

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

Greensboro, North Carolina
April 28, 2020

The Board of County Commissioners met in a duly noticed Work Session at 11:00AM in the McAdoo Conference Room located on the third floor of the BB&T Building, 201 W. Market St., Greensboro, NC.

PRESENT: Chairman Jeff Phillips, presiding; Vice Chairman Alan Perdue; Commissioners Alan Branson, Melvin “Skip” Alston and Hank Henning. Participating via simultaneous communication: Commissioners J. Carlvena Foster, Carolyn Q. Coleman, Kay Cashion and Justin Conrad.

ABSENT: None.

ALSO PRESENT: County Manager Marty Lawing; County Attorney Mark Payne; Deputy County Manager Clarence Grier; Clerk to Board Robin Keller; Ariane Webb, Deputy Clerk to Board; Worley Smith, Communications Manager; Michael Halford, Budget Director; Harley Will, Finance Director; Alex Smith, Senior Budget Analyst; Richard Mosher, Property Management; various county staff and members of the media. Virtual participation was made available to the general public.

I. WELCOME AND CALL TO ORDER

Chairman Phillips welcomed those present and called the meeting to order at 11:14AM.

County Manager Marty Lawing shared the county is facing challenging times and uncertainty related to the COVID-19 pandemic. He spoke to observed declines in sales tax revenue resulting from local and state stay-at-home orders and closures of many retail establishments.

Lawing noted prior to March 2020, revenues looked promising and shared that budget strategies for FY 2020-21 will consider worst case scenarios. He stated many local governments are considering the use of interim budgets, but confirmed this would not be a recommended approach for the county, as it does not sufficiently extend timeframes and a formal budget must be adopted by July 1 to begin levying taxes.

II. REVIEW FY 2019-20 BUDGET STATUS REPORT

Budget Director Michael Halford introduced the budget status presentation and reviewed the assumptions considered when developing revenue and expense projections. He shared the data included in the presentation is a little early, as they only have current fiscal year performance information through February 2020. Halford noted staff and budget analysts analyzed several hundred revenue items to determine which types were more sensitive to the impact of COVID-19 upon the current economy.

Commissioner Alston questioned the dollar amounts associated with the assumptions for personal and real property tax estimates for FY 2019-20.

Halford noted they revenue impacts for sales and personal property taxes collected in March and April will not be known until mid-May or June. He shared 30% of the county's revenue, such as sales tax and user charges, is very sensitive to changes in the economy, while approximately 60% of the revenue, like property taxes, is only somewhat sensitive to economic changes. Halford spoke to the benefits of the county's ability to collect a majority of property tax prior to January.

III. FY 2020-21 REVENUE PROJECTIONS

Halford discussed property tax revenues and the pre-COVID year-end estimates versus actual receipts. He noted COVID has had a negative impact upon final real estate/personal property and motor vehicle collections, but shared while COVID impacts have resulted in a \$3.3 million decrease in original projections for property taxes in FY 2019-20, the county will still collect \$3.8 million more than what was included in the adopted budget.

Halford discussed the impact of COVID-19 upon sales tax revenue and projected the county will be \$10 million under budget by years end.

Commissioner Alston requested clarification regarding the total loss in sales tax revenue.

Halford stated where they originally projected receiving \$94-95 million in sales tax revenue, they now only anticipate receiving \$82 million in sales tax revenue. Halford noted the adopted budget includes more conservative projections, which will lessen the blow of actual revenue receipts.

Commissioner Conrad requested the sales tax revenues broken down by industry.

Halford confirmed and stated staff could provide retail sales by category.

Commissioner Cashion questioned which months were considered when projecting sales tax revenue losses.

Halford stated they began analyzing March 2020 retail sales and noted this data would not be received until June 2020.

Commissioner Cashion questioned what percentage was used when calculating projections, and was the calculation conducted on a monthly basis or using a progression.

Halford shared the projections were calculated using 60% of original projections for each COVID-impacted month, beginning with March 2020. He spoke to the shifting of consumer activity towards purchasing lower value items and its impact upon sales tax revenues, and noted actual amounts will not be available until mid-May or June.

Commissioner Cashion spoke to the potential impact of the shift in consumer activities, and questioned if the projections were too conservative.

Halford noted the projections offered a middle-of-the-road option, as there is little guidance offered from state and municipal associations at this point.

Lawing noted they are waiting to see if data shows a trend towards online shopping as a result of social distancing guidelines, or if sales have decreased due to job losses. He noted the NC Association of County Commissioners offered a 10-70% range in projected revenue losses, and spoke to the difficulty in utilizing such a wide range when calculating projections.

Chairman Phillips questioned if the projections were consistent with other urban counties across the state.

Halford stated projections are not consistent, and noted some are more aggressive in projecting losses and then tailoring them once actual revenue amounts are provided by the state.

Halford discussed COVID impacts upon Federal and State revenues, and noted these will be more stable funding sources at this time. He shared overall projections show this funding source will be under-budget by \$4.6 million. Halford stated the bulk of the variation in this revenue is not COVID-related but dependent upon staffing, which impacts the County's ability to collect reimbursement dollars.

Halford discussed service charges, such as ambulance and parks & recreation fees. He noted these fees will be under budget by approximately \$4.2 million, and noted analysts have been, and will continue working with departments to refine these estimates.

Halford discussed investment earnings and noted they were approximately \$360,000 under budget for this fiscal year. He reviewed overall revenue projections for the year and noted, while property tax revenue would exceed estimates by approximately \$3.8 million, a decrease of \$10 million in sales taxes combined with reduced Federal/State funding, user charges and other revenue types would result in year-end revenue approximately \$16 million under budget. Halford noted these numbers would continue to change closer to fiscal year's end.

Chairman Phillips questioned if these revenue projections accounted for decreases in expenditures.

Halford confirmed and noted the presentation will provide additional information regarding these decreases.

Commissioner Alston requested clarification regarding the expense trends considered when developing revenue projections.

Halford reiterated these are early projections and while a large portion of county revenues are sensitive to economic changes, approximately 90% of expenditures remain consistent because government is considered the safety net within many communities. He noted our expenses will increase during difficult times because we do not layoff front-line, essential personnel. Halford noted Guilford County, along with other governments, will have to address decreasing revenues with minimal ability to reduce expenditures.

Halford discussed expenditure flexibility and presented the top seven (7) departments that utilize approximately 90% of budgeted county dollars.

Commissioner Henning questioned how the County funding percentage was calculated.

Halford noted that while certain departments, such as Emergency Services, collect fees for their operations, county funds, such as property taxes, are still used to subsidize these mandated services. He explained 61% of every tax dollar allocated will be used to support Education, and then each added service takes additional allocations, resulting in the top seven (7) departments utilizing 87% of flexible revenues to subsidize their services, while the remaining thirty-three (33) departments must utilize the remaining 13%. Halford spoke to the difficulty in managing a significant decrease in revenues if substantial changes to the top seven (7) services are not addressed.

Halford discussed expenditure year-end projections and noted the current estimates show the county will be \$23.7 million under budget in this area by the end of the fiscal year. He spoke to the funding source available that could be used to absorb COVID-related, unbudgeted expenses, but noted this funding could not address COVID-related revenue impacts. Halford spoke to the item on the agenda to allocate CARES funding towards COVID-related expenses.

Commissioner Alston questioned if the federal funding could absorb COVID-related revenue losses.

Lawing stated the current guidance indicates the federal funding cannot be used to absorb revenue losses, but noted this guidance could change.

Halford discussed the changes in projected fund balance needed to balance the budget in June. He noted approximately \$22 million in fund balance will be required fully fund FY 2019-20 expenditures, primarily based upon COVID-related revenue losses.

Commissioner Alston questioned if this use of fund balance will drop the county below the minimum balance requirements for fund balance.

Halford reviewed the projections by unassigned fund balance by fiscal year end and noted the fund balance is estimated to decrease to approximately 9.3% of General Fund expenditures. He noted this will only allow for 1%, or approximately \$6 million, available in fund balance to use in FY 2020-21.

Chairman Phillips stated the county is projected to spend less than planned in FY 2019-20, and noted that if expenditures had not decreased, the current financial situation would be worse. He shared this reduction in expenses has helped us with fiscal responsibility during these difficult times.

Halford confirmed while departments have reduced expenses, the county has been utilizing fund balance to fund budget deficits for a few years.

Halford introduced the Budget team's recommended guiding principles used during the FY 2020-21 budget development process:

1) Communities (and Governments) are People

We prioritize the well-being and support of our team members, our most important assets.

2) The County's Core Priorities & Services are Critical

We prioritize services that support public health, protect our most vulnerable, and provide effective emergency response.

3) The County's Future is Worth Investing In and Stewarding

We prioritize the stewardship of our physical, financial and human infrastructure.

Halford discussed how expense estimates have been prepared for FY 2020-21. He stated property tax revenue projections and noted the Budget team anticipates a 1.7% base increase from values used for the FY 2019-20 budget. Halford shared growth assumptions were decreased due to a reduction in purchases and property renovations.

Halford discussed collection rate assumptions that could be used when estimating property and sales tax revenues. He noted while property tax revenues are estimated to increase by \$8.4 million, anticipated losses of approximately \$13 million in sales tax revenue will result in a net decrease of \$4.4 million in tax revenue for FY 2020-21.

Interim Budget Director Alex Smith reviewed the Notable Budget Drivers for 2021. He noted that the Bond Premium for 2021-22 is 1.7 M

IV. FY 2020-21 DEBT SERVICE

Alex Smith, Senior Budget Analyst, introduced notable budget drivers for FY 2020-21 and discussed debt repayment. He noted bond premium, which had previously offset total debt service costs, will decrease substantially, resulting in a greater reliance upon county dollars. He provided a correction to the presentation and noted the amount of bond premium available in FY 2021-22 will be \$1.7 million.

Harley Will, Finance Director, introduced interest rate indexes and noted the Federal Reserve's aggressive actions to decrease federal fund interest rates in March 2020 have resulted in current rates of 0-0.25%. He introduced the NC Cash Management Trust, where most local governments place their investments, and spoke to the significant decrease in rates for this fund.

He noted the fund manager estimates only 0.6-0.7% interest earnings for FY 2020-21, resulting in the county only earning approximately \$1.7 million.

Will provided a summary of existing debt, and noted at the end of FY 2019-20 the county will have approximately \$640 million in outstanding debt. He shared there are minimal opportunities to refinance and reviewed the debt service for the county's current portfolio. Will spoke to the significant decrease in bond premium amounts that can be used to offset interest costs beginning FY 2020-21, and noted this will result in more county dollars being used to pay off debt.

V. BUDGET DRIVES FOR FY 2020-21

Smith discussed the upcoming 2020 Elections cycle as a budget driver for FY 2020-21 and noted additional costs of approximately \$400,000 for part-time staffing, combined with increased expenses for paper ballots for newly purchased state-approved voting systems would result higher than normal expenses for fiscal year.

Smith identified major changes to the Internal Services Fund Balance as the third budget driver for FY 2020-21. He spoke to the recent payout of risk management outstanding liabilities and the resulting decrease in fund balance. Smith shared the Internal Services fund balance has also been used in multiple years to offset significant gaps between healthcare expenses and revenue.

Lawing shared staff will return to the Board with a plan after the budget presentation to offset these expenses, despite fairly significant changes made to the plan during this fiscal year. He confirmed costs are primarily driven by healthcare claims for retirees and approximately twenty-five (25) to thirty (30) employees. Lawing noted the reserves for group insurance have been depleted and noted this will have an impact upon the General Fund and budget development.

Vice Chairman Alan Perdue questioned if the COVID pandemic has resulted in an increase in the use of telemedicine.

Carol Campbell, Human Resources Benefits Manager, stated staff would be able to provide this information at a later date.

Smith reiterated staff are identifying options to drive down expenses in this fiscal year to decrease the amount of fund balance needed to balance the budget.

Smith discussed capital and facility investment benchmarks and compared county spending for routine and major maintenance to amounts recommended by APPA, a professional educational facilities association. He noted we are investing less in our facilities than recommended and shared APPA recommendations of \$5.75 million annual for routine maintenance and \$11.5 million for major maintenance. Smith spoke to the need to fund the special facilities maintenance budget by \$18 million over the next few years to meet all needs.

Smith noted the Capital Investment Plan requires cash transfers from the General Fund of \$9 million each year for the next five (5) years to address plan needs.

Smith reviewed the County Building Construction Fund and stated approximately \$1.8 million will be available to date for capital needs. He shared this amount does not include the \$7.7 million in potential state funding for the Adult Behavioral Health Center.

VI. BEHAVIORAL HEALTH CENTER BUDGET PROJECTION

Lawing provided an update on additional costs associated with the opening and operations of the Behavioral Health Center. He spoke to an anticipated opening between January and March 2021, with partial year costs in FY 2020-21 of \$795,044 and annualized costs of \$1.23 million. Lawing noted the Medical Services line item houses the contract with Cone Health, and confirmed this expense would be offset by funds we contribute to Sandhills Center. He clarified Sandhills currently allocates \$4.1 million to Monarch for its Behavioral Health Crisis Center operations, with approximately \$750,000 designated towards children's services, resulting in a net allocation of \$3.3 million towards behavioral health.

Lawing shared the cost of the initial year's medical services contract with Cone Health would be approximately \$3.8 million, so county dollars would be required to offset the remaining \$444,000 annualized amount, after the net Sandhills allocation is applied. Lawing spoke to the potential for the state to pass a budget in the next few weeks that could result in funding of \$7.7 million to offset construction costs.

Chairman Phillips urged the Board to work with the local state delegation and encourage them to pass the state budget and provide the \$7.7 million in anticipated funding for the Behavioral Health Crisis Center.

Commissioner Cashion questioned if a list of COVID-related expenses that qualify for CARES funding.

Lawing stated a list had not been created, but the COVID policy committee has reviewed the funding guidance and started identifying expenses eligible for reimbursement. He noted they are focusing on determining eligible expenses for this fiscal and calendar year, and shared they are providing guidance to directors on these types of expenses to prepare a list of potential needs to present to the Board for consideration.

Commissioner Cashion requested that staff provide a guide to the public regarding the use of these funds for COVID-related expenses. She expressed concerns that the CARES funding does not cover revenue losses resulting from positions that could not be filled or services that could not be offered.

Lawing confirmed they will continue to evaluate these policies and noted the potential for a second round of funding from the federal government that could assist with COVID-related expenses or revenue losses.

Chairman Phillips reiterated policy discussions are occurring regarding COVID federal funding and shared his expectation that recommendations would be presented to the Board soon. He questioned the length of time required to address the next three (3) agenda items.

Lawing shared each presentation could be limited to five (5) minutes.

Chairman Phillips questioned the Board's interest in taking a break or moving forward with the agenda.

By general consensus, the Board agreed to move forward with the agenda.

VIII. FOLLOW-UP STREAM AND WETLAND MITIGATION CREDITS

Lawing discussed the item and noted the presentation would provide some follow-up from the initial introduction at the Board retreat. He spoke to its potential as a long-term revenue solution.

Rick Mosher, Property Management, spoke to the length of the process in evaluating stream and wetland mitigation credits. He noted that the County has employed two (2) mitigation firms over the last few years and the most recent study from 2015 identified 12,400-16,100 stream mitigation units (SMU) and 4.4-10.4 wetland mitigation units at the County Farm.

Mosher reviewed the project estimations and the process for evaluating mitigation credits. He offered estimations of the value and noted partnering with an engineering service would net the county approximately 20-25% of the total value of the units. Mosher shared the county could potentially recognize approximately \$5.4 million from selling wetland and stream mitigation units.

Chairman Phillips spoke to the benefits of moving forward with the process and questioned what staff would need from the Board to continue.

Mosher shared they would need to complete the research and conduct a study at the cost of approximately \$40,000 to qualify to work with an engineering service. He noted there are grants available to assist with the costs. Mosher confirmed he would return to the Board with these requests at a later date.

Chairman Phillips encouraged staff to move forward with the research.

Mosher shared the potential for the county to control the units and use them to offset wetland and stream mitigation costs, which could benefit economic development in the area.

IX. APPROVAL OF FY 2020-21 MAJOR FOCUS AREAS

Lawing spoke to the changes in the FY 2020-21 Major Focus Area and noted while the focus areas may not be addressed in the upcoming budget, they will still serve as a guide during the process.

Motion made by Commissioner Alan Branson, and seconded by Commissioner Melvin "Skip" Alston to review and approve the FY 2020-21 Major Focus Area.

Commissioner Alston spoke to the discussion regarding the high rate of infant mortality in the African-American community during the Board retreat, and noted he has not received any follow-up from the Public Health department regarding efforts to address the questions asked and potential solutions to problem. Alston questioned if this item was included as a focus area in the FY 2020-21 plan.

Chairman Phillips questioned if this issue would be addressed under the “Initiate a Human Services Prevention Service Model to produce positive outcomes and opportunities for children and other vulnerable populations in the county” category.

Lawing stated this issue would be included in this category, but should be specified in the document. He noted the Public Health department did include this issue in their budget request and estimated the need for an additional staff person to address the problem.

Commissioner Alston expressed his interested in learning more about their plan of action and projected outcomes related to infant mortality rates in the African-American community.

Lawing confirmed they will present this request in the recommended budget and in a future budget work session.

Motion made by Commissioner Alan Branson, and seconded by Commissioner Melvin “Skip” Alston, to review and approve the FY 2020-21 Major Focus Area.

VOTE: Motion carried 8-0

AYES: Jeff Phillips, Alan Perdue, Alan Branson, Carolyn Q. Coleman, Hank Henning, Justin Conrad, Kay Cashion, Melvin “Skip” Alston

NOES: None

ABSENT: J. Carlvena Foster

X. COVID-19 EMERGENCY EXPENSE AUTHORIZATION

Lawing introduced the agenda item and stated the County Manager currently has authority to spend \$90,000 during a declared state of emergency. He shared it is staff’s recommendation to increase his emergency spending authorization to \$1,000,000 to allow purchase of emergency expenditures without the requirement of a formal Board meeting and requesting a budget amendment. Lawing shared these expenditures would primarily be for COVID-19 related expenditures.

Motion made by Commissioner Hank Henning, and seconded by Commissioner Melvin “Skip” Alston, to increase the County Administration (Manager’s Contingency) budget by \$1,000,000 and increase Federal/State funds (anticipated CARES Funding) by the same amount to provide additional budget authority to allow the County Manager to address emerging COVID-19-related issues and amend Section VIII.C. of the FY 2020 Budget Ordinance as follows:

That during a Locally or Nationally Declared State of Emergency, the County Manager is authorized to (1) make expenditures from the contingency appropriation in the General Fund for items not specifically provided for elsewhere in I. through IV. inclusive of this ordinance in *any amount* ~~the amounts not to exceed \$90,000 for each expenditure~~; (2) transfer moneys from one appropriation to another within the same fund *in any amount up to \$100,000 per transaction*; except that funds appropriated are restricted to a response to or recovery from a declared State of Emergency; and (3) expedite and modify current county purchasing and contract processes to meet the life safety and recovery needs during a declared State of Emergency within applicable state laws. Any actions exercised according to this section shall be reported to the Board of Commissioners at its next regular meeting.

This authority would expire at the end of the current fiscal year with additional flexibility for next fiscal year included in the proposed FY 2021 Budget Ordinance.

VOTE: Motion carried 8-0

AYES: Jeff Phillips, Alan Perdue, Alan Branson, Carolyn Q. Coleman, Hank Henning, Justin Conrad, Kay Cashion, Melvin “Skip” Alston

NOES: None

ABSENT: J. Carlvena Foster

Lawing noted the purpose of today’s work session was to provide the Board with an update regarding the current status of the budget. He stated that as each day passes, staff gain more data with which to base final projections upon.

Lawing shared this is Michael Halford’s final day as Budget Director for Guilford County and thanked him for his service and dedication.

Chairman Phillips thanked Halford for his service and expressed it has been a pleasure working with him. He wished Halford and his family the very best.

Lawing introduced Alex Smith as the Interim Budget Director and stated he looks forward to working with him to develop a final budget.

XII. OTHER BUSINESS

No Other Business was added to the agenda.

XIII. ADJOURN

There being no further business, the meeting adjourned by unanimous consent at 1:11PM.

Jeffrey M. Phillips
Chairman

Robin B. Keller
Clerk to Board