

Capital & Debt

Guiding Principles



County Core Values

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

Guiding Principles



Board Priority Areas

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

Guiding Principles



Model Planning Principles

- 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.

Purpose



- Review capital needs for County and GC Schools.
- Review funding models to address public building renovation and construction needs.
- Review bond approval process and calendar.
- **November 4, 2021:** Approve use of two-thirds bonds to fund county building needs and decide a maximum amount of school bonds for March 2022 referendum.

Existing Debt

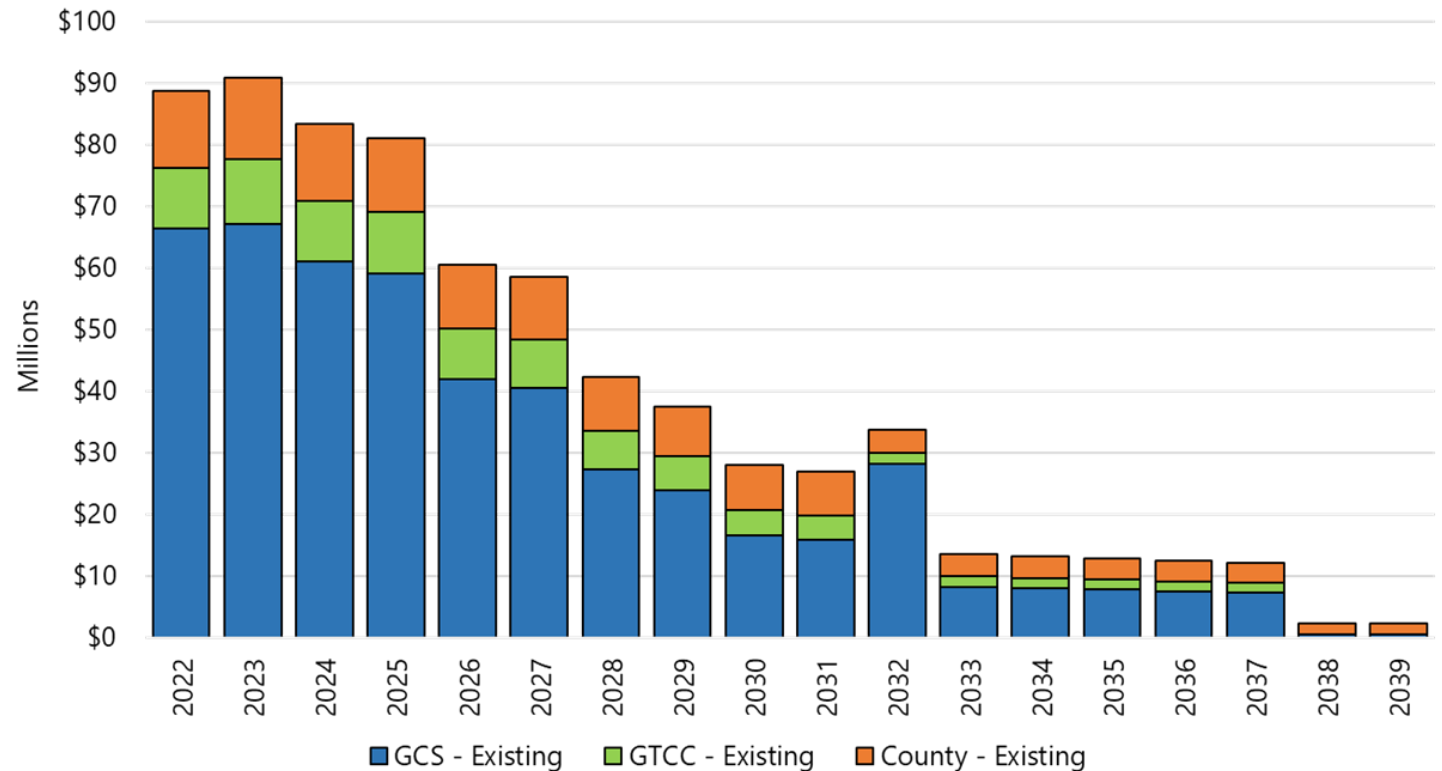
Background



All Existing Debt

Outstanding balance at end of FY 2022 for current general county debt will be \$511.8 million.

Annual Debt Repayment by Use
Existing Debt (2021)



County Building Renovation & Construction Needs

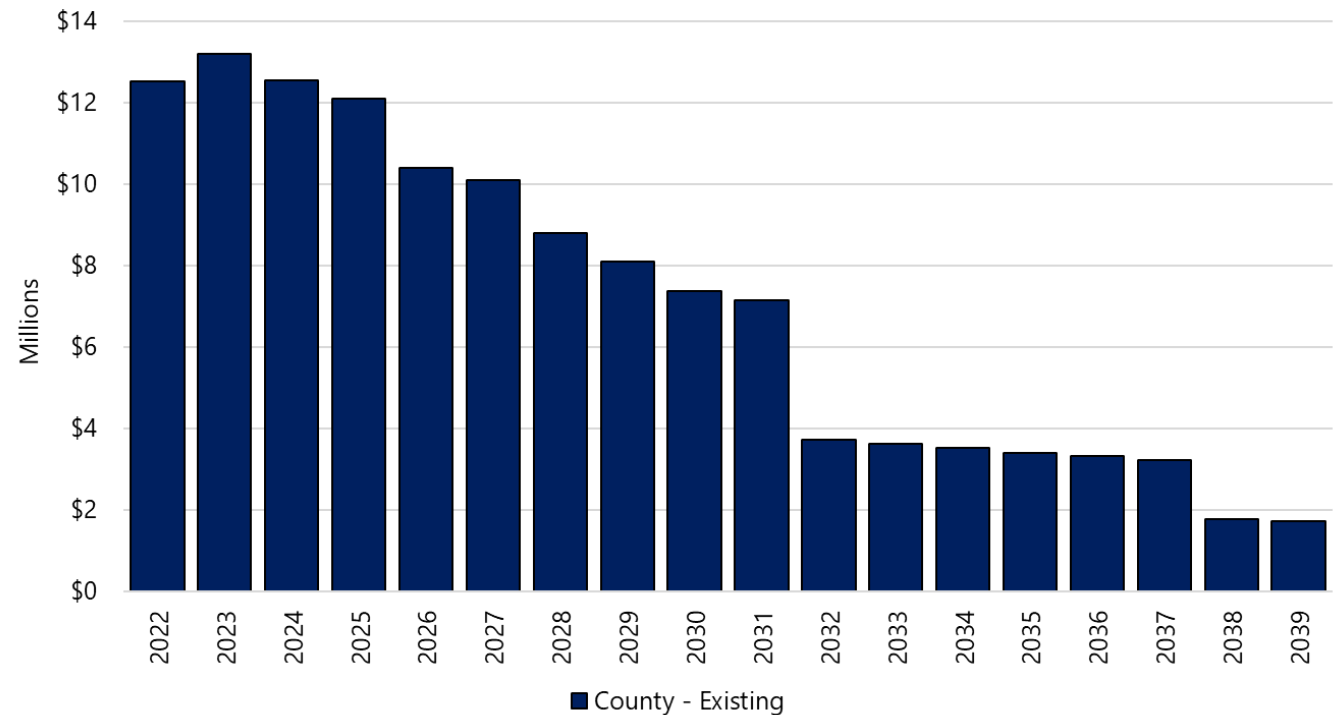
Background



Existing General County Debt

Outstanding balance at end of FY 2022 for current general county debt will be \$93.4 million.

General County Projects
Annual Debt Repayment for Existing Projects



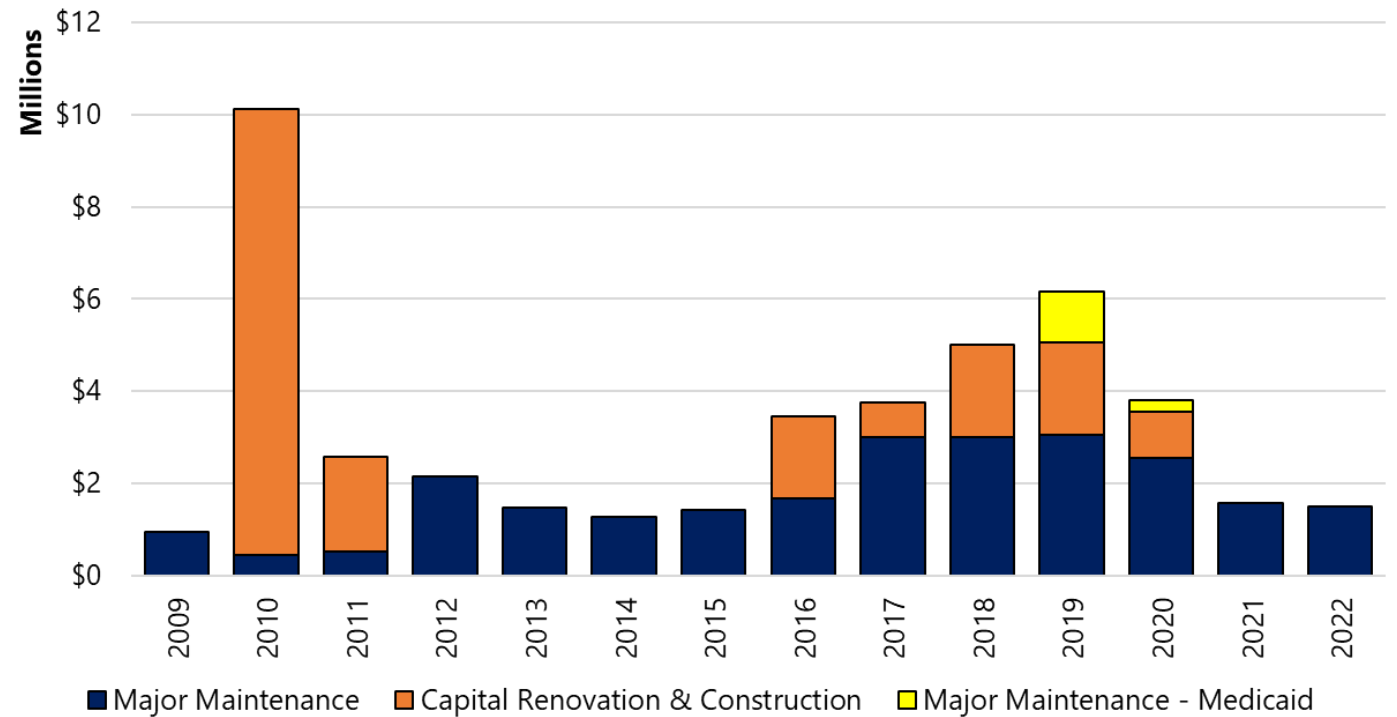
Background



Annual Cash Funds

- County has approximately 2.55 million square feet of building space. 1.1 million in jails, courthouses, and parking decks.
- Average age of buildings > 20,000 sq. feet is 45 years.

County Building Funding



Background



What are our targets?

- Association of Physical Plant Administrators recommends:
 - Maintenance = 0.5-1.5% of Capital Replacement Value
 - Life-Cycle Replacement = 1.5-2.5% of Capital Replacement Value
- Based on a Capital Replacement Value = \$575 million:
 - Maintenance should be **\$2.9-\$8.6 million** per year
 - Life-Cycle Replacement should be **\$8.6-\$14.4 million** per year

Background



- The County has approximately **\$96 million** of deferred maintenance needs (attached list from Facilities Department).
- Impacts of deferred maintenance and renovation are evident in many buildings and include chronic water intrusion issues in several locations. This has resulted in significant maintenance and remediation costs, unusable space, and/or relocation of personnel.

Activity



- Reviewed outstanding major renovation and construction projects and updated cost estimates.
- Contracted for external review of and cost estimates for most complex projects.
- Identified balances in (soon to be) completed projects for use to reduce overall ask.
- Prioritized list of county building renovation and construction needs.

Activity



- Reviewed outstanding debt, debt repayment expense, and “dedicated” revenues for existing county projects. **2.2 cents of property tax** being used now to support debt expense.
- Calculated available amount of two-thirds bond funding (\$41 million).
- Consulted with financial advisor to prepare debt repayment model for \$41 million in two-thirds bonds for new county projects.

Highest-Priority Needs

• Greensboro

- New Courthouse (several issues)
- Detention Center (water intrusion)
- Sheriff's Office (cost escalation)
- Plaza + BB&T Parking Decks (water intrusion)
- Public Health (1100 Wendover) (HVAC)
- Independence Center (several issues)
- Old Courthouse Basement (water intrusion)
- Alcohol & Drug (ADS) Building (HVAC)
- Edgeworth Building (HVAC)

• High Point

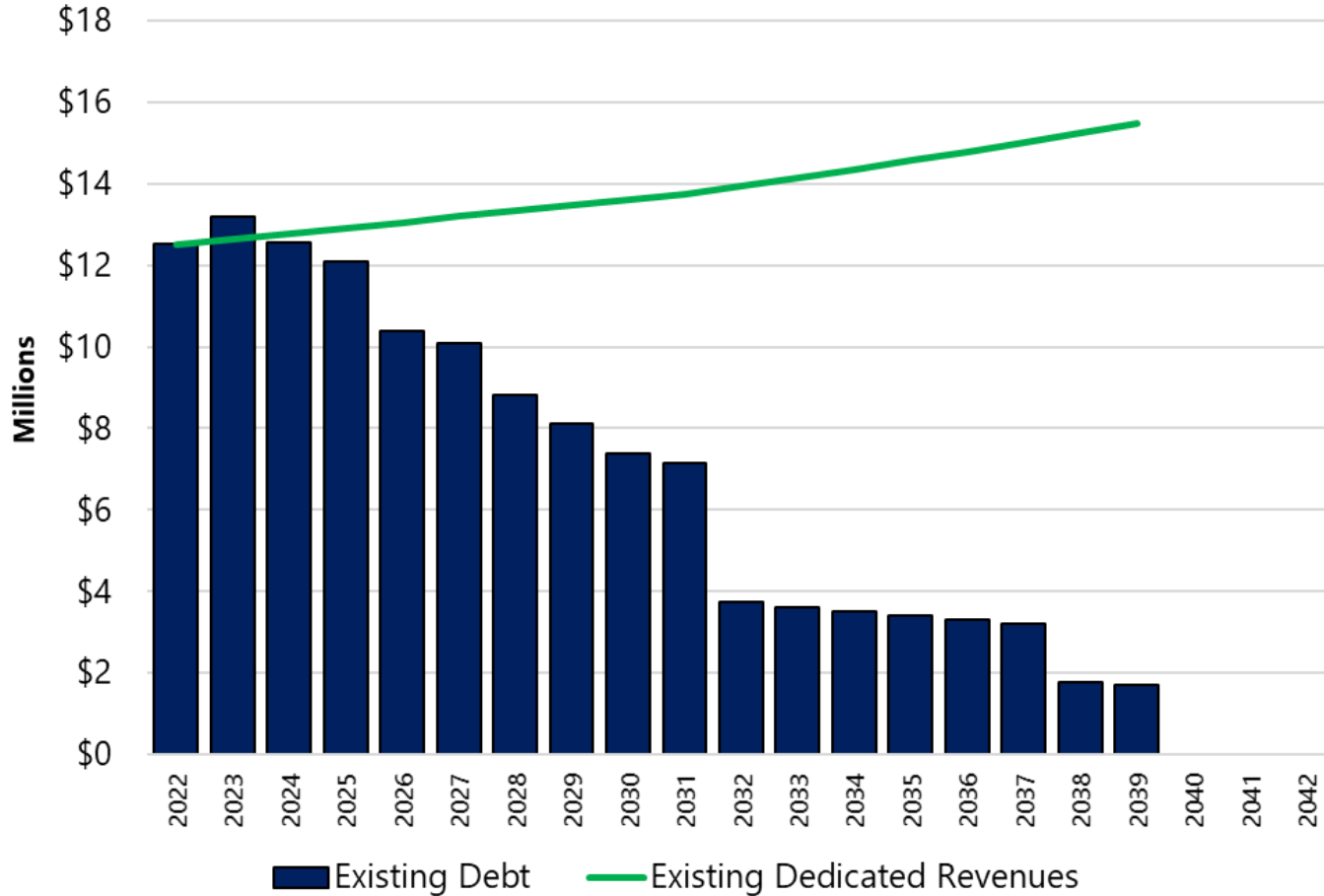
- Courthouse (several issues)
- Detention Center (several issues)
- Plaza and Tunnel (water intrusion)
- Russell Street (several issues)
- Mental Health Building (roof)

• Parks

- Hagan-Stone Park (dam, sewer issues, +)
- Bur-Mil (several issues)
- Bryan Park North (GSO agreement)

County Building Needs

Existing Debt Repayment and Dedicated Revenues



Existing County Debt

\$546,000 needed in FY 2023 to pay for debt repayment for existing county debt.

“Base” Cash Maintenance Need

Target: \$3 Million in General Fund

Actual: \$1.425 million

Difference: (\$1.575 million)

Plan

FY 2023:

$\$546,000 + \$750,000 = \$1.296M$

FY 2024:

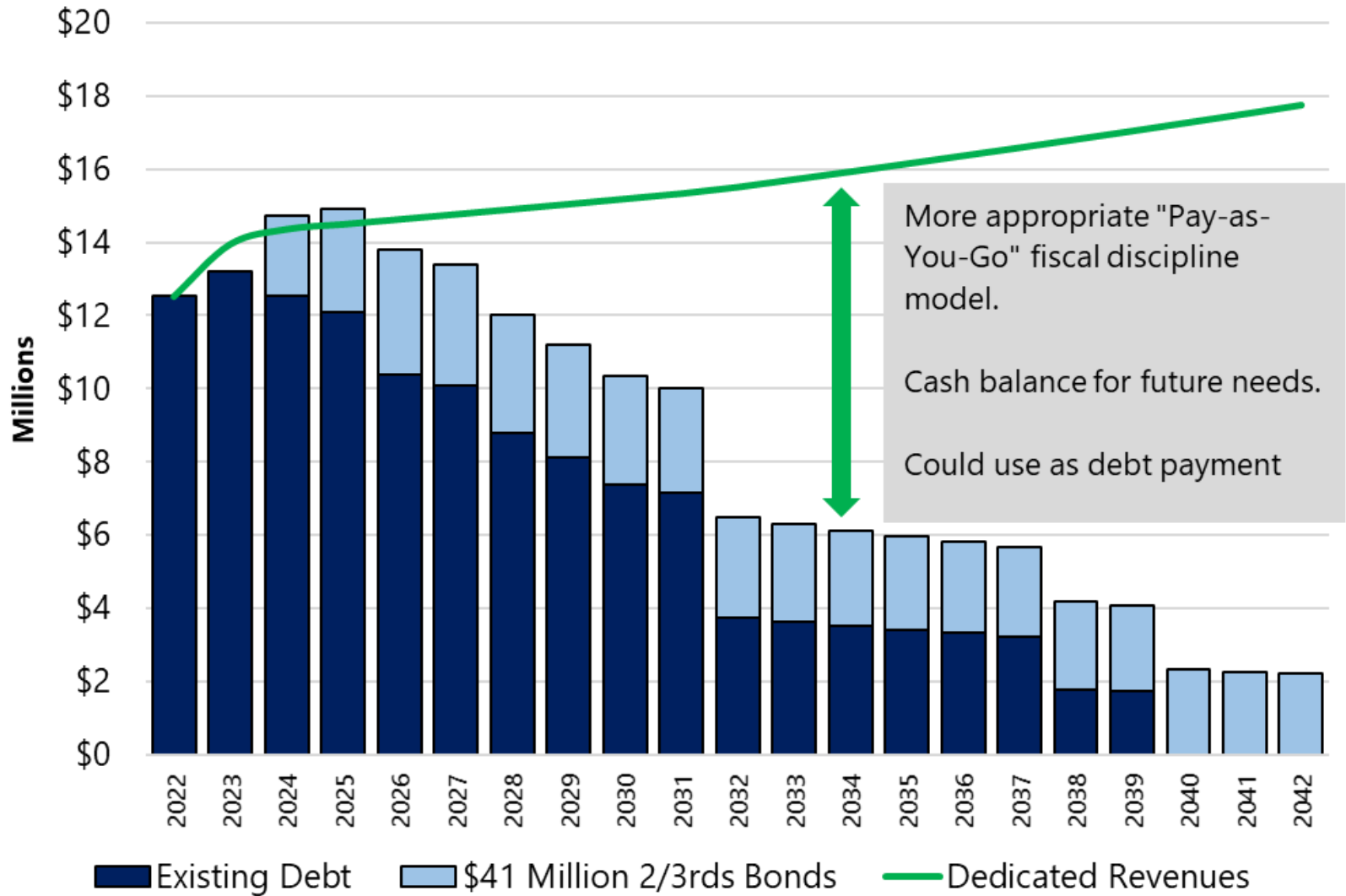
$\$1.296M + \$279,000 = \$1.575M$

Model in balance

FY 2025/+: Build Pay-Go Capacity

County Building Needs

Debt Repayment and Dedicated Revenues



Staff Recommendation



Address Immediate Needs

- Continue to “dedicate” 2.2 cents of property tax for county capital needs.
- Plan for \$1.296 million in FY 2023 to begin return to pre-pandemic \$3 million maintenance budget. Use in first few years to help offset new debt for high-priority projects.
- Covers existing + new debt and builds cash balance for future needs.

Requested Action



- Review and consider information presented **today**.
- **November 4, 2021:** Approve a preliminary set of county projects.
- **November 4, 2021:** Approve \$41 million in two-thirds bonds to pay for most pressing county projects and direct staff to prepare for a March bond sale.

Guilford County Schools Renovation & Construction Needs

Purpose



- Review bond sale and funding plans for the **\$300 million** of voter-approved school bonds from the 2020 referendum.
- Review impacts of a potential **\$1.7 billion** school bond referendum in March 2022.

Background



- 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 has identified approximately \$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.

Background



- In the November 2020 referendum, voters approved \$300 million in school bonds. The Board of Education identified 11 projects to be funded with the \$300 million. The Board of Commissioners approved the creation and funding of related capital project ordinances.
- \$2 billion - \$300 million = \$1.7 billion remaining balance.
- All bonds must be issued within seven years of the bond order. An extension to 10 years may be approved by the Local Government Commission.

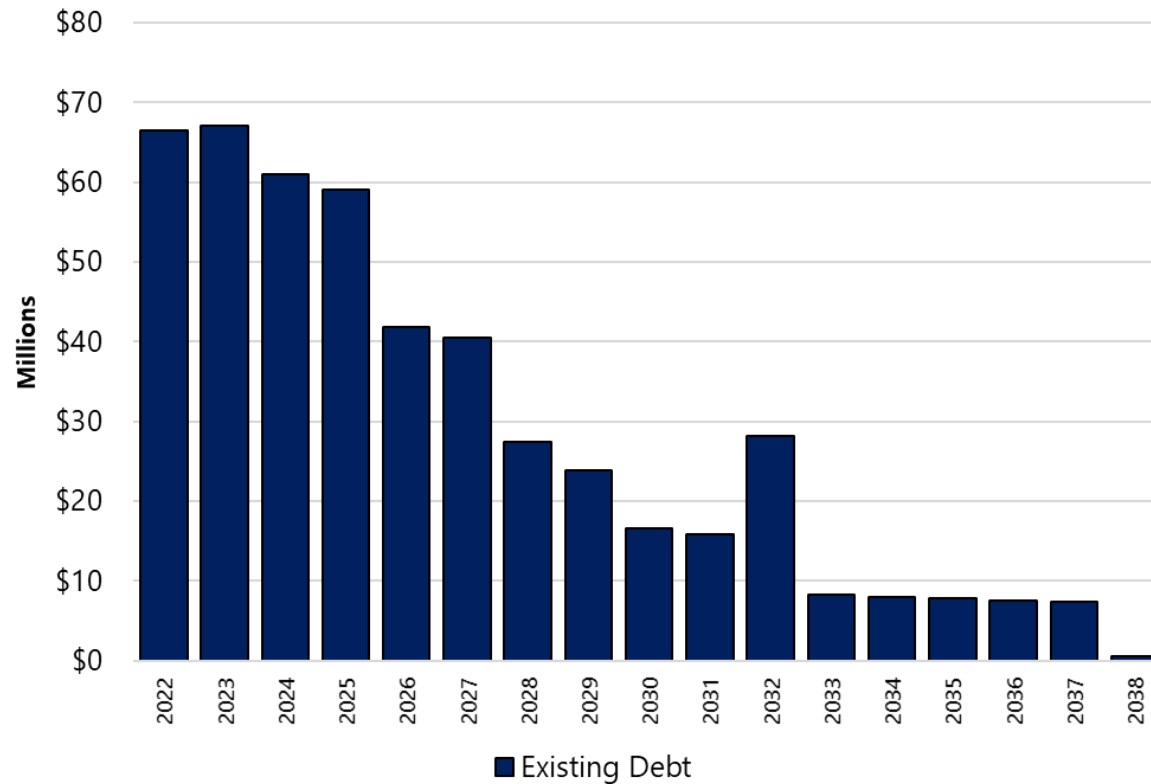
Background



Existing School Debt

Outstanding balance at end of FY 2022 for current school debt will be \$356.5 million.

Guilford County Schools
Existing Debt



Activity



- Reviewed debt repayment expense for existing school bonds.
- Reviewed funding sources available to help pay for existing school debt, some of which must be used for school debt. 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.
- After considering these revenues, the County uses the proceeds from about **6.45 cents** of property tax to fully fund existing school debt repayment expense.

Activity



- Consulted with financial advisor to prepare debt repayment model for selling the \$300 million in voter-approved school bonds and possible sale options for an additional \$1.7 billion.

Voter-Approved 2020 Referendum

\$300 Million School Bonds

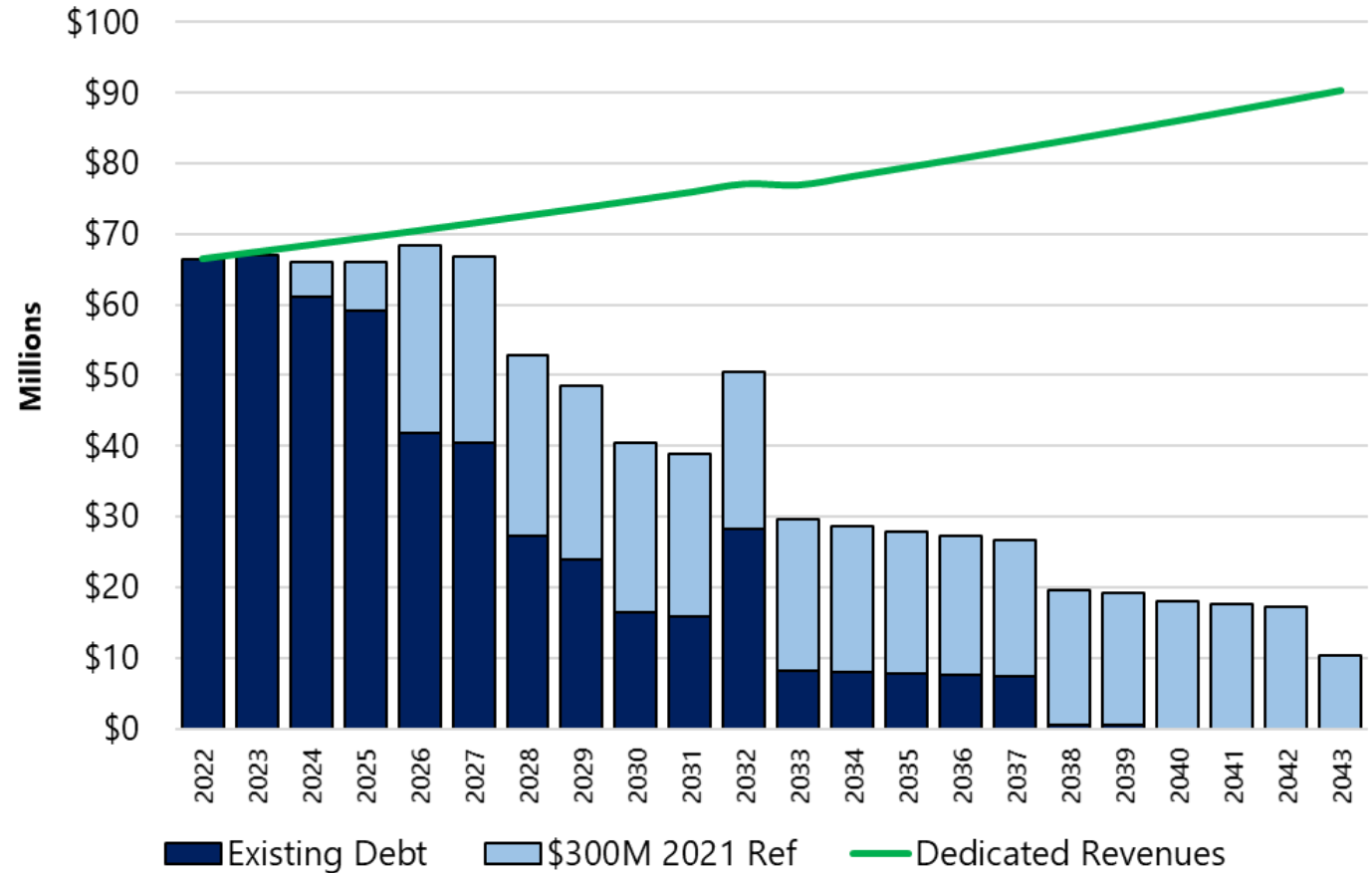
Sell \$300 million in two tranches - \$120 million in April 2022 and \$180 million in/after April 2023.

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.

Guilford County Schools

Debt Repayment and Dedicated Revenues
Existing Debt, \$300 Million 2020 Ref



Staff Recommendation



\$300 Million from 2020 Referendum

- Issue the \$300 million in two tranches, with the first \$120 million in April 2022 and the remaining \$180 million in April 2023.
- Fund debt repayment expense with growth in associated revenues and dedicated proceeds from 6.45 cents of property tax.

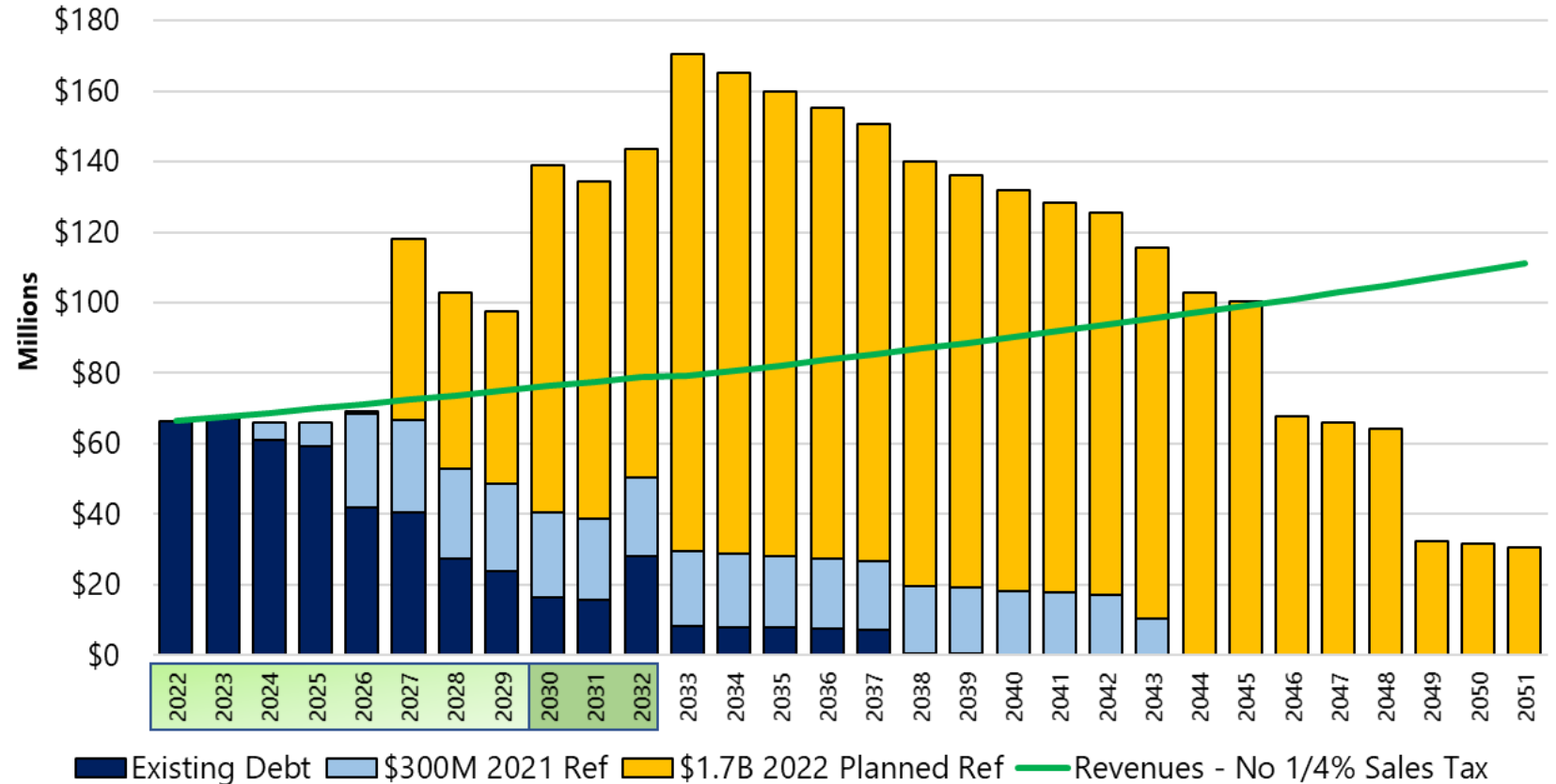
Potential 2022 Referendum

\$1.7 Billion School Bonds

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

No. Depending on how the sale of \$1.7 billion is structured, debt expense will exceed recurring “dedicated” revenue starting in 2027.

Guilford County Schools
Debt Repayment and Dedicated Revenues
Existing Debt, \$300 Million 2020 Ref, \$1.7 Billion



Potential 2022 Referendum

\$1.7 Billion School Bonds

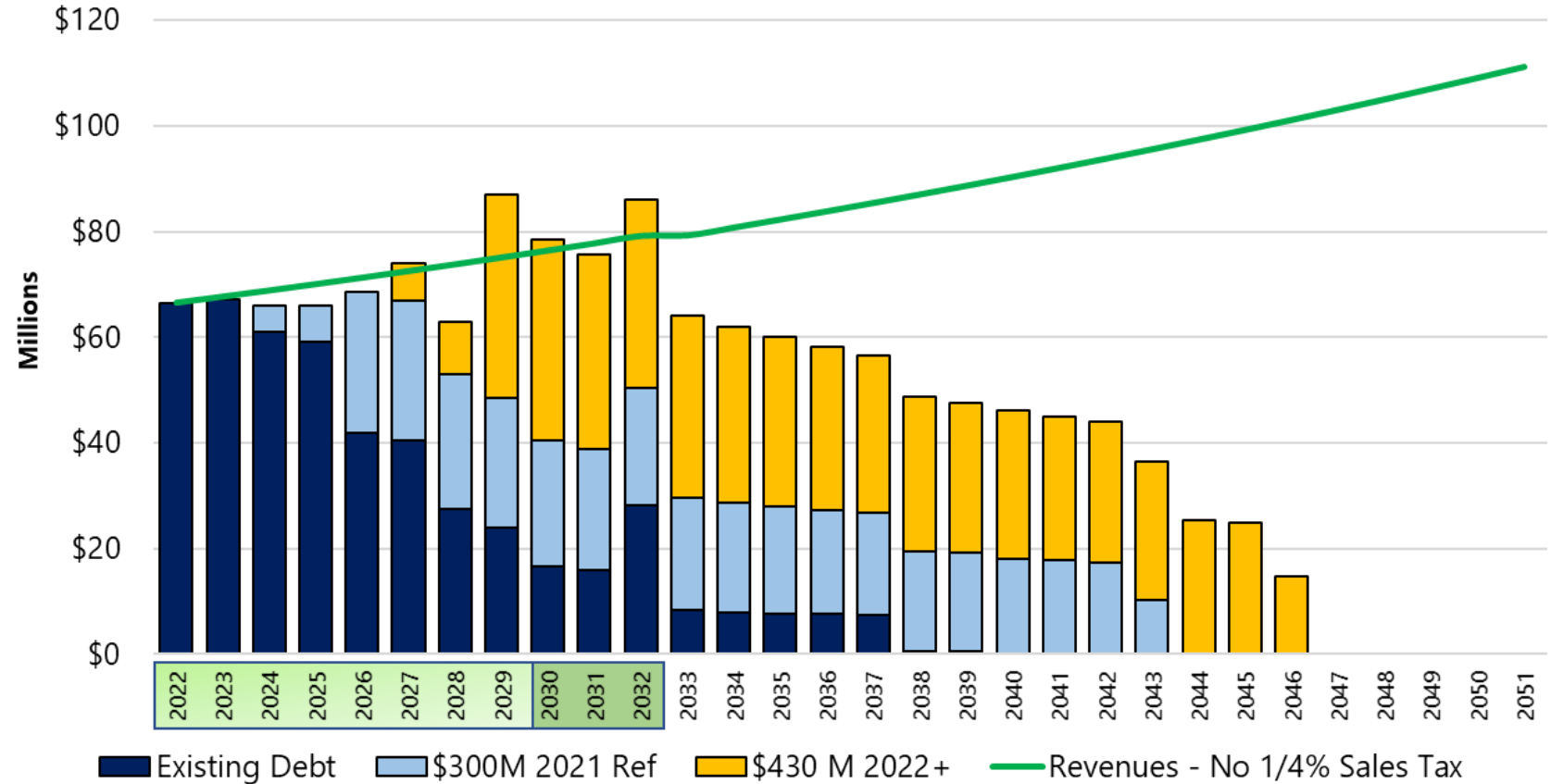
How much additional debt can current “dedicated” revenues fully support?

About \$430 million, depending on how sale dates and amounts are structured.

\$300 million + \$430 million = \$730 million.

Leave \$1.27 billion balance.

Guilford County Schools
Debt Repayment and Dedicated Revenues
Existing Debt, \$300 Million 2020 Ref, \$430 Million



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Potential 2022 Referendum

\$1.7 Billion School Bonds

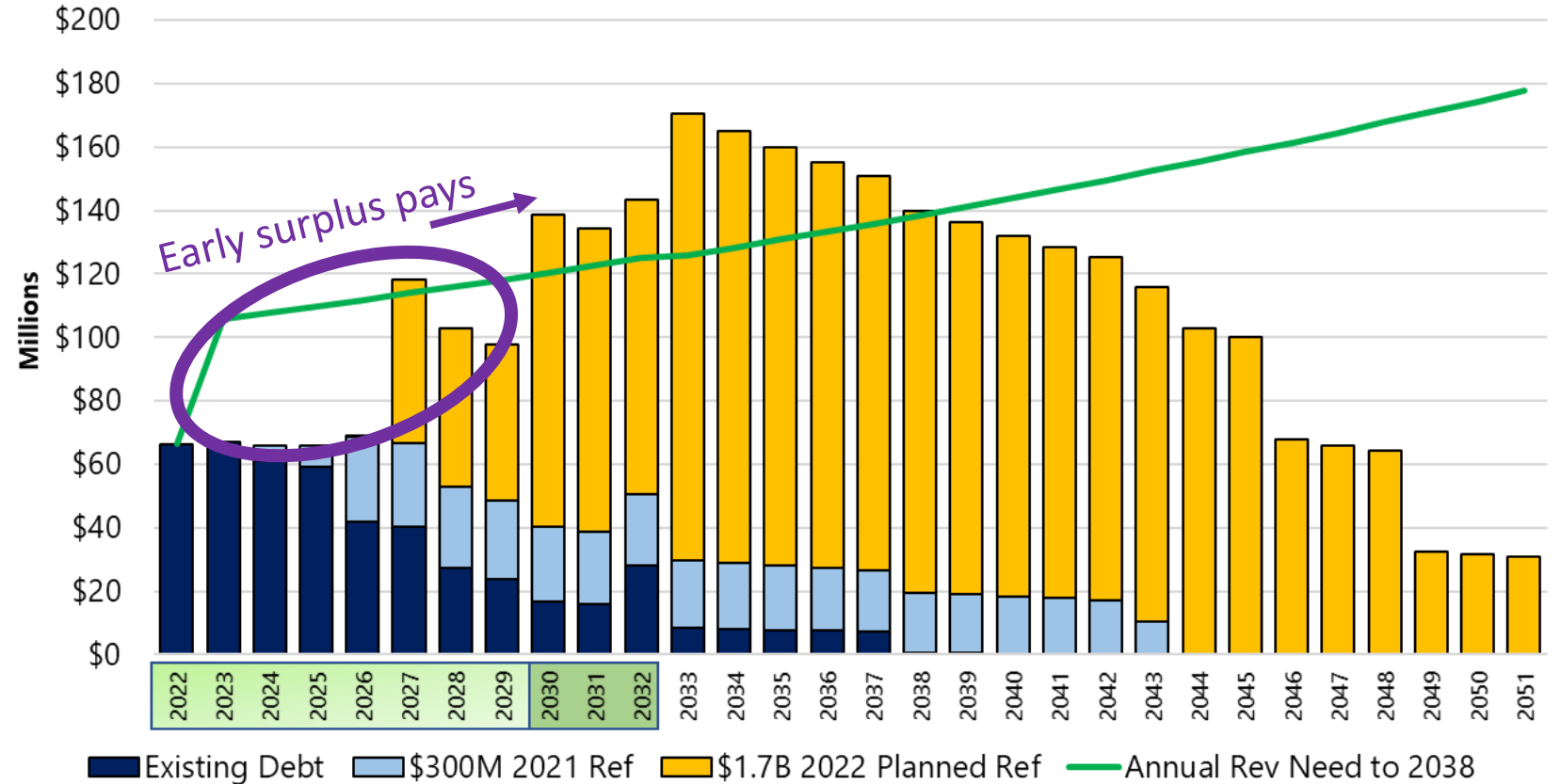
How can we fully support \$1.7 billion?

On average, need an additional **\$45 million** per year from 2023 to 2038 (range \$38–\$52 million).

1/4% **Sales Tax** would provide an average of \$22 million per year (range \$19–\$26 million).

Rate-Neutral in FY 2023 would provide an average of \$62 million per year (range \$54–\$72 million).

Guilford County Schools
Debt Repayment and Dedicated Revenues
Existing Debt, \$300 Million 2020 Ref, \$1.7 Billion



\$1.7 Billion School Bonds

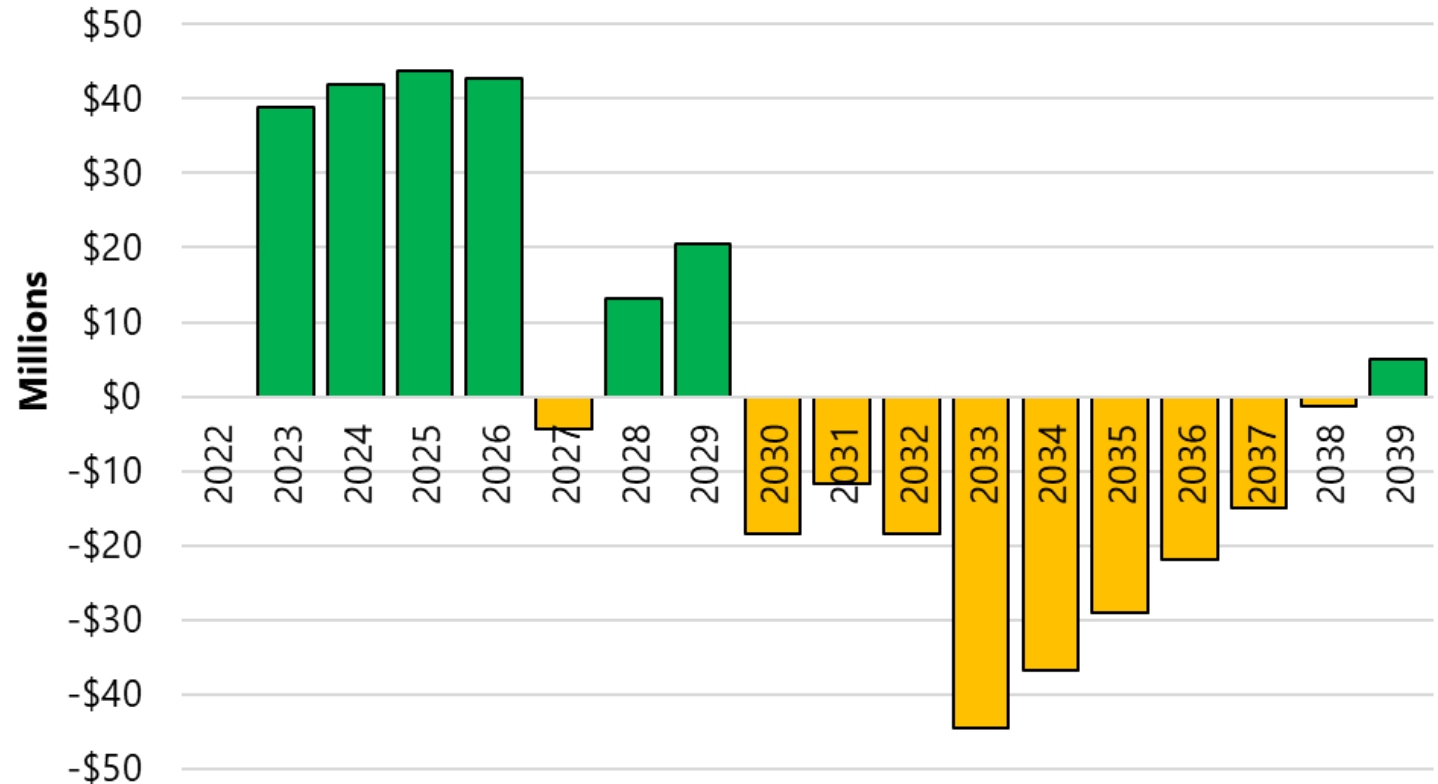
How can we fully support \$1.7 billion?

On average, need an additional \$45 million per year from 2023 to 2038 (range \$38–\$52 million).

Disciplined approach where surpluses in early years fund deficits in later years.

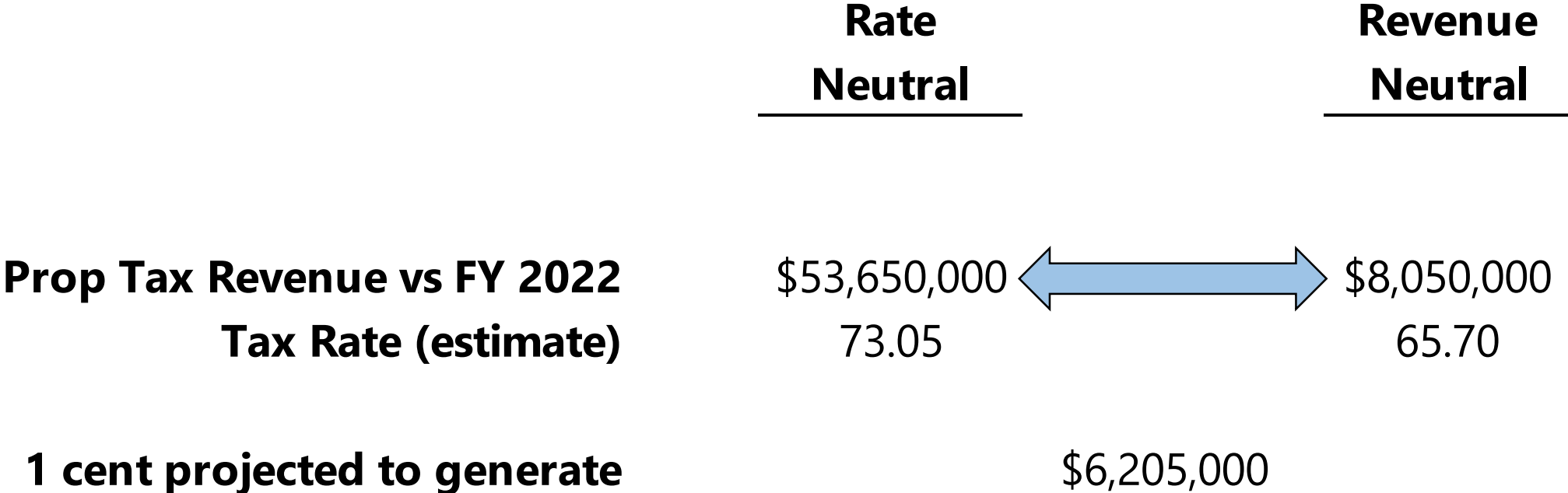
Allows County to make a funding policy decision once which covers future fiscal needs and stabilizes tax rate.

Debt Expense vs. "Dedicated" Revenues
Annual Surplus/(Deficit)



Rate Neutral vs. Revenue Neutral

Early estimates. Will continue to revise as more information becomes available.



Requested Action



- Review and consider information presented **today**.
- **November 4, 2021:** Approve a not-to-exceed amount of additional school bonds to include in a March 2022 referendum.
- **Beyond March 2022:** Work with GCS to identify a construction and cash flow schedule that works with “dedicated” revenues, review plans with financial advisors and state, decide approve capital project ordinances (some, all), etc.

County Debt Summary

All Debt Summary

Existing Debt, \$41 Million County Needs, \$300 Million School Bonds, \$1.7 Billion School Bonds

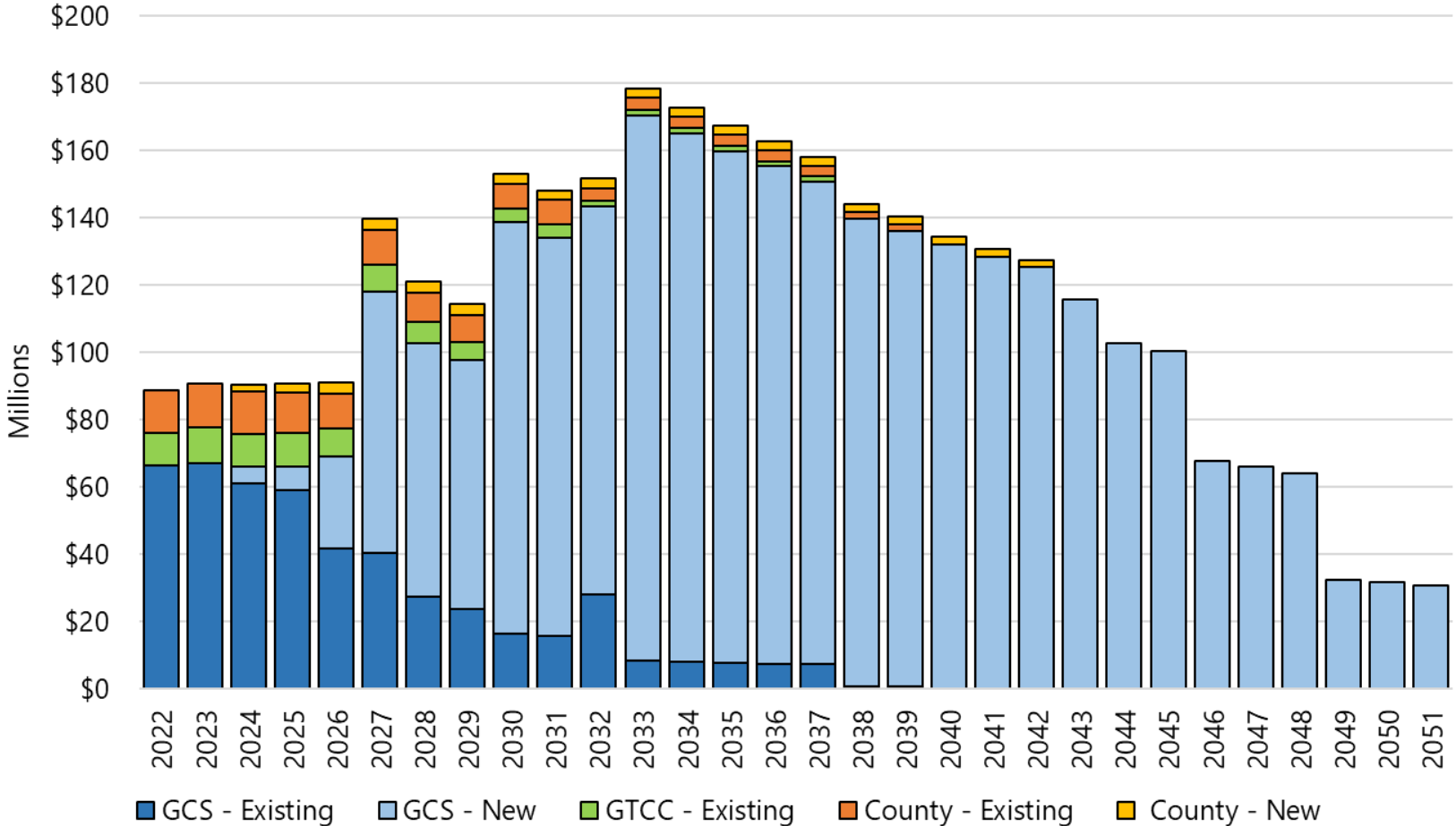
Fiscal Year	Principal	Interest	Total Payment	Principal Balance
2021-22	67,185,000	21,566,724	88,751,724	511,815,000
2022-23	70,715,000	20,089,311	90,804,311	441,100,000
2023-24	73,450,000	17,133,956	90,583,956	1,275,316,667
2024-25	74,010,000	16,821,085	90,831,085	1,201,306,667
2025-26	68,015,000	23,144,559	91,159,559	1,133,291,667
2026-27	98,063,703	41,538,954	139,602,656	1,601,894,631
2027-28	84,126,962	36,918,634	121,045,596	1,517,767,669
2028-29	80,713,704	33,635,282	114,348,986	1,437,053,965
2029-30	102,257,407	51,001,023	153,258,431	1,901,463,225
2030-31	101,957,407	46,233,454	148,190,862	1,799,505,817
2031-32	109,414,149	42,286,842	151,700,991	1,690,091,668
2032-33	119,686,111	58,842,628	178,528,739	1,570,405,556
2033-34	119,686,111	53,160,222	172,846,334	1,450,719,445
2034-35	119,681,111	47,744,017	167,425,128	1,331,038,334
2035-36	119,681,111	43,034,997	162,716,109	1,211,357,222

Fiscal Year	Principal	Interest	Total Payment	Principal Balance
2036-37	119,681,111	38,351,678	158,032,789	1,091,676,111
2037-38	110,331,111	33,758,766	144,089,877	981,345,000
2038-39	110,331,111	30,016,518	140,347,629	871,013,889
2039-40	108,111,111	26,226,203	134,337,314	762,902,778
2040-41	108,095,370	22,564,559	130,659,929	654,807,407
2041-42	108,095,370	19,451,895	127,547,265	546,712,037
2042-43	99,470,370	16,289,444	115,759,815	447,241,667
2043-44	89,454,630	13,417,191	102,871,821	357,787,037
2044-45	89,454,630	10,808,124	100,262,753	268,332,407
2045-46	59,641,667	8,124,505	67,766,171	208,690,741
2046-47	59,625,926	6,335,255	65,961,181	149,064,815
2047-48	59,625,926	4,546,477	64,172,403	89,438,889
2048-49	29,812,963	2,720,433	32,533,396	59,625,926
2049-50	29,812,963	1,826,044	31,639,007	29,812,963
2050-51	29,812,963	931,655	30,744,618	0

All Debt Summary

Existing Debt, \$41 Million County Needs, \$300 Million School Bonds, \$1.7 Billion School Bonds

Annual Debt Repayment by Use



Debt Metrics: State Requirement and Local Guidelines

State Requirement

Legal Debt Limit <= 8% of Prop Value

Local Guidelines

GO Debt <=3% of Prop Value

Debt Per Capita <= \$3,000

GO Debt Service <=15% of Op Budget

State Requirement			Local Guidelines			Local Guidelines			Local Guidelines		
Current Debt	+\$300M GCS + \$41M Co	All	Current Debt	+\$300M GCS + \$41M Co	All	Current Debt	+\$300M GCS + \$41M Co	All	Current Debt	+\$300M GCS + \$41M Co	All
1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	\$ 1,073	\$ 1,073	\$ 1,073	13.1%	13.1%	13.1%
0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	\$ 943	\$ 943	\$ 943	13.1%	13.1%	12.4%
0.7%	1.2%	2.1%	0.7%	1.2%	2.1%	\$ 807	\$ 1,431	\$ 2,468	11.7%	12.7%	12.1%
0.6%	1.1%	2.0%	0.6%	1.1%	2.0%	\$ 680	\$ 1,286	\$ 2,315	11.1%	12.5%	11.8%
0.5%	1.0%	1.8%	0.5%	1.0%	1.8%	\$ 554	\$ 1,142	\$ 2,162	8.1%	12.1%	11.6%
0.4%	0.8%	2.5%	0.4%	0.8%	2.5%	\$ 461	\$ 1,010	\$ 3,031	7.2%	10.8%	16.3%
0.3%	0.7%	2.1%	0.3%	0.7%	2.1%	\$ 369	\$ 880	\$ 2,829	5.2%	8.7%	14.1%
0.2%	0.6%	1.9%	0.2%	0.6%	1.9%	\$ 303	\$ 777	\$ 2,654	4.5%	7.9%	13.2%
0.2%	0.5%	2.5%	0.2%	0.5%	2.5%	\$ 244	\$ 681	\$ 3,469	3.2%	6.2%	16.5%
0.1%	0.4%	2.3%	0.1%	0.4%	2.3%	\$ 201	\$ 601	\$ 3,258	3.0%	5.9%	15.7%
0.1%	0.4%	2.2%	0.1%	0.4%	2.2%	\$ 158	\$ 523	\$ 3,052	3.6%	6.4%	15.6%
0.1%	0.3%	1.8%	0.1%	0.3%	1.8%	\$ 105	\$ 434	\$ 2,836	1.4%	3.9%	17.5%
0.1%	0.2%	1.6%	0.1%	0.2%	1.6%	\$ 84	\$ 379	\$ 2,607	1.3%	3.7%	16.7%
0.0%	0.2%	1.5%	0.0%	0.2%	1.5%	\$ 64	\$ 325	\$ 2,383	1.3%	3.5%	15.9%
0.0%	0.2%	1.3%	0.0%	0.2%	1.3%	\$ 45	\$ 273	\$ 2,163	1.2%	3.4%	15.1%

Over 30 years:
 Never exceed **State Legal Debt Limit** requirement or **Local % of Tax Value** guideline.
 Exceeds **Debt per Capita** four times and **Debt Service % of Operating Budget** eight times.

Questions