



Date: September 10, 2020

To: Thomas J. Bonfield, City Manager
Through: Wanda S. Page, Deputy City Manager
From: Bertha T. Johnson, Director of Budget and Management Services
David Boyd, Finance Director
Subject: FY2019-20 Fourth Quarter Financial Report

Executive Summary

The administration is pleased to present the Fourth Quarter Financial Report for FY 2019-20. This report is based on twelve months of financial information. The administration presents each quarterly report to City Council at a regularly scheduled work session. A presentation of this report will be provided to the City Council at the September 10th work session. The report will also be published on the City's website at: <http://durhamnc.gov/Archive.aspx?AMID=39>

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 Services Funds 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 fourth quarter of FY2020. All departments ended the year within budget. Departments spent \$5.1M less than budgeted, with personnel costs savings of \$419K and savings in operating and other costs of \$4.7M.

Property Taxes: Year-end collections were at \$194M for all funds compared to \$176M for the same period in FY2020 (positive variance of \$17M or 10%). The 2020 amount includes property tax in the General Fund, Debt Service Fund, Solid Waste Fund, Transit Fund and Dedicated Housing Fund. General Fund property taxes were at \$112M (an additional \$3.3M or 102.5% compared to budget).

Sales Taxes: The City will receive the final sales tax payment for FY2020 and the fourth quarter payments on electricity and natural gas in September 2020. Based on actuals from April and May 2020 as well as an estimate of June's collections based on historical data, the City expects to end the year at \$67.2M, a decrease of \$1.4M from what was budgeted. This decrease is driven by COVID-19's effects on the economy which cut into extremely strong collections for the first three quarters of FY20. The actual sales tax number will be adjusted when the September payment is received. In FY19 the City received \$66.9M in sales tax.

Other Revenues: At approximately \$3.3M, utility franchise tax was down \$343K compared to last fiscal year. Permits increased by \$48K compared to the previous fiscal year (10.6% increase). Occupancy tax decreased by \$298K in FY20 (10.8% decrease). Powell Bill increased by \$39K in FY20 to \$6.35M (.6% increase). Charges for services decreased from \$9.8M in FY19 to \$8.9M in FY20, a

decrease of \$889K (9.1% decrease). Sale of Property decreased from \$1.08M in FY19 to \$1.01M in FY20 (a decrease of \$66K or 6.1%)

The following chart shows a comparison of major revenues for Quarter 4, 2020 and 2019. As shown, total major revenues (excluding property tax) year-end for FY2020 are \$97,593,488 compared to \$98,989,299 for FY2019.

General Fund Major Revenues

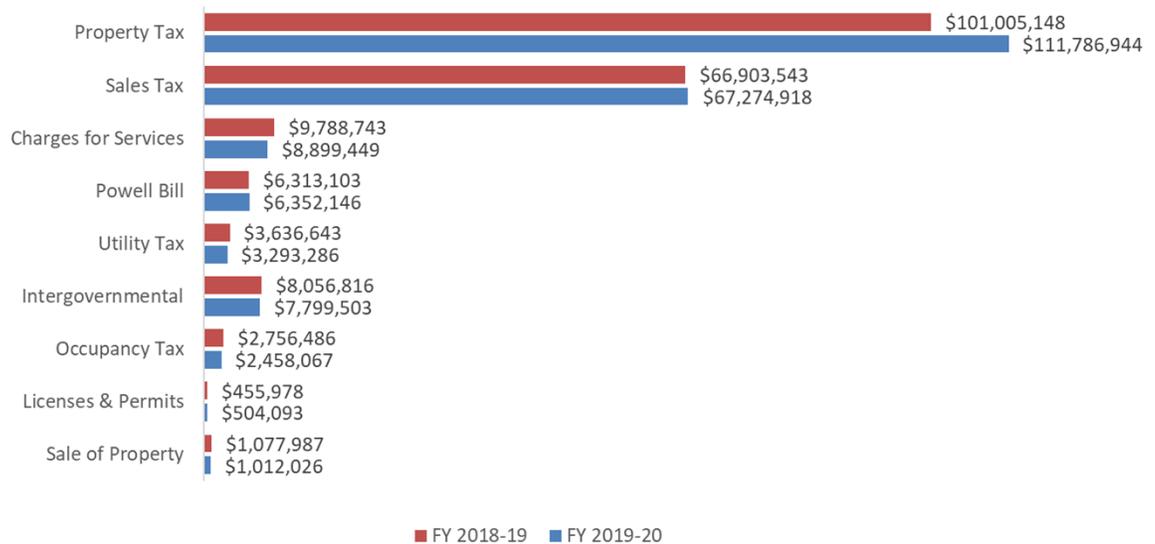


Exhibit 2: Enterprise Fund Budget-to-Actual

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

For the fourth quarter of FY 2020, operating revenues exceeded budget, coming in at 100.96% of budgeted operating revenue. Non-operating revenues, which include investment income, came in at 161.84% of budget. Overall revenues exceeded budget by \$3.4M, coming in at 103.20% of budgeted revenue. Personnel expenses came in at 105.53% of budget due to the 2019 City-wide compensation and class study. Operating expenses (not including encumbrances) came in at 97.23% of budgeted operating expenses. Overall expenditures came in at 95.95% of budget.

Operating Transfers to other funds are budgeted to move accumulated cash from the operating fund to pay for the large CIP program in the water/sewer enterprise. The original budget of \$37.3 million was estimated based on upon the expected timing of CIP spending as well as anticipated borrowing and end of year cash balances. At the end of the fiscal year, once actual CIP spending and borrowing amounts were known, the actual transfers were adjusted to ensure appropriate levels of cash remained in both the operating and capital funds. This results in a \$5 million positive variance from budget. This should not be interpreted as either positive or negative as it relates to the financial performance of the water utility overall since the transfers were only intended to move existing cash from operating to capital within the overall enterprise.

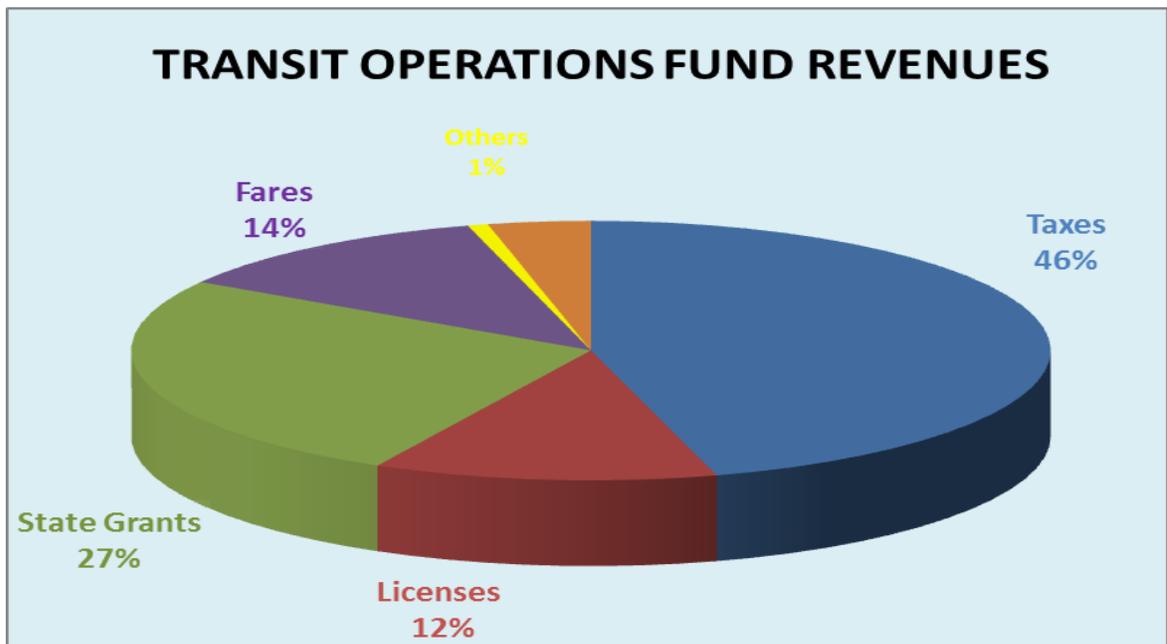
The Water and Sewer Fund is a self-sufficient enterprise fund deriving all revenues from charges to customers and receives no tax support. All excess funds of revenues over operating and debt

expenditures are dedicated to capital projects. The fund has consistently finished each fiscal year in a strong financial position.

Transit Operations Fund

The Transit Fund ended the year with a \$668K surplus; which is \$631K more than anticipated compared to adjusted budget. Operating revenues collected were 74.39% for the year, however overall revenues were 101.5% and can be attributed to better than expected property tax and federal grant proceeds. Fixed route services revenue is down primarily due to COVID 19 impacts and fare free practices that were implemented in March. Overall revenues for the year were up by 1.5% of projected.

Operating cost will be slightly over budget by \$43K and can be attributed to increased contractual labor costs. Overall projects are over budget.



The Transit Operations Fund receives a significant amount of support from property taxes (3.56 cents per \$100 on the tax rate). These funds account for about 46% of budgeted fund revenues in the FY2020 adopted budget. State grants are another large funding source for the Transit Operations Fund. With fee increases last approved in FY2004, charges to system riders return approximately 14% of the cost of operations. The Transit Operations Fund is not inclusive of federal transit grants, about \$7.2M estimated for FY2020, which are also used to support the GoDurham transit system personnel and maintenance/capital costs.

Solid Waste Fund

The Solid Waste Fund received less operating revenues than budgeted for FY20, collecting \$825K less than what was anticipated. This decrease is due primarily to lower than expected revenues from yard waste fees and MSW tipping fees. Due to the COVID-19 pandemic, yard waste fees were not collected and the transfer station was closed for much of the third quarter which affected these revenue sources. Total revenues collected for the Solid Waste Fund were roughly \$84K above what was budgeted for FY20.

Personnel expenditures for the Solid Waste Fund were roughly \$323K over budget for FY20. This is due primarily to overage in overtime expenses and premium pay. The Solid Waste Fund had some operating savings in FY20. The fund will end the year with a surplus of \$709K which is a \$648K positive variance relative to budget.

Storm Water 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 Capital Improvement Program 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 fourth quarter operating revenues are 105% of the adjusted budget, down 3% over the same period last year. This decrease is largely due to the timing of billing receipts related to the coronavirus outbreak. The Stormwater fund had a slight increase in personnel expenses due to the transfer of personnel savings to operating to cover capital expenses.

The surplus in revenue collections and savings in expenditures will leave the fund in a positive position of \$1.64M relative to adjusted budget, which will allow the fund to balance with less fund balance than adopted.

Parking Facilities Fund

The Parking Fund is anticipated to end the year with a \$2.23M deficit for FY2020; which is an increase of \$806K over the funds adjusted FY20 budget. Operating revenues were significantly under budget by 25.46%. Operating Revenue shortfall (\$1.5M) is attributed to the suspension of fee collections during the COVID outbreak. This factor impacted both monthly and hourly parking revenue trends as programming changes were implemented in March. There were significant savings in personnel due to the layoff of part-time personnel and staff assigned to various functions, such as parking fee and citation collection during the height of COVID-19 stay in place orders. The savings in operating expenditures helped to offset the revenue loss.

Ballpark Fund

The Ballpark Fund currently relies on the General Fund and the Debt Service Fund for 74% of budgeted funding. In January 2014, all operations became the responsibility of the Durham Bulls under the new agreement. The remaining budget items include debt service payments, the collection of interest, and the revenue sharing established in the most recent agreement. The Ballpark Fund finished FY20 with a surplus of roughly \$155K, primarily due to FY20 maintenance projects deferred to FY21 due to COVID-19.

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.

Exhibit 6: Impact Fees

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

Exhibit 7: Planned Debt Issuance

This report summarizes any actual debt issuance so far for the current fiscal year.

Exhibit 8: Donations Report

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

Exhibit 9: CIP Stoplight Report

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

Exhibit 10: 2019 Tax Settlement Report

The tax settlement report for 2019 provided by the Durham County Tax Administrator.