

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

Greensboro, North Carolina
April 7, 2022

The Board of County Commissioners met in a duly noticed Work Session at 3:00PM in the Blue 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, Carly Cooke and Frankie T. Jones, Jr (in at 3:15PM). Commissioners Mary Beth Murphy and Alan Perdue participated via virtual communication.

ABSENT: Vice Chair J. Carlvena Foster; Commissioners Justin Conrad and James Upchurch.

ALSO PRESENT: County Manager Michael Halford; Assistant County Manager Jason Jones; Chief Deputy Attorney Matt Turcola; Interim County Attorney Matthew Mason (via virtual participation); Clerk to Board Robin Keller; Ariane Webb, Deputy Clerk to Board; Toy Beeninga, Budget & Management Director; Rusty Mau, Deputy Budget & Management Director; Joannette Freeman, Human Resources Director; various members of County staff and media. Virtual participation was made available to the general public and the media.

I. WELCOME AND CALL TO ORDER

Chairman Melvin “Skip” Alston welcomed those present and called the meeting to order at 3:11PM.

Toy Beeninga, Budget & Management Director, reviewed the work session agenda.

II. REVIEW COUNTY CAPITAL DESIGN BUILD PLAN

**A. 2022-176 REVIEW DESIGN-BUILD PROJECT DELIVERY METHOD
FOR COUNTY FACILITY**

Eric Hilton, Facilities & Property Management Director, introduced the agenda item and provided an overview of project delivery methods the County previously used for capital renovations. He discussed the Design-Build model recommended for projects covered under the recent 2/3rd's bond project portfolio.

Hilton reviewed the differences between the Design-Bid-Build and Design-Build methods, and noted Design-Build could increase project efficiency, improvement risk management and increase MWBE participation through flexibility in the construction bid package development.

Hilton stated the Design-Build model might require a third-party to provide technical oversight on certain projects, and while this model can lead to perceptions that there is a loss of control over a project or increase in costs, he reassured the Board he is very familiar with Design-Build and oversight of projects using this model. He noted Design-Build allows competitive bidding of sub-contractors to manage the risk of increased costs by not having fixed pricing, and spoke to potential cost-savings derived from the efficiency of the method, despite inflation.

Hilton requested the Board approve staff pursuing the recommended Design-Build project delivery method for the building renovation and building envelope projects included in the 2/3rds bond project portfolio.

Commissioner Carly Cooke expressed her appreciation for staff educating the Board on this method and exploring different options.

Commissioner Kay Cashion spoke to her experience with the three (3) types of project delivery models and questioned if staff would still recommend the Design-Build versus Construction Manager-At-Risk method if the projects considered were new construction.

Hilton stated the choice is driven by the nature of the project and noted Design-Build is best suited for construction projects that must be completed on a rapid schedule or those with a many unknown components.

Commissioner Mary Beth Murphy echoed Commissioner Cooke's comments thanked Hilton for the presentation. She questioned the potential risks associated with the Design-Build model.

Hilton discussed the risk ratios for the Design-Bid-Build versus Design-Build method and spoke to the need to actively engage with design groups and hire an HVAC consultant to provide third-party oversight.

Motion made by Commissioner Carly Cooke, and seconded by Commissioner Frankie T. Jones, Jr., to authorize county staff to pursue the Design-Build project delivery method for the 2022 2/3rd's bond project portfolio.

The Board discussed the motion and Hilton clarified the intent of the action is to allow him to send out requests for qualifications (RFQ) from contractors for this project delivery method and would then return to the Board with options.

A friendly amendment was offered by Commissioner Frankie T. Jones, Jr. to the amend the motion language to the following: authorize county staff to issue a request for qualifications (RFQ) for the Design-Build project delivery method for the 2022 2/3rd's bond project portfolio and return to the Board upon receipt of responses.

Commissioner Cooke accepted the friendly amendment to the motion on the floor.

Motion made by Commissioner Carly Cooke, and seconded by Commissioner Frankie T. Jones, Jr. to authorize county staff to issue a request for qualifications (RFQ) for the Design-Build project delivery method for the 2022 2/3rd's bond project portfolio and return to the Board upon receipt of responses.

VOTE: Motion carried 6 - 0

AYES: Melvin "Skip" Alston, Kay Cashion, Carly Cooke, Frankie T. Jones, Jr., Mary Beth Murphy, Alan Perdue

NOES: None

ABSENT: J. Carlvena Foster, Justin Conrad, James Upchurch

III. DISCUSS FY 2022-23 BUDGET GOALS

Toy Beeninga, Budget & Management Director, introduced members of the County's Budget team.

A. 2022-249 FY 2021-22 YEAR-END BUDGET PROJECTIONS

Rusty Mau, Budget & Management Assistant Director, reviewed the FY 2021-22 year-end budget projections. He noted that as the budget has been amended throughout the year, approximately \$40 million in new revenue has been realized, in addition to some carry-over funding from the prior year. Mau confirmed a total of \$666.2 million in amended had been received to date and projected end-of-year amounts between \$665-\$676 million.

Mau noted they continue to observe strong consumer spending and project that county expenditures will reach 93% of the adopted budget by year-end. He discussed delays in purchasing patterns that accounted for this percentage and spoke to the potential impact of inflation upon spending trends. Mau confirmed the significant impact of vehicle fuel prices on the budget, which have doubled the end-of-year projections, and anticipated contributing \$0-\$6 million to fund balance.

B. 2022-238 FY 2022-23 BUDGET UPDATE

Beeninga confirmed staff are on pace with the budget process, based upon requirements in the NC Fiscal Control Act. He discussed the core values guiding budget development and noted a base budget has been established, based upon a count of full-time employees and contractual obligations.

Beeninga shared they are following revenue trends that could be impacted by geopolitical issues; however, early snapshots anticipate strong revenue growth between \$15-\$18 million. He attributed the growth to strong sales tax and base property tax growth and noted fund balance has appropriation has been reduced for school supplements and other expenses.

Beeninga stated FY 2022-23 expenditures are expected to increase by \$13-\$18 million and discussed the impact of full-year compensation for FY 2021-22 salary adjustments, mandated retirement cost increases to benefit the state pension system, contractual increases, fuel increases and expenses offset with federal/state funding. He confirmed base expense growth should be covered by revenue growth and noted that the base expenses do not include expansion requests, school expansion requests or Board policy decisions.

Beeninga reviewed the 70 decision packages that include over 100 position requests across various functional areas. He discussed the Board's priorities from the prior year, including school bonds, addition of fourteen (14) new school nurse positions and fifty (50) COVID-19 coordinator positions, selection of the new Public Relations Director to improve County Communications, and support for the Coalition on Infant Mortality, Every Baby Guilford and other initiatives to reduce infant mortality and community disparities.

Beeninga discussed the FY 2022-23 budget guidelines and questioned if the Board wished to modify any of the listed goals and priorities.

Commissioner Cooke noted the Board had discussed reducing community disparities in a general sense and questioned if they were interested in identifying specific parameters, such as health, income or barriers to transportation and housing related to this goal. She expressed her interest in focusing on health, housing and transportation disparities.

Chairman Alston confirmed his interest in further investigating those three options.

Halford reviewed the specific areas that could be addressed related to community disparities.

Commissioner Cooke spoke to the importance of community input and data gathering and spoke to the value of the intentional community input received during the American Rescue Plan Act (ARPA) engagement sessions.

Commissioner Frankie T. Jones, Jr. questioned if this goal fell under the Intentional Collaboration priority.

Commissioner Cooke shared this priority was designed to address the County's interlocal relationships and the One Guilford initiative.

Halford shared the definitions for the prior year's priorities.

The Board reaffirmed these definitions.

Commissioner Cooke discussed the Staff Resources priorities and spoke to the number of positions that cannot be filled due the County's compensation. She noted the number of positions needed to offer fair workloads and efficiency should be addressed. Cooke stated a long-term strategy to develop a workforce pipeline should also be addressed to recruit paramedics and school nurses, along with strategies to increase pay for Guilford County Schools (GCS) teachers and support staff.

Commissioner Jones questioned the status of the disparity study and noted this should be referenced under one of the priorities. He expressed his interest in adding infrastructure disparities to the Reduce Community Disparities priority.

Commissioner Cashion spoke to the importance of addressing accessibility and affordability for all income levels, and expressed her interest in further researching options for the County's aging population and access to social services, housing and healthcare. She noted the Community Disparities and Intentional Collaboration priorities are subjective and questioned the status of the compensation study.

Halford confirmed the compensation and disparity studies will both be considered when evaluating Board priorities.

Commissioner Murphy expressed her support for Commissioner Cooke's recommendations and reiterated her support for ongoing work in the areas of infant mortality, accessing to healthcare and housing.

Commissioner Cashion questioned the higher rate of sales tax and the impact of inflation on the County budget.

Beeninga stated the County reduced sales tax revenue projections when we entered the COVID-19 pandemic; however, the revenue did not follow these projections and the budget is now trying to catch up to actual amounts.

Commissioner Cashion cautioned staff with regards to sales tax revenue projections given the impact of inflation and the current fluidity of the economy.

Beeninga confirmed and noted they are taking a much more conservative approach when building revenue projections for the FY 2022-23 budget.

C. COMPENSATION PHILOSOPHY

Joanette Freeman, Human Resources Director, discussed the importance of competitive compensation and its importance in recruiting and retaining talent to support the Board's service level expectations. She noted they are still working with Lockton Consulting to evaluate the county's market competitiveness. Freeman reviewed the history of the study beginning with a comprehensive survey in 2018 and the Board adopting a competitive standard for pay at the 50th percentile of the studied market.

Freeman confirmed the Board did not approve the 2% annual maintenance in the implementation plan to age the compensation structure annual to remain competitive. She noted the County resumed the study in 2021 with a pay plan adjustment of 5% in November 2021.

Freeman reviewed the goals of a strong compensation philosophy, such as cost of living allowances (COLA), merit pay, bonuses, starting salary considerations, relocation incentives and non-monetary benefits. She reiterated the importance of developing a compensation philosophy and factors to consider when implementing the philosophy, such as market competitiveness and total compensation as compared to peer organizations.

Freeman identified the peer organizations used as a benchmark against Guilford County's compensation philosophy in the study.

Halford questioned the Board's thoughts related to the comparison peer counties in the study.

The Board discussed the peer counties utilized in the study.

Chairman Alston opined that Durham County should be considered more of a market competitor versus Guilford than Wake or Mecklenburg counties.

The Board continued to discuss the compensation philosophy and requested staff provide comparable data for the peer counties listed in the study.

Freeman shared they have requested the consulting firm provide this information.

Commissioner Jones questioned if comparison data was available on retention, longevity or turnover.

Assistant County Manager Jason Jones noted one of the barriers to gathering this information is the tightly the data is guarded by other employers.

Commissioner Jones noted this information should be readily available for public sector employers and cautioned that the presentation provides primarily anecdotal data. He reiterated his preference to see information on turnover or hiring rates.

Commissioner Cooke clarified staff's request regarding the compensation philosophy.

Halford confirmed staff's request to identify Board goals related to the compensation philosophy.

Chairman Alston spoke to the importance of additional information regarding the cost to implement Board policies related to the philosophy.

The Board further discussed potential costs associated with implementation of a compensation philosophy.

Commissioner Murphy thanked staff for discussing the compensation philosophy and noted staff have asked the Board what it considers important when valuing its employees, and noted the request for associated costs seems counterproductive. She expressed her interest in the County

being a market leader in compensation and spoke to the importance of this philosophy with regards to service levels. Murphy questioned if the County offers COLA or other incentives.

Freeman clarified employees only receive annual merit increases based upon performance.

Commissioner Murphy questioned if the majority of employees receive a 3% merit increase based upon their performance or if merit is being treated as COLA. She questioned if COLA should be implemented prior to considering merit.

Commissioner Perdue spoke to the need for additional data to make an informed decision and the importance of considering the total compensation package, especially when comparing Guilford to peer counties. He questioned the reasons behind employee exits and requested this data for consideration.

Chairman Alston requested the Board consider adopting Juneteenth as a county holiday for all employees and questioned when this option could be presented to the Board for a vote. He requested staff provide information on the cost to implement this option and its impact upon workloads.

Halford stated the consulting firm could conduct a survey to determine which entities offer this option, and data could be ready to present to the Board at their next regular meeting.

IV. DISCUSS PLANS FOR MAY 17, 2022 SCHOOL BOND REFERENDUM

A. RECENT DEBT ISSUANCE UPDATE & SCHOOL BOND REFERENDUM

Beeninga discussed the sustainable funding model for 2/3rd's bonds and spoke to the impact the County's core values of accountability, service and outcomes excellence, and our people matter will have on this discussion.

Beeninga reviewed the funding model principles and noted debt financing would be utilized specifically for large capital needs. He shared the Board has addressed approximately \$96 million in deferred maintenance needs with its approval of \$41 million in 2/3rd's bonds and discussed the recent bond sale. Beeninga noted the \$4.2 million in bond premium will be used towards interest costs over the next 2-3 years and confirmed they attained a good interest rate of 2.6%.

Beeninga provided an overview of the sustainable funding model for school debt and noted the primary difference in this model is the timeliness of the County providing sufficient funding for adequate school facilities. He shared the first tranche of the school bonds was sold at an interest rate of 2.574%, resulting in approximately \$11 million in debt premium that will be used to cover interest payments for approximately three (3) years.

Beeninga confirmed cash flow needs would be analyzed and this would be considered by the Local Government Commission (LGC) if the County should decide to accelerate the issuance of remaining bond funding. He noted the current sources of dedicated revenue are sufficient to meet current debt service, in addition to the \$180 million bond issuance scheduled for FY 2022-

23. Beeninga reviewed the dedicated revenue sources, including approximately 6.8 cents in property taxes, used to maintain this funding model.

Beeninga stated the current revenue sources could not support debt repayment expenses for the \$1.7 billion bond, if approved by voters, and spoke to the importance of the ¼ cent sales tax, which would provide approximately \$20 million in revenue, if passed. He shared that an additional \$30 million in revenue, for a total of \$50 million, would be required to cover debt service associated with the \$1.7 billion bond.

Beeninga discussed the importance of developing a tranche structure that would meet the cash flow needs of designing and constructing school projects, based upon the LGC's approval of the timeline. He noted multiple bond issuances would be required, based upon needs.

Halford confirmed this report is consistent with discussions conducted in Fall 2021 and noted this will impact how the County structures its budget moving forward. He shared that credit agencies have discussed the importance of the funding model and how it will address needs upfront and then manage long-term requirements. Halford discussed the importance of building \$50 million in debt service into the FY 2022-23 budget, but noted long-term costs will be higher if the bonds are not approved and alternative sources of financing have to be considered.

Commissioner Cashion questioned how staff will build an additional \$50 million into the budget.

Halford shared the voters have an opportunity to assist with this revenue if they approve the ¼ cent sales tax option, but if it is not passed, his recommended budget would include a property tax increase.

Chairman Alston noted FY 2022-23 property tax revenues will include increases from the recent reappraisal.

Halford confirmed the current property tax rate will be sufficient to provide the level of revenue required to implement this funding plan.

V. UPDATE ON COUNTY BROADBAND STUDY

A. COUNTY BROADBAND STUDY UPDATE

The update was tabled to another meeting.

VI. OTHER BUSINESS

There was no other business to discuss.

VII. ADJOURN

The Board adjourned the meeting by unanimous consent at 5:23PM.

Melvin "Skip Alston
Chairman

Robin Keller
Clerk to Board