

**MINUTES OF BOARD OF COUNTY COMMISSIONERS
OF GUILFORD COUNTY
WORK SESSION**

Greensboro, North Carolina
March 16, 2023

The Board of County Commissioners met in a duly noticed Work Session at 4:00 p.m. in the Carolyn Q. Coleman Conference Room located on the first floor of the Old County Courthouse, 301 W. Market St., Greensboro, NC.

PRESENT: Chairman Melvin “Skip” Alston, presiding; Commissioners Kay Cashion, Frankie T. Jones, Jr. (arrived in person at 4:42 p.m.), and Mary Beth Murphy, and James Upchurch.

ABSENT: Vice Chair J. Carlvena Foster, Commissioners Carly Cooke, Alan Perdue and Pat Tillman.

ALSO PRESENT: County Manager Michael Halford; County Attorney Andrea Leslie-Fite; Clerk to Board Robin Keller; Deputy Clerk to Board Ariane Webb; Assistant County Manager Erris Dunston; Assistant County Manager Victor Isler; Assistant County Manager Jason Jones; Toy Benninga, Budget & Management Director; Don Warn, Finance Director; members of staff, media, and the public. Virtual participation was made available to members of the public and media partners.

I. WELCOME AND CALL TO ORDER

Chairman Alston welcomed those present and called the meeting to order at 4:15 p.m.

II. NEW BUSINESS

A. 2022 ANNUAL COMPREHENSIVE FINANCIAL REPORT

County Manager Michael Halford provided an overview of prior meetings where staff shared the County’s financial position in anticipation of the annual budget. He noted that the auditor presented a high-level review in December.

Halford introduced the County’s new Finance Director, Don Warn. He reviewed the transmittal letter from the external auditors. He noted that in their packet the audit report notes that the county received an unmodified opinion.

Warn shared that the annual comprehensive report is broken down into three sections.

Warn reviewed the statement and highlights of the County’s financial position, noting a large portion invested in capital investments. He shared with the Board program expenditures, property valuations, interest rate projections, bond calculations, and appropriations, along with

committed and restricted fund balances. He noted during last fiscal year the County saw a decrease in the Fund balance of \$5.5 million. He highlighted general fund categories such as pandemic variances, contracts, a compensation study, and infrastructure; including that revenues were \$6 million less than budgeted, and expenditures were \$51 million less than budgeted.

Warn reviewed trend information highlighting operational statistics, major employers, historical data, and other post-employment benefits (OPEB).

Commissioner Cashion questioned page 47 and a reported liability of \$27 million. She questioned the current ledger liability.

Warn shared that he would assume that we are in the same position and would need to review. He noted that it functions just like the OPEB, and there is an unfunded liability for future years.

Halford spoke to some discussions at the State for those counties who fund teachers and showing their retirement as a potential unfunded liability. Halford noted that we are a pay-as-you-go county and do not contribute to the State trust due to actuarial concerns.

A. COUNTY FUND BALANCE DISCUSSION

Budget and Management Services Director Toy Benninga noted that we have about \$30 million in the appropriated fund balance. He noted that there is some additional fund balance that rolls forward each year to handle cash obligations without impacting operations.

Halford noted that typically the County does not appropriate a lot of fund balance each year.

Commissioner Jones entered the work session at 4:42 p.m.

Benninga noted that we are one of 49 counties in the nation with a Triple A Bond rating which helps us to get the lowest interest rates possible. He noted that a strong fund balance allows the Board flexibility to use as a one-time source for exploratory projects to see if we want to fund them in the next fiscal year.

Benninga noted that the Local Government Commission (LGC) is strongly recommending a minimum 8% fund balance; a 16% minimum threshold. He noted that the County spends roughly \$57 million per month, sharing that we have roughly 2.8 months of fund balance availability to meet our expense needs should there be a significant revenue shortfall.

Benninga reviewed the various fund balance accounts and noted that we have roughly 1.7 months of fund balance availability in the unassigned fund balance.

Halford reviewed assessments to determine the fund balance, which should be based on the following: 1) Uncertain economic conditions; 2) State issues with calculating sales tax refunds and the unknown net revenue impacts; and 3) Strong fund balance having a positive impact on bond credit ratings.

Halford inquired into how many months of fund balance availability the Board wants to ensure that we have in our back pocket during a widespread unexpected event. He spoke to risk assessment and negative versus positive impacts.

Halford reiterated that we have around 2.8 months of fund balance availability; our estimate for this coming year puts us at 19% or 2.2 months. He recommended working towards a fund balance policy and to a 4- to 5-month reserve over the next few years.

Commissioner Murphy clarified that Halford was speaking about decreasing our annual reliance on fund balance.

Commissioner Jones noted that a significant part of our budget relies on pass throughs. Is the goal in the fund balance to address any delays in those pass-through funds? He noted that the monthly average assumes that we spend all our funds equally each month; certain months or times of year where we have significantly larger expenses. He asked if there were any major times during the year that we need to be concerned about.

Benninga noted that 50% of our budget contains transfers to other agencies like the school system. From the operating side there is seasonality. Parks and Recreation will have more expenses in the summer. Payroll is consistent so there are two months where we have three pay periods where we see spikes in those months.

Warn stated that one of the major expenses are semiannual debt payments.

Chairman Alston questioned the income amount, being that less tax collection receipts occur from July through September.

Halford confirmed that revenue does have some fluctuation; our outflows are stable.

Commissioner Jones reiterated that the staff recommendation is 5 months.

Halford noted that the LGC recommendations are closer to 3.9 months. He stated that the first thing to do is stop the fund balance decline.

Commissioner Upchurch echoed the goal to cease the continual decline. He shared his concern that we seem to be below our peer counties.

Chairman Alston recommended going with a 4-month fund balance.

Commissioner Upchurch questioned how long would that take to get to 4 months?

Halford noted that roughly 1% is \$1.8 million.

Commissioner Cashion questioned if the Manager would anticipate if revenue for 2024 would support a budget that would allow us to retain a fund balance of approximately 4 months reserve and still have enough funds to pay all the operating expenses under the current tax rate.

Halford noted that 4 months is probably doable.

Benninga noted that we would need \$68 million more in fund balance at the end of the year to reach that.

Commissioner Jones asked if staff could provide a little more data on revenue and expenses that would help us see what the ranges would look like.

Commissioner Murphy shared that she would like to see what a 3-year, 5-year and 7-year plan would look like. She asked that given the minimum recommendation from the LGC at 16%, what does it look like to get to 16% in the unassigned fund balance? She noted that her initial math would be \$24 million to get us to 16% in the unassigned fund balance.

Chairman Alston asked if there is consensus to aim for 4 months in fund balance for staff to prepare a proposal to start discussions.

Consensus is for staff to proceed with preparing options for a 4-month fund balance reserve.

Benninga noted that we can bring back options for a \$50 million fund balance as well.

III. OTHER BUSINESS

There was no other business to discuss.

IV. ADJOURN

There being no further business, the Board adjourned the meeting by unanimous consent at 5:14 p.m.

Melvin "Skip" Alston, Chairman
Guilford County Board of Commissioners

Robin Keller, Clerk to Board