to provide the City Council with additional information on the City's financial status in key areas. Below is an overview of the attachments and highlights of activity.

**Exhibits 1 & 1A: General and Debt Service Fund Budget-to-Actual Summary and Year End Projections by Department:** This provides a summary of budget and actual general fund revenues and expenditures for all departments through the second quarter of FY 2021-22. It is currently projected that the total budget variance for the year will be \$8.6M: revenues will exceed budget by \$6.7M; expenditures will be \$1.9M less than budgeted, and all departments will end the year within budget except for Police and Fire which will exceed budget due to a mid-year pay adjustment for sworn personnel. We will continue to monitor revenue collections and expenditures and, if necessary, make targeted reductions as required to meet revenue projections.

**Property Taxes:** Collections in the General Fund are at \$87,232,890 compared to \$83,773,936 for the same period in FY2021-22 (positive variance of \$3,458,954 or 4.12%). It is projected that property taxes will come in above budget (positive variance of \$2,319,347 or 2%). The FY 2022 budget assumes a 99.0% collection rate. The final collection at June 30, 2021 was 99.46%. Property tax payments were to be paid in full by January 5<sup>th</sup>, 2022.

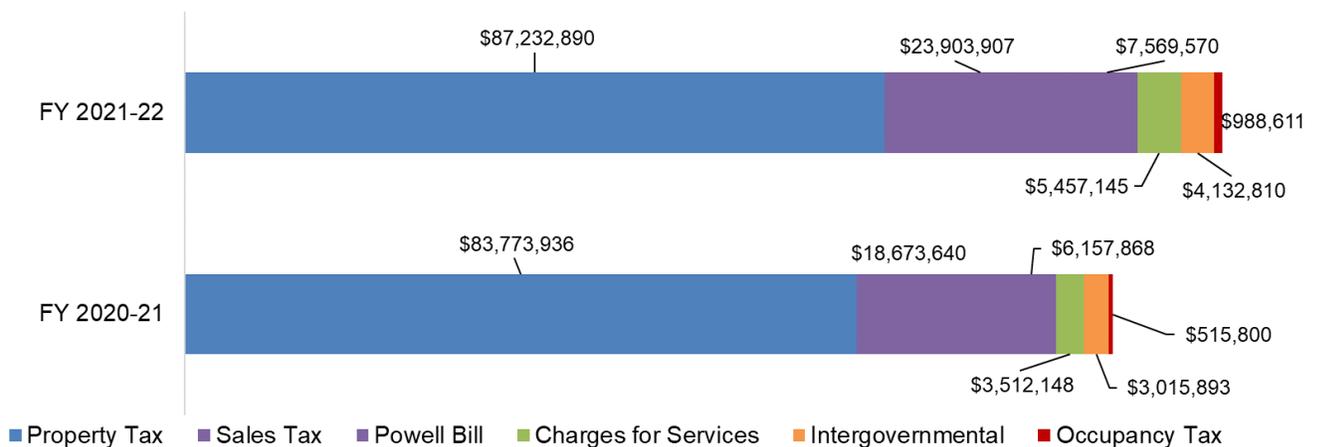
**Sales Taxes:** Collections as of Q2 totaled \$23,903,907. Sales taxes are distributed by the NC Department of Revenue on a three-month delay, so this figure reflects actuals through September 2021. At this time, it is projected that sales taxes will come in above budgeted levels with a positive variance of \$3,474,245 due to a continuing strong economic recovery after the effects of COVID-19.

**Other Revenues:**

- Occupancy tax collections are up considerably with \$988,611 collected compared to \$515,800 for the same period last fiscal year. Occupancy tax is expected to come in at budget.
- Utility franchise tax at \$988,611 is down slightly \$5,600 versus last year and is expected to be down \$673,910 versus budget for the full year. Utility franchise tax is the state shared revenue that includes taxes set by the General Assembly on telecommunications and local government video programming.
- Powell Bill revenues are up by \$1,411,702 (22.9%), for a total of \$7,569,570 compared to \$6,157,868 for the same period last fiscal year.
- Intergovernmental revenues are up by \$1,118,917 (37.0%), totaling \$4,134,810 compared to \$3,015,893 for the same period last fiscal year. The majority of this revenue is received from Durham County. Intergovernmental revenues are projected to come in at budget.
- Charges for services are up by \$1,944,997 (55.4%), totaling \$5,457,145 compared to \$3,512,148 for the same period last fiscal year. Much of the large increase is due to several DPR revenues that were not being collected during FY21 due to the pandemic. Charges for Service revenues are projected to come in slightly over budget.

The following chart shows a comparison of major revenues for Quarter 2 in 2021 and 2022. Total major revenues year-to-date for FY 2021-22 are \$129,284,933 compared to \$115,649,285 for FY 2020-21, a positive variance of \$13,635,648 (11.8%).

**Major Revenues**



**Exhibit 1B: Inspections Fund**

The Inspections Fund is a special revenue fund deriving all revenues from licenses and permits. This provides a summary of budgeted and actual revenues and expenditures for the Inspections

Fund. At the second quarter of FY 2020-21, results show that revenues were 55.8% of the budgeted revenues while expenditures were 49.8% of budget.

### **Exhibit 2: Enterprise Fund Budget-to-Actual**

This provides a summary of budgeted and actual revenues and expenditures in each Enterprise Fund. The results for each major fund are summarized below.

#### Water & Sewer Operating Fund

At the end of the second quarter of FY 2021-22, revenues totaled 288% of budget while expenses totaled 292% of budget. These figures are due to bond refund proceeds as outlined in Exhibit 2. The total variance is positive at a total of \$2,378,669.

Personnel expenses are currently at 52.19% of budget and operating expenses are at 46.96% of budget. Overall, personnel and operating budgets in the fund are expected to come in under budget due to vacancies and miscellaneous operating savings.

Exhibit 2 also shows bond refunds of approximately \$263M. The Finance Department will be submitting a budget amendment before the end of the fiscal year to correct for this change in expenses.

#### Transit Operations Fund

Second quarter results show that total revenues are at 49.7% of budget to-date, with a projected year-end revenue total below budget by approximately \$64,046. This fund has a significant amount of grant revenue primarily driven by the Federal CARES funding totaling \$11,332,043 and the return of the previously eliminated state SMAP funding totaling \$3,358,290.

Operating expenditures activity is currently at 27.74% to-date, with activity reduction driven by the delay in implementation of the latest transit service enhancements as well as other operational impacts. Total expenditures project to be well within budget, creating an overall budget variance of \$17.2 million.

#### Solid Waste Disposal Fund

Personnel expenditures for the second quarter of FY 2021-22 were at 54.44% and operating expenditures were at 38.40% of budget. Personnel expenditures are projected to be over budget for FY 2021-22 by \$464,475. Operating expenditures are projected to be under budget (positive variance of \$3,156,664), primarily in contractual services. The Department overall expects a positive budget variance of \$1,955,881.

#### Stormwater Management Fund

The Stormwater Management Fund provides for the management and maintenance of operational expenses of stormwater activities which include street cleaning. A transfer is also made from the operating fund to Stormwater CIP project funds for private property and watershed planning and design projects. The Stormwater Fund is a self-sufficient Enterprise Fund and receives no tax support.

At the end of the second quarter, the Stormwater Fund has received 70.54% of projected operating revenues, which is up by 1% in comparison to the same time last year. Revenues are projected to come in slightly under budget by \$13,200 while projected expenditures are expected to be under budget by \$131,524 for an overall budget variance of \$144,234. The fund anticipates using fund balance this fiscal year largely due to CIP projects.

### Parking Facilities Fund

At the end of the second quarter, the Parking Fund has received 45.01% of budgeted operating revenues. The effects of the pandemic continue to impact demand for parking, driving the decrease in revenues. Total revenues are projected to fall under the budgeted total by approximately \$244,106. In addition to operating revenue, the fund also receives a portion of its revenue as a transfer from the Debt Service Fund.

Personnel services are currently at 51.39% of budget, but the projection has the fund coming in under budget by \$15,522. Operating expenses are at 21.74% of budget, with encumbered funds tied to building maintenance and other contractual services. Total operating expenses are projected to come in over budget by \$13,841. The fund expects an overall negative budget variance of \$257,947.

### **Exhibit 3: Investments**

This provides a summary of the allocation of our investment portfolio as well as the investment earnings so far during the current fiscal year.

### **Exhibit 4: Risk**

This provides a report of claims payments made to liability claimants in accordance with Council Resolution #8810.

### **Exhibit 5: Contracts**

This provides a summary of the number and type of contracts that were authorized so far during the year in accordance with Council Resolution #9673.

### **Exhibit 6: Impact Fees**

This table shows the amount of impact fee funds available by zone for streets, open space, and parks. Project obligation by current ordinance is also shown. Revenues shown are actual revenues year-to-date.

### **Exhibit 7: Planned Debt Issuance**

This report summarizes any actual and planned debt issuance for the current fiscal year.

### **Exhibit 8: Donations Report**

This report lists amounts donated to the City from various sources.

### **Exhibit 9: CIP Stoplight Report**

This report summarizes the progress of all Council approved capital projects.

### **Alternatives**

City Council could choose not to receive the FY2021-22 Second Quarter Financial Report.

### **Financial Impact**

The fourth quarter report is a presentation of financial information and does not have a financial impact.

### **Equal Business Opportunity Summary**

This item is a presentation of financial information. It was not reviewed by the Equity & Inclusion Department for compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.

**Contractor Workforce Diversity & Hiring Practices**

Due to the nature of this agenda item, obtaining Contractor Workforce Diversity & Hiring Practices information is not applicable.

**Attachments**

FY2021-22 Second Quarter Financial Exhibits