

# Fiscal Year 2023 Budget Work Session

**April 7, 2022**

# Agenda

- Design Build
- FY2022 Year-End Projections
- FY2023 Budget Process Update
  - Budget Goals
- Compensation Philosophy
- Recent Debt Issuance Update & School Bond Referendum
- Broadband Update

# Design Build Project Delivery

**Eric Hilton**  
Facilities Director

# Project Delivery

## Multiple Paths Exist to Deliver Public Projects

- Design-Bid-Build
- Construction Management (CM) at Risk
- Design Build
- Public Private Partnership

# Design Build – Advantages

## **Can increase project efficiency**

- Single contract - Designer and Constructor on the same team
- Faster and more accurate cost estimates
- Faster time to produce construction bid packages
- Reduced change orders
- Reduced project schedule
- Faster ordering of long-lead equipment

## **Can improve risk management**

- Risks from existing conditions reduced with Contractor on design team
- Schedule acceleration means less inflation risk
- Budget is known sooner, allowing adjustments to scope before entire design is complete

## **Can increase MWBE participation**

- Flexibility in construction bid package development

Time is money, anything that provides information sooner will save money on the project.

# Design Build – Things to Monitor

- May require a third party for certain projects for technical oversight
- Perceived loss of control over a project
- Perceived increase in project costs

# Project Delivery Approaches

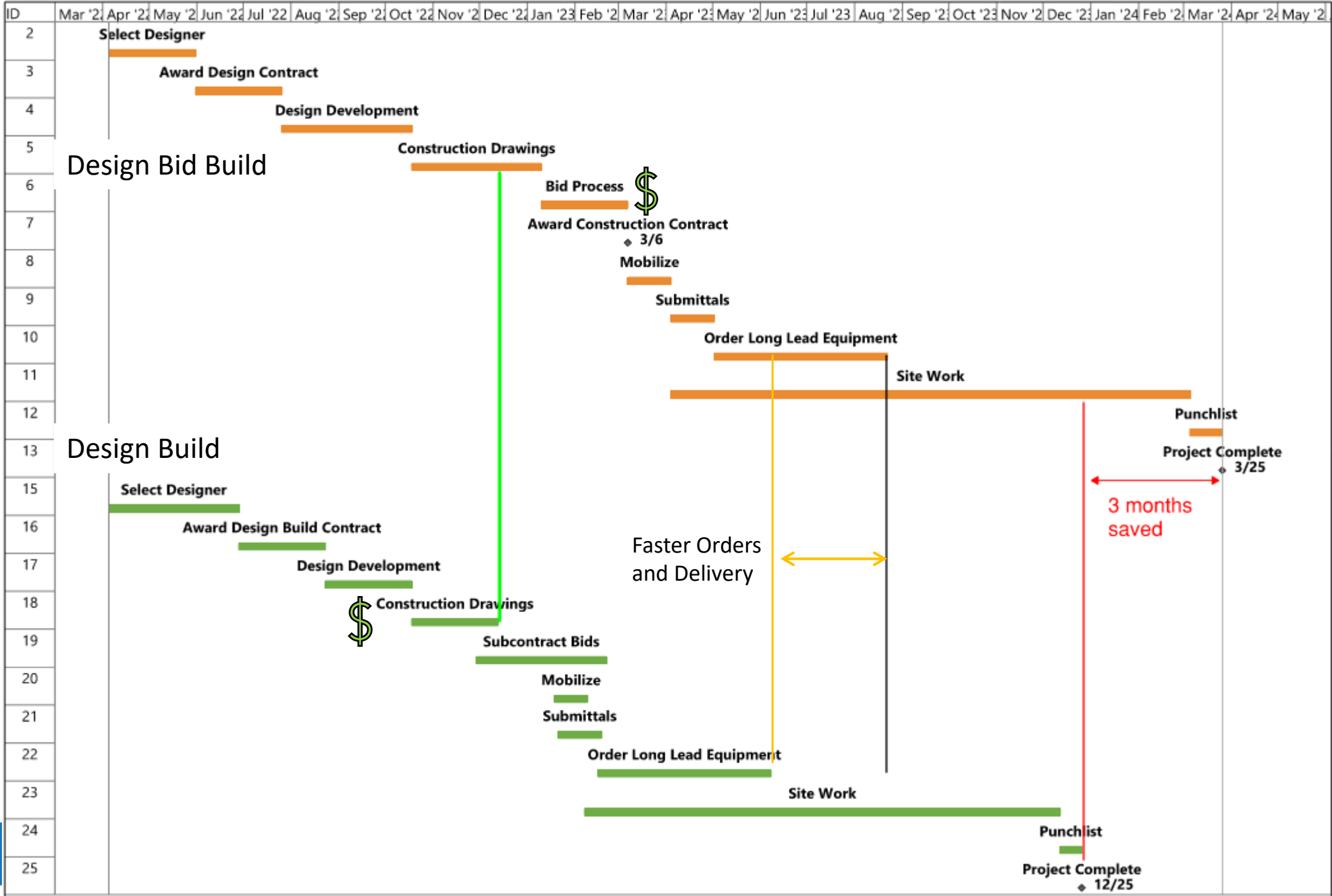
## Traditional Design –Bid-Build

- Select an Architect via Qualifications Based Selection
- Negotiate and award design contract
- Produce design documents
- Architect produces cost estimate
- Produce Bid Package
- Receive Bids:
  - ***Is Project within Budget?***
- Award construction contract
- Order materials
- Field construction

**VS**

## Design Build

- Select Design Build Team via Qualifications Based Selection
- Negotiate and award Design Build Contract
- Contractor and Designer engaged up front in design process
- Conceptual Design
  - Contractor + Designer produce cost estimate
  - ***Is Project within Budget?***
- Detailed design: *Budget is refined*
- Subcontract bids as soon as bid package designs are complete
- Order Equipment
- Field Construction





# County Facility Bond (\$41m)

## Project Approach

Design Build approach may be most effective for:

1. Building Systems and Interior Renovations
  - HVAC – Several facilities
  - Roofing – HP Detention
  - Interior space improvements - Courthouses
  - Generator replacement – HP Detention
  - Parking lot resurfacing – Greensboro Public Health
2. Building Envelope Improvements
  - Greensboro Detention Facility
  - Greensboro Public Health
  - Courthouses

# Statutory Requirements

- Statutes require six factors be addressed to pursue Design Build.
  1. Ability to define project requirements in the RFQ
  2. Time constraints for the project
  3. Ability to ensure a quality project can be delivered
  4. Ability of staff or outside consultants to manage Design-Build
  5. Good faith effort for HUB and small business participation
  6. Criteria used to select Design-Build vs. traditional bidding, including cost-benefit analysis
- Our team has addressed these items and are prepared to meet the requirements.

# Our Ask

- Facilities would like the Board's agreement to pursue Design Build as the project delivery method for the Building Renovations and Building Envelope projects
- This is not a binding decision:
  - If the RFQ process does not yield the desired results, we can switch back to design-bid-build.
- Facilities and Purchasing will send the RFQ packages out this month to begin the process

# FY2022 Year-End Projections

**Rusty Mau**

Budget & Management Services  
Assistant Director

# FY22 Budget

## Adopted Budget

**\$675.5** million  
budgeted expenditures

**\$639.5** million  
budgeted revenues  
(excluding appropriated fund balance)

**\$35.9** million  
appropriated fund balance



## Amended Budget

**\$715.8** million  
budgeted expenditures

**\$666.2** million  
budgeted revenues  
(excluding appropriated fund balance)

**\$49.6** million  
appropriated fund balance

# FY22 General Fund Projection

**\$666.2 million**

budgeted revenues  
(excluding appropriated fund balance)

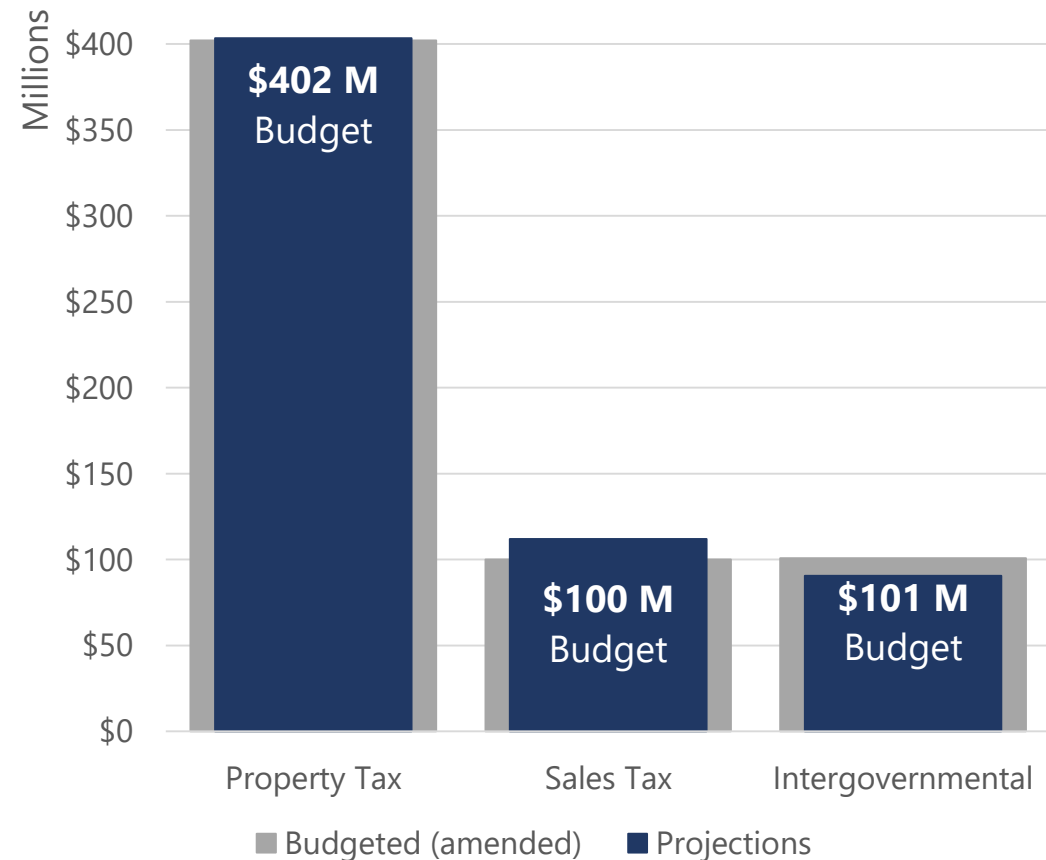
**\$665 - \$676 million**

projected revenues

**~101%**

projected revenues of budget  
(excluding appropriated fund balance)

Top 3 revenue types



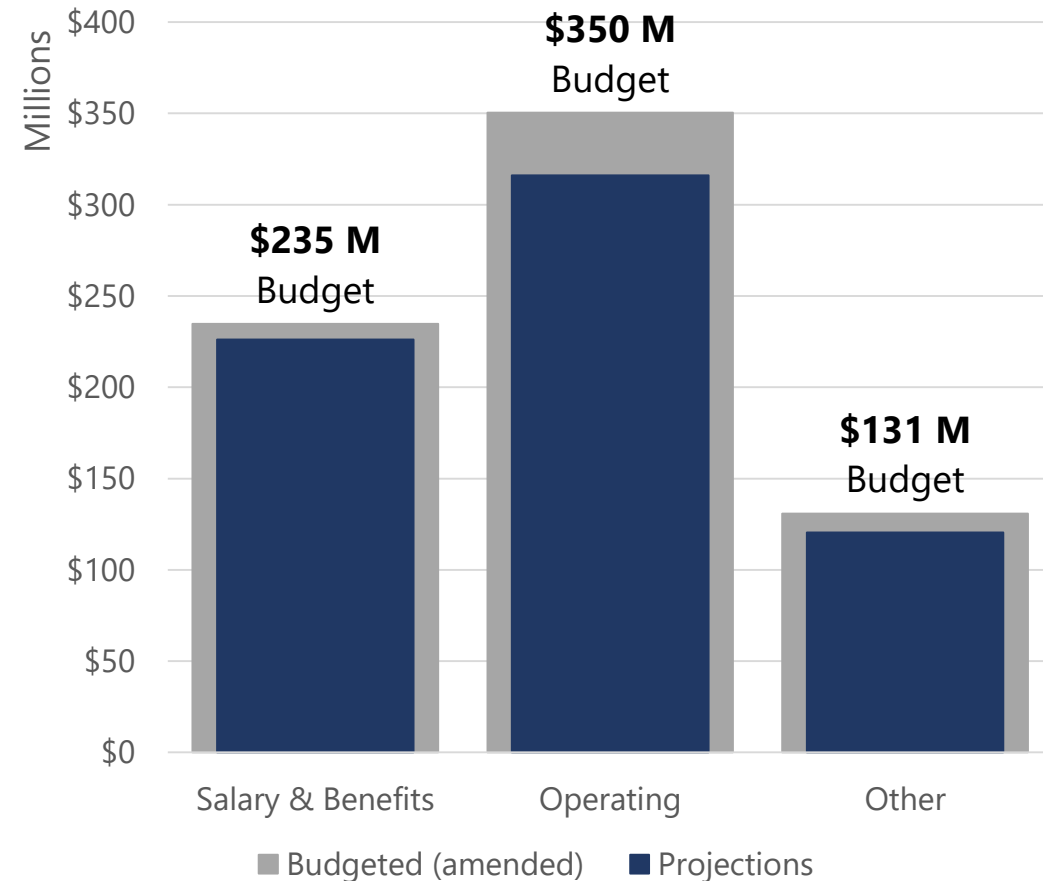
# FY22 General Fund Projection

**\$715.8 million**  
budgeted expenditures

**\$662 - \$670 million**  
projected expenditures

**~93%**  
projected expenditures of budget

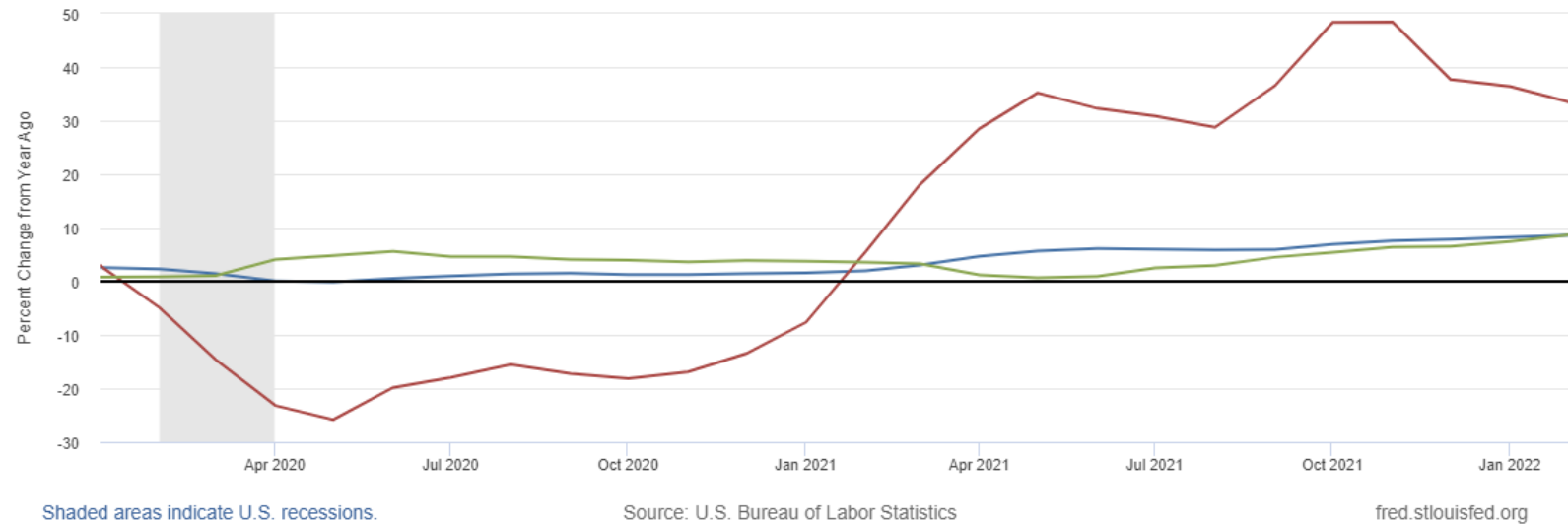
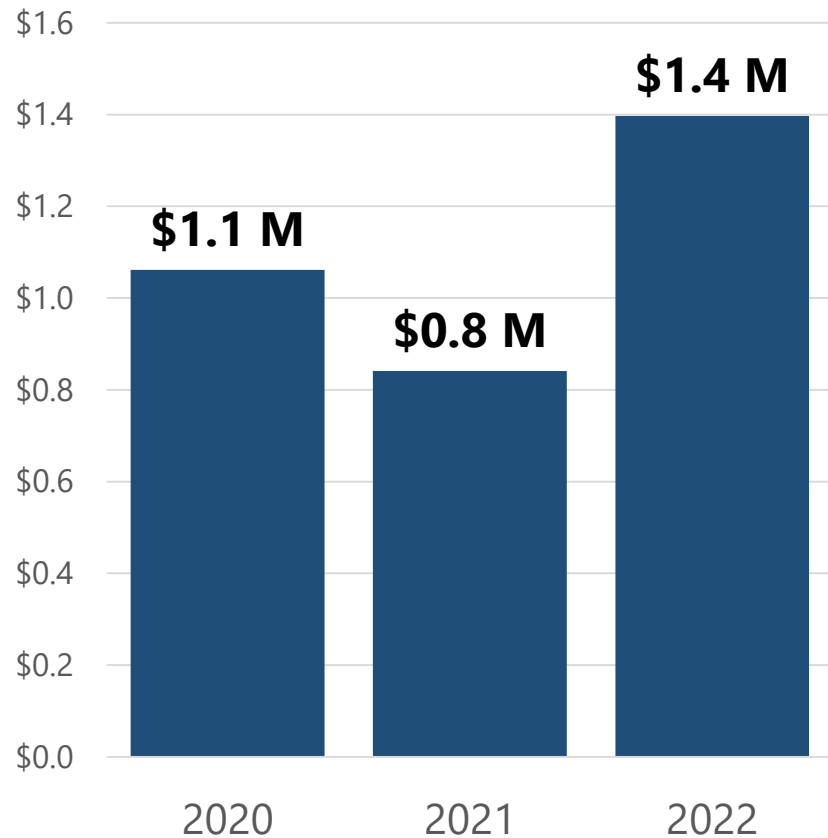
Top 3 expenditure types



# Is Inflation Impacting Spending Trends?

## Vehicle Fuel

Year-to-date (Mar), millions of dollars



- Consumer Price Index for All Urban Wage Earners and Clerical Workers: All Items in U.S. City Average
- Consumer Price Index for All Urban Consumers: Fuel Oil and Other Fuels in U.S. City Average
- Consumer Price Index for All Urban Consumers: Food at Home in U.S. City Average





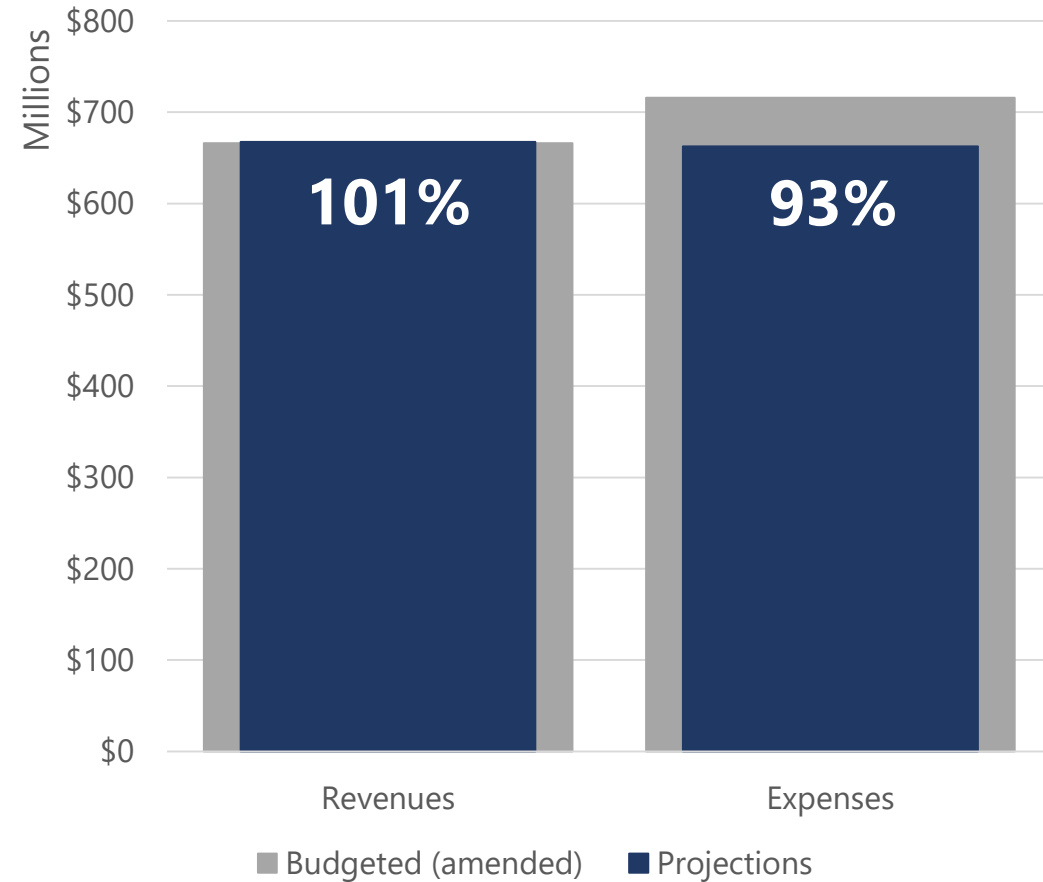
# FY22 General Fund Projection

**\$49.6 million**

budgeted appropriated fund balance  
(FY22 amended)

**\$0 - 6 million**

projected contribution to fund balance



# FY2023 Budget Update

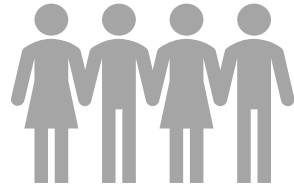
**Toy Beeninga**

Budget & Management Services Director

# Core Values



**Transparency &  
Communication**



**Equity &  
Inclusion**



**Accountability**



**Service &  
Outcomes  
Excellence**



**Our People  
Matter**

# FY2023 Budget Process

- ✓ Establish base budget with pay and benefits for current employees, and contractual obligations
- Finalize revenue projections, considering broader economic trends
- Consider compensation strategies and requested expansions
- Board Work Sessions on Budget
  - County Manager presents Recommended Budget on May 19
  - Public Hearings on Budget on June 2
  - Board Consider Budget for Adoption on June 16

# Early Review of FY2023 Budget

## Revenue Growth:

\$15 - \$18 million

- Strong sales tax
- Base property tax growth
- Reduce fund balance appropriation for school supplements
- Reduce other fund balance

**Base revenue growth  
should cover base  
expense growth**

## Expense Growth

\$13 – \$18 million

- Full-year compensation of FY22 salary adjustments
- Mandated retirement cost increases
- Contractual increases
- Fuel increases
- Expenses offset with federal/state funding

**Does not include  
expansions, school  
requests, or policy  
decisions**

# FY2023 Budget Process

- Decision packages from departments:
  - ~70 decision packages received
  - ~100 positions requested across various functional areas
  - Base increases requested to meet current service level demands
- Received GTCC budget request for ~\$1.4m
- Guilford County Schools presents budget to BOE on April 12
- Departments meetings scheduled through mid-April

# Board Priorities



- School Bonds
- Reduce Community Disparities
- Improve County Communications
- Intentional Collaboration
- Staff Resources
- School Nurses

# Board Priorities Underway



School Bonds, Phase 1- voters approved \$300m; \$120m issued in March 2022



School Bonds, Phase 2 – Commissioners approved \$1.7b on May 2022 ballot



14 New County-Funded School Nurse Positions (total of 56)



Continued State funding for 50 COVID Coordinator Positions



County Communications – Final selection underway for PR Director



Reducing infant mortality via support for Coalition on Infant Mortality, Every Baby Guilford, and other initiatives.



# FY2023 Budget Guidelines

- Establish a **competitive compensation** structure that allows us to recruit and retain the talent needed to support the Board's service level expectations.
- Build appropriate staff capacity for **internal support functions** that are responsible for recruiting and retaining talented team members and managing and safeguarding our fiscal and physical assets.
- Build appropriate staff capacity for **external service functions**, particularly in those functions responsible for mandated services and needed to support economic development successes.
- Implement a sustainable funding model for **new and renovated schools**
- Establish sustainable funding for FY 2022 increases (recurring) that are being supported by **fund balance**
- Accelerate our **data operationalization** efforts, **digital government transformation** work, and **public communication** efforts.

# Commissioner Comments

Direction from Board on if these priorities remain relevant for Fiscal Year 2023?

- School Bonds
- Reduce Community Disparities
- Improve County Communications
- Intentional Collaboration
- Staff Resources
- School Nurses

# Compensation Philosophy

**Joanette Freeman**  
Human Resources Director

# Competitive Compensation

**Goal:** Recruit and retain the talent needed to support the Board's service level expectations.

- Assists in building appropriate staff capacity for **internal support functions** and **external service functions** by filling current vacant positions

**Current effort:** Working with Lockton consulting to evaluate the County's market competitiveness

# History

## Phase 1

- **2018** - County retained Lockton Company to build a new market-based classification and compensation structure. Goal: identify competitive pay grades and place people in pay grades according to weighted factors such as qualifications, experience, time in job, performance, etc.

- **2019** - Board determined that County should be competitive at the 50% percentile of the studied market.
- **2019** - Plan was presented to Board. Administration's recommendation was for partial implementation (for people below market rate) over three years, with an annual cap on % change. The Lockton recommended 2% annual maintenance was not included in the proposed three-year implementation plan.

## Phase 2 Pause & Resumption

- **2019** – County implemented Phase 1.
- **2020** – Phase 2 funding was not included in the FY 2021 budget due to pandemic-related revenue concerns.
- **2021** – Board approved resumption of Phase 2 upon review of revenue conditions and county-wide vacancies.

## Phase 3

- **2021** – Phase 3 funding was included in the FY 2022 budget. Phase 3 was implemented in July 2021.
- **2021** – General Plan/Grade adjustment of 5% for all positions

# What is a Compensation Philosophy?

- Operationalizes the organization's framework for employee compensation and total reward strategies
  - Pay-related factors such as cost of living increases
  - Merit pay
  - Bonuses
  - Starting salary considerations
  - Relocation incentives
  - Non-monetary incentives and benefits

# Why Develop a Compensation Philosophy?

- To attract, retain and motivate employees through a competitive, market-based compensation and benefits system
- Ensures internal and external equity
- Recognize performance and sustained contributions to the organization
- Provide opportunities for growth
- Best industry practice, as identified by Human Resources Transformation Study

# Compensation Philosophy

Factors to consider when implementing this philosophy:

- Define market competitiveness:
  - The level at which an organization wants to pay based on all peer organizations that have a similar position
    - Market Leader
    - Staying ahead of Market
    - Matching the Market
    - Lag the market
- Define total compensation, including benefits



# Compensation Philosophy

Peers in market study include:

<b>Randolph County, North Carolina</b>	City of Winston Salem, North Carolina	Lafayette Parish, Louisiana
Davidson County, North Carolina	<b>Wake County, North Carolina</b>	Ingham County, Michigan
<b>Forsyth County, North Carolina</b>	<b>Mecklenburg County, North Carolina</b>	Greene County, Missouri
Stokes County, North Carolina	<b>New Hanover County, North Carolina</b>	<b>Douglas County, Nebraska</b>
<b>Rockingham County, North Carolina</b>	Buncombe County, North Carolina	Lucas County, Ohio
Caswell County, North Carolina	<b>Orange County, North Carolina</b>	Montgomery County, Ohio
Alamance County, North Carolina	Durham County, North Carolina	<b>Greenville County, South Carolina</b>
Chatham County, North Carolina	Chatham County, Georgia	<b>Richland County, South Carolina</b>
<b>City of Greensboro, North Carolina</b>	Vanderburgh County, Indiana	Knox County, Tennessee
<b>City of High Point, North Carolina</b>	Lubbock County, Texas	Bristol City, Virginia



# Compensation Philosophy

Policy considerations on Compensation Philosophy. What is our goal?

**Market Leader** – Approximately 75th percentile or greater  
Pay higher than 75 percent of peers/market

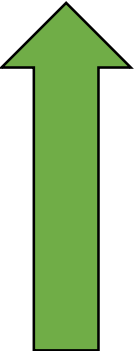
**Stay Ahead of Market** – Approximately 60th percentile  
Pay higher than 60 percent of peers/market

**Match the Market** – 50th percentile  
Pay higher than 50 percent of peers/market

**Lag the Market** – 25th percentile  
Pay higher than 25 percent of peers/market

# Compensation Philosophy

Policy considerations on Compensation Philosophy. What is our goal?



**Market Leader** – Approximately 75th percentile or greater  
Pay higher than 75 percent of peers/market

**Stay Ahead of Market** – Approximately 60th percentile  
Pay higher than 60 percent of peers/market



**Match the Market** – 50th percentile  
Pay higher than 50 percent of peers/market



**Lag the Market** – 25th percentile  
Pay higher than 25 percent of peers/market

Cost

# Compensation Philosophy

## **Total Compensation Items Under Review:**

- Benefit Design
  - Wellbeing program/outcome based wellness
- Retirement
  - 401(k) match and equity impacts
- Paid Time Off
  - Paid Parental Leave
  - Community Leave
  - Bereavement Leave
- Review Reinstating Longevity

# Compensation Next Steps

- Presentation at future work session with more detailed information
- Guidance from Board:
  - Impacts on service level expectations
  - Desire to be a **market leader**, **stay ahead of market**, **match the market**, or **lag the market**

# Sustainable Funding: County Capital

**Toy Beeninga**

Budget & Management Services Director

Collaboration with Finance Department

# County Core Values

- Transparency and Communication
- Equity and Inclusion
- **Accountability**
- **Service and Outcomes Excellence**
- **Our People Matter**

# Sustainable Funding

## Model Planning Principles – As Presented on November 18, 2021

1. Address County current and future capital needs and **deferred major maintenance** in a timely manner to provide **adequate public facilities and services**.
2. Protect County's ability to provide and enhance other services for our residents.
3. Design a **stable funding model** that fits existing revenue sources as much as possible.
4. Reduce overall cost of infrastructure or our residents by incorporating a more fiscally conservative "Pay-as-You-Go" model for construction, renovation, and maintenance.
5. Limit change in property tax rate to provide **predictability and stability** for our residents and businesses.



# Sustainable Funding

**Ideal scenario:** Construction, renovation and maintenance of our public infrastructure assets funded through:

- **“Small” needs:** annual cash in operating budget
- **“Medium” needs:** annual cash transfers to capital fund
- **“Big” needs:** borrow money and pay interest (debt)

# Sustainable Funding

- County identified approximately \$96 million of deferred maintenance needs.
- Board approved \$41 million utilizing two-thirds GO bonds

Project	Bond Order Category	Appropriation
BB&T Parking Deck Repairs	Parking Facility Bonds	\$ 2,000,000
Bryan Park North ( <i>Bryan Park Expansion</i> )*	Park & Recreation Facility Bonds	1,000,000
Greensboro Courthouse Renovation	Public Building Bonds	6,400,000
Greensboro Detention Center Renovation	Law Enforcement Facility Bonds	2,000,000
Greensboro Governmental Plaza Parking Deck Repairs	Public Building Bonds	8,000,000
Greensboro Public Health Renovation (1100 Wendover)	Public Health Facility Bonds	1,500,000
Hagan-Stone Park Repairs	Park & Recreation Facilities	1,000,000

Project	Bond Order Category	Appropriation
High Point Courthouse Plaza Repairs	Public Building Bonds	2,400,000
High Point Courthouse Renovation	Public Building Bonds	3,500,000
High Point Detention Center Renovation	Law Enforcement Facility Bonds	2,300,000
Independence Center Renovation	Public Building Bonds	1,000,000
Old Courthouse Basement Water Intrusion ( <i>Old Courthouse Renovation</i> )*	Public Building Bonds	1,000,000
Sheriff's Office/LEC Demo ( <i>Law Enforcement Admin Bld Reno</i> )*	Public Building Bonds	8,900,000

# 2022A Bond Sale (\$41M)

- Interest rate of **2.612%**
- Premium used to cover interest for first 3 years (third year partial)
- Moody's, S&P Global, and Fitch affirmed **AAA** rating

Sources of Funds	
Par Amount	41,000,000
Net Premium	4,292,255
<b>Total Sources of Funds</b>	<b>45,292,255</b>

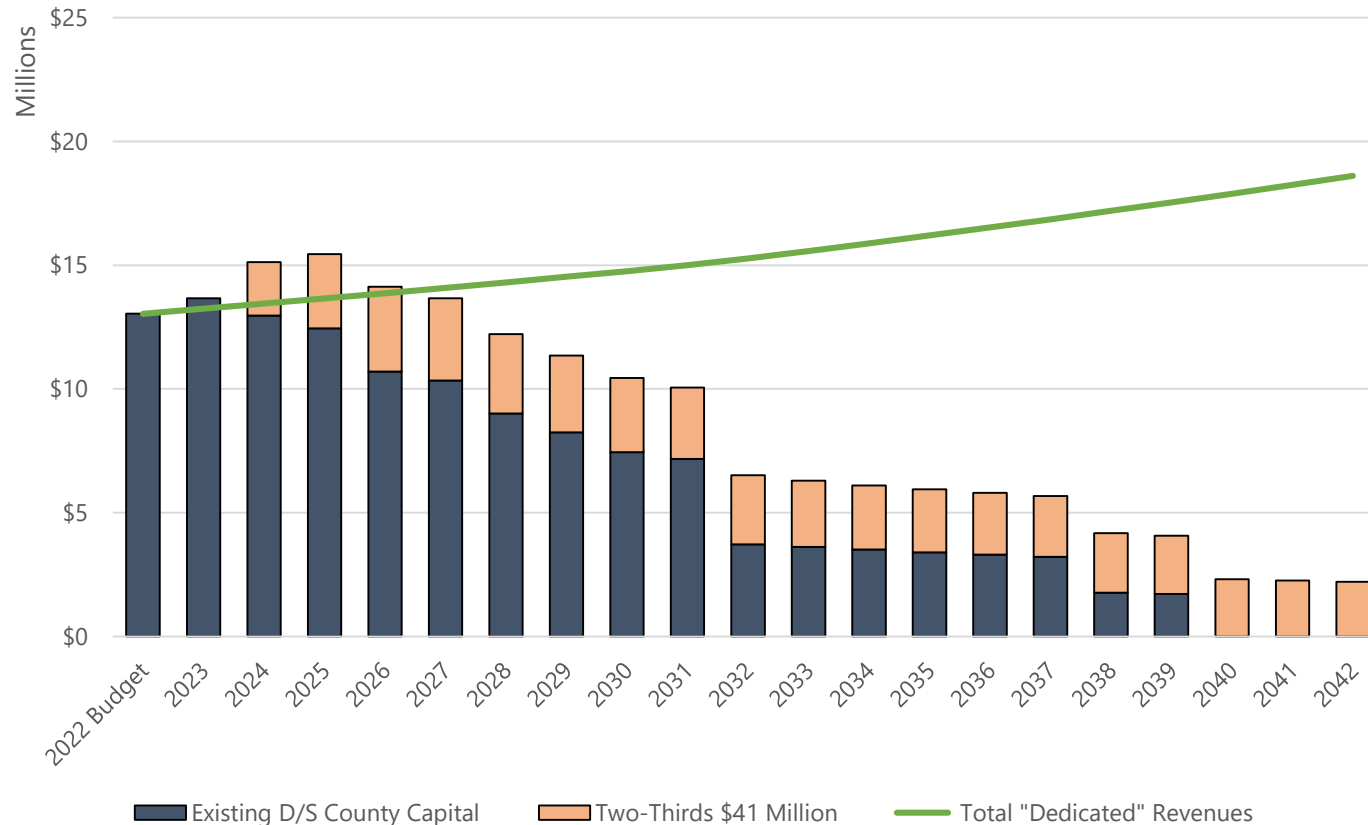
Uses of Funds	
Project Fund	41,000,000
Debt Service Fund	3,906,455
Cost of Issuance	177,000
Underwriter's Discount	208,800
<b>Total Uses of Funds</b>	<b>45,292,255</b>

# 2022A Bond Sale (\$41M)

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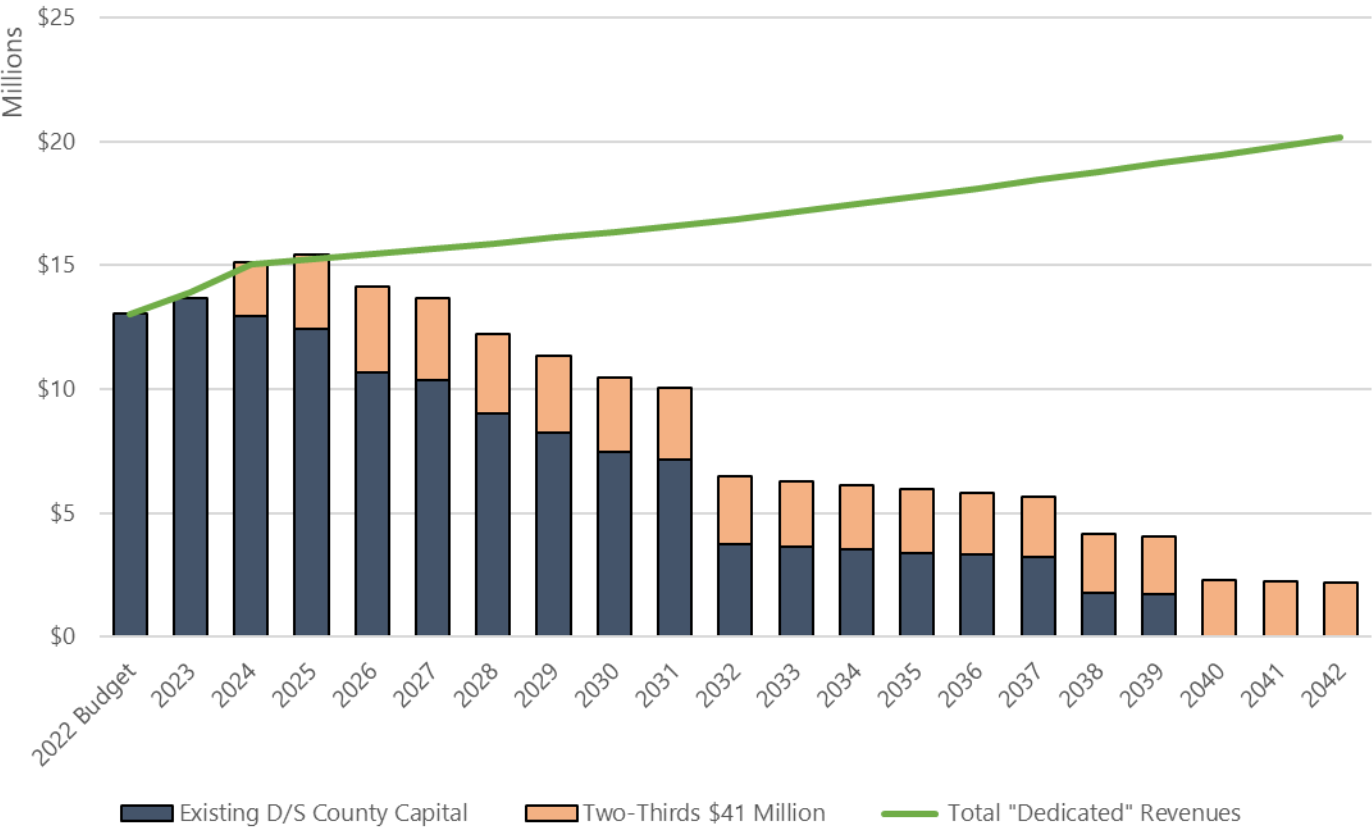
Debt Service				
Fiscal Year	Principal	Interest	DSF	Net Debt Service
2023	-	1,512,351	(1,512,351)	-
2024	2,160,000	1,670,081	(1,670,081)	2,160,000
2025	2,160,000	1,562,081	(724,022)	2,998,059
2026	2,160,000	1,454,081	-	3,614,081
2027	2,160,000	1,346,081	-	3,506,081
2028	2,160,000	1,238,081	-	3,398,081
2029	2,160,000	1,130,081	-	3,290,081
2030	2,160,000	1,022,081	-	3,182,081
2031	2,160,000	914,081	-	3,074,081
2032	2,160,000	806,081	-	2,966,081
2033	2,160,000	698,081	-	2,858,081
2034	2,160,000	611,681	-	2,771,681
2035	2,155,000	525,281	-	2,680,281
2036	2,155,000	460,631	-	2,615,631
2037	2,155,000	395,981	-	2,550,981
2038	2,155,000	331,331	-	2,486,331
2039	2,155,000	266,681	-	2,421,681
2040	2,155,000	202,031	-	2,357,031
2041	2,155,000	134,688	-	2,289,688
2042	2,155,000	67,344	-	2,222,344
<b>Total</b>	<b>41,000,000</b>	<b>16,348,814</b>	<b>(3,906,455)</b>	<b>53,442,359</b>

# Sustainable Funding



- Debt service for County facilities equates to **2.3¢** of property tax
- **+\$676,000** planned in FY2023 to cover debt repayment for existing county debt

# Sustainable Funding



Plan:

**FY2023:**

\$676,000

**FY2024:**

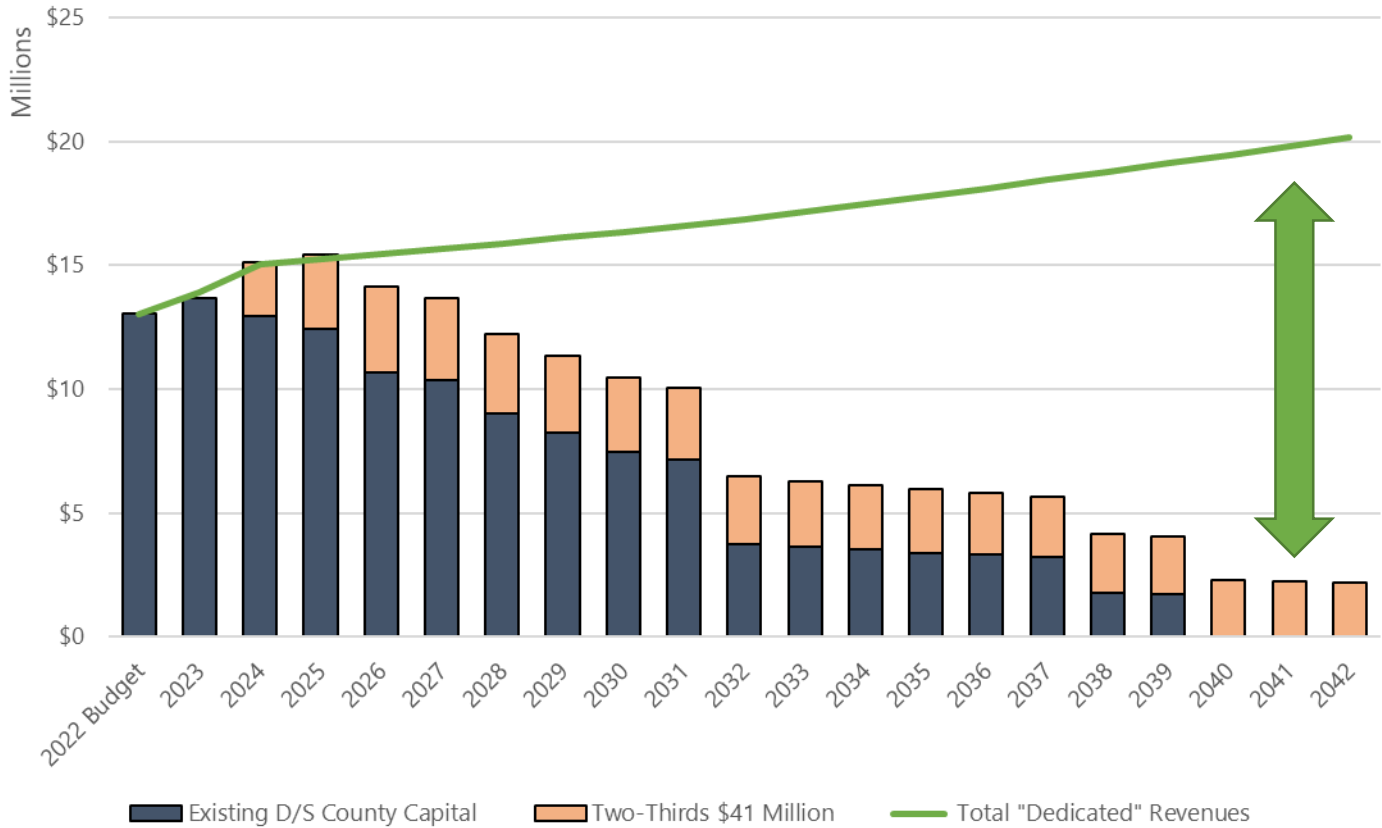
\$676,000 + \$899,000 =  
\$1.575M

**FY2025+:**

Build Pay-Go Capacity



# Sustainable Funding



Pay-as-You Go fiscal discipline model

Cash balance for future needs

Could use as debt repayment



# Budget Impact

- Continue to dedicate **~2.3¢** of property tax for county capital needs
- Building \$676,0000 in FY2023 and additional \$899,000 in FY2024
- Begin to convert to “pay-as-you-go” model for general county projects to reduce reliance on future debt



# Sustainable Funding: School Capital

**Toy Beeninga**

Budget & Management Services Director

Collaboration with Finance Department

# County Core Values

- Transparency and Communication
- Equity and Inclusion
- Accountability
- Service and Outcomes Excellence
- Our People Matter

# Sustainable Funding

## **Model Planning Principles – As Presented on November 18, 2021**

1. Address GCS and County current and future capital needs and deferred major maintenance in a timely manner to provide adequate public facilities and services.
2. Protect County's ability to provide and enhance other services for our residents.
3. Design a stable funding model that fits existing revenue sources as much as possible.
4. Reduce overall cost of infrastructure or our residents by incorporating a more fiscally conservative "Pay-as-You-Go" model for construction, renovation, and maintenance.
5. Limit change in property tax rate to provide predictability and stability for our residents and businesses.

# School Capital

- A primary function of county government in North Carolina is to provide funding for the construction and renovation of school facilities
- The Board of Education identified \$2 billion of school capital project needs based on findings of the School Facilities Master Plan (2019) and the Joint Facility Study (2018/2019) commissioned and funded by Guilford County and Guilford County Schools
- Voters approved \$300 million in school bonds in 2020 referendum
  - Two tranches: \$120 million and \$180 million
- Board approved \$1.7 billion referendum planned for May 17<sup>th</sup>

# 2022B Bond Sale (\$120M)

- Funds first tranche of \$300M school bond approved by voters in Nov 2020
- Interest rate of **2.574%**
- Premium used to cover interest for first 3 years (third year partial)
- Moody's, S&P Global, and Fitch affirmed **AAA** rating

Sources of Funds	
Par Amount	120,000,000
Net Premium	11,128,897
<b>Total Sources of Funds</b>	<b>131,128,897</b>

Uses of Funds	
Project Fund	120,000,000
Debt Service Fund	10,655,338
Cost of Issuance	348,000
Underwriter's Discount	125,559
<b>Total Uses of Funds</b>	<b>131,128,897</b>

# 2022B Bond Sale (\$120M)

- Funds first tranche of \$300M school bond approved by voters in Nov 2020
- Interest rate of **2.574%**
- Premium used to cover interest for first 3 years (third year partial)
- Moody's, S&P Global, and Fitch affirmed **AAA** rating

Debt Service				
Fiscal Year	Principal	Interest	DSF	Net Debt Service
2023	-	4,258,758	(4,258,758)	-
2024	6,000,000	4,717,394	(4,717,394)	6,000,000
2025	6,000,000	4,477,394	(1,679,186)	8,798,208
2026	6,355,000	4,177,394	-	10,532,394
2027	6,355,000	3,859,644	-	10,214,644
2028	6,355,000	3,541,894	-	9,896,894
2029	6,355,000	3,224,144	-	9,579,144
2030	6,355,000	2,906,394	-	9,261,394
2031	6,355,000	2,588,644	-	8,943,644
2032	6,355,000	2,270,894	-	8,625,894
2033	6,355,000	1,953,144	-	8,308,144
2034	6,355,000	1,635,394	-	7,990,394
2035	6,355,000	1,468,575	-	7,823,575
2036	6,350,000	1,293,813	-	7,643,813
2037	6,350,000	1,119,188	-	7,469,188
2038	6,350,000	936,625	-	7,286,625
2039	6,350,000	754,063	-	7,104,063
2040	6,350,000	571,500	-	6,921,500
2041	6,350,000	381,000	-	6,731,000
2042	6,350,000	190,500	-	6,540,500
<b>Total</b>	<b>120,000,000</b>	<b>46,326,352</b>	<b>(10,655,338)</b>	<b>155,671,014</b>

# Bond Sale (\$180M)

## Planned \$180 million issuance in FY2023

Should we accelerate due to interest rate climate?

- Two factors limiting ability:
  1. LGC does not generally approve the strategy of issuing new money bonds before you are ready to lock in lower rates. Projects would need to be ready to be spent.
  2. Tax law says you have to have a reasonable expectation at the time of closing to spend 85% of the bond proceeds within 3 years. Cash flow needs would need to be analyzed.
- Our financial advisors anticipate interest rates will be higher a year from now
- Adjusting bond models to reflect potential increased costs of borrowing

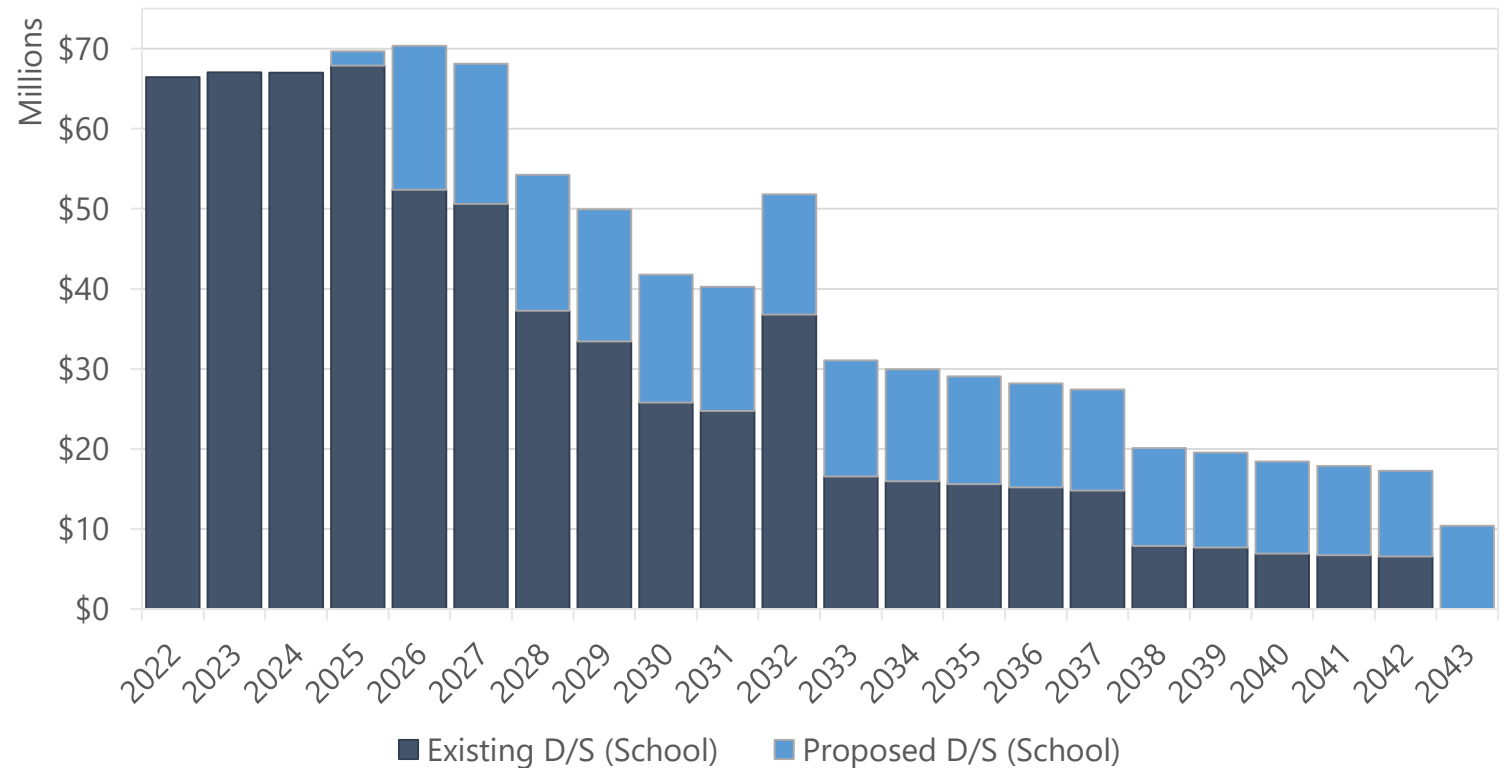
# School Debt

## Existing & Approved School Debt

Outstanding balance at end of FY2022 for current school debt:

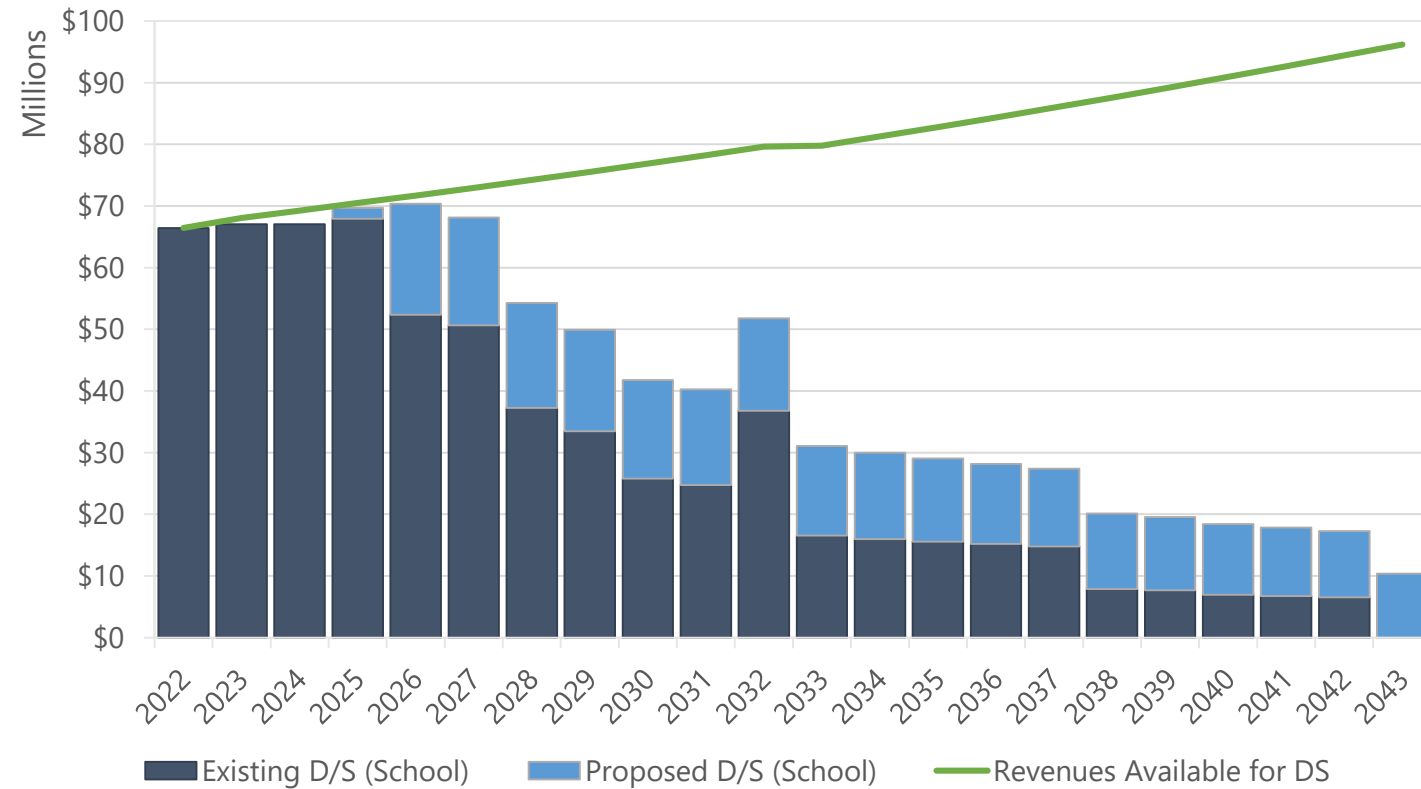
**\$476 million**

+ future issuance of **\$180 million**





# School Debt



- Current “dedicated” revenues and property tax rate **will cover** debt repayment expense
- “Dedicated” revenues and property tax rate will also **generate capacity to pay for additional capital needs and/or debt repayment**

# School Debt: Revenue Sources

- Restricted sales tax funds, American Recovery & Reinvestment Act of 2009 (ARRA) stimulus rebates, and lottery funds, are available to help pay for school capital needs
- Continue to dedicate ~**6.8¢** cents of property tax to fully fund existing school debt repayment

# 2022 Referendum: \$1.7 Billion

Can current “dedicated” revenues fully support debt repayment expense for \$1.7 billion?

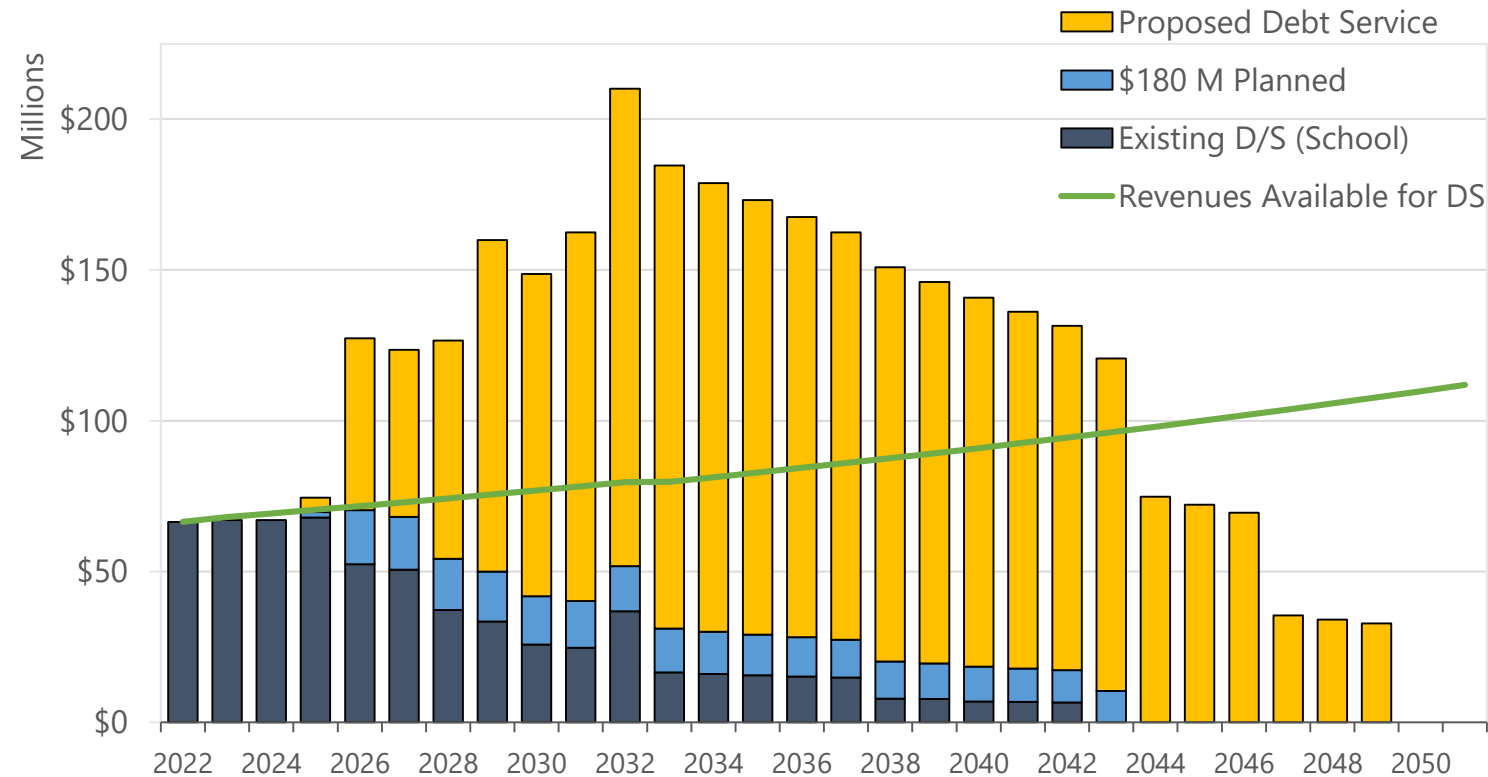
**No.** Debt expense will exceed recurring “dedicated” revenue

# 2022 Referendum: \$1.7 Billion

## How can we fully support \$1.7 billion?

**¼¢ Sales Tax** would provide on average ~**\$20-\$22 million** from 2023 to 2038.

On average, need an additional ~**\$30 million** per year from 2023 to 2038.

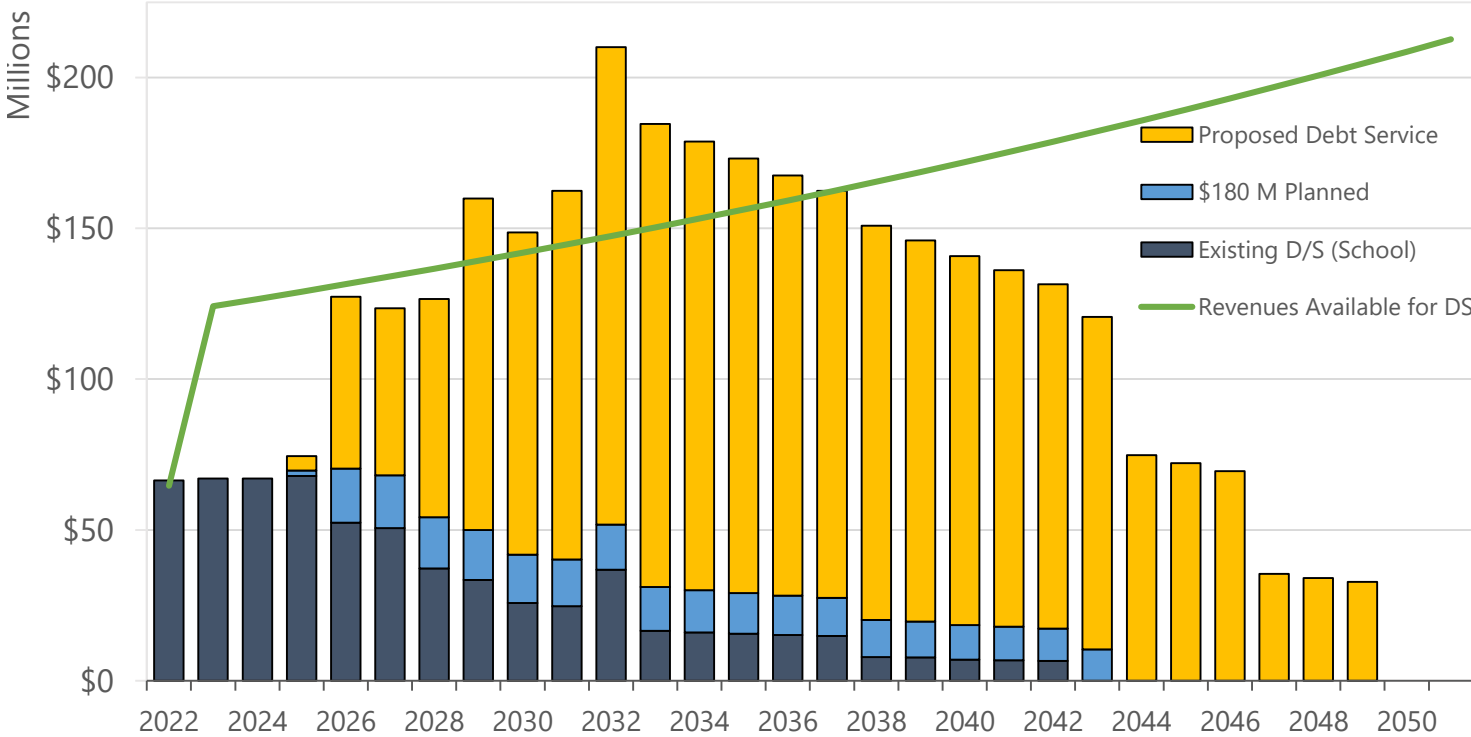


# 2022 Referendum: \$1.7 Billion

**How can we fully support \$1.7 billion?**

**Total need: \$50 million**

Review structure of tranches with financial advisors



# Broadband Update

**Jason Jones**

Assistant County Manager for Quality Government

# Broadband Update

- Full report, executive summary, and district specific analysis provided to Board for review
- Presentation at the April 21 Work Session

# Commissioner Comments

