

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

Greensboro, North Carolina
June 1, 2020

The Board of County Commissioners met in a duly noticed Work Session at 3:00PM 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 Carolyn Q. Coleman (in at 3:33PM via simultaneous communication), Melvin “Skip” Alston (in at 3:13PM), Alan Branson (in at 3:26PM), J. Carlvena Foster (in at 3:16PM) Kay Cashion, Justin Conrad and Hank Henning.

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; Don Campbell, Emergency Management Director; Alex Smith, Budget Director; Harley Will, Finance Director; Ben Chavis, Tax Director; various county staff and members of the media. Virtual participation was made available to the general public.

I. WELCOME AND CALL TO ORDER

Chairman Jeff Phillips welcomed those present and called the meeting to order at 3:09PM.

County Manager Marty Lawing introduced the meeting topics and noted that any topics not covered during this meeting could be addressed at a future budget work session.

II. COVID-19 UPDATE

Don Campbell, Emergency Management Director, provided a brief COVID-19 update and shared that the county had released its community testing plan for the month of June. He confirmed training had been conducted with staff manning the Small Business Grant program hotline, which would become operable on Tuesday, June 2 at 9:00AM in preparation for grant applications being received effective Wednesday, June 3 at 10:00AM.

III. NEW BUSINESS

Commissioner Melvin “Skip” Alston arrived to the meeting at 3:13PM.

Lawing reviewed the topics that would be covered during the work session.

GENERAL FUND REVENUES

Alex Smith, Interim Budget Director, introduced the presentation and provided an overview of the FY 2020-21 budget. He noted that, during this fiscal year, the county will postpone implementing Phase 2 of the market study pay plan, suspend its annual transfer for capital investment and reduce funding for the vehicle replacement and facility maintenance plans.

Commissioner J. Carlvena Foster arrived to the meeting at 3:16PM.

Smith stated the FY 2020-21 budget anticipates a 13% average reduction in general fund revenues, primarily influenced by sales taxes. He confirmed they are projecting a COVID recovery curve that is comparable to revenue trends observed during the 2008 recession. Smith noted staff expect to receive only 60% of original revenue estimates over the next two (2) months and then increasing through February 2021. He cautioned that the estimates do not project growth, only a return to the normal revenue stream.

Chairman Phillips questioned if the presented recovery period reflects the \$25 million shortfall in sales tax revenue.

Smith confirmed the presentation partially reflects this reduction in revenue, and noted other revenue, in addition to sales tax, follows a similar pattern.

Lawing stated the county currently budgets \$91 million in sales tax revenue, and noted the FY 2020-21 budget recommends \$80 million, an \$11 million reduction. He shared Guilford County is more aggressive in its projected reduction in revenues, when compared to peer counties, as the economies for each community differs. Lawing noted the April 2020 collection, based on January 2020 sales tax revenue, was approximately \$8.3 million, which is greater than the amount collected at this time last fiscal year.

Commissioner Justin Conrad cautioned that the county will not experience the real impact of the COVID-19 pandemic, with regards to sales tax revenues, until July or August and questioned if staff could determine a difference between sales tax revenue amounts for retail versus food sales.

Smith shared the FY 2020-21 budget includes \$33.5 million in unassigned fund balance, which is a significant increase from the prior fiscal year. He confirmed the budget does prioritize staff, services and infrastructure, in alignment with the Board’s focus areas for the upcoming year.

Smith reviewed county expenditures and noted the bulk of revenues are dedicated to Education & Education Debt at \$307 million, followed closely by Human Services at \$124 million and Public Safety at \$119 million.

Commissioner Alan Branson arrived to the meeting at 3:26PM.

Smith discussed changes in revenue by source from FY 2019-20 and spoke to decreases in user charges, investment earnings and sales tax revenues. He noted that, while property tax collection rates are around 99%, these revenues are still two-tenths of a point lower than last year at this time.

Smith discussed federal and state revenue estimates included in the FY 2020-21 budget, and noted certain payments may be delayed depending upon state needs.

Commissioner Kay Cashion questioned lottery fund revenues, if ticket sales are increasing or decreasing and if the trends are being tracked.

Lawing confirmed the county should receive approximately \$10 million in lottery sales revenue; however, if sales have decreased, there has been no guidance from state indicating that our current allocation of \$4.8 million would be further reduced.

Smith noted lottery fund revenues are utilized towards school debt service.

Commissioner Carolyn Q. Coleman arrived to the meeting via simultaneous communication at 3:33PM.

Chairman Phillips questioned the projections used to determine property tax revenue estimates for FY 2020-21.

Smith stated staff projected revenues based upon 2008 trends reflecting citizens ability to pay property taxes during the recession, and noted they are not anticipating a substantial decrease in the valuation of property.

Smith reviewed the proposed user fees and changes, and the impact of COVID upon the recommended schedules. He noted investment earnings have decreased by \$2.6 million from original projections and shared that other revenues, like grants and excise taxes, have been reduced.

Smith discussed recommended fund balance and noted the FY 2020-21 budget includes an emergency use of fund balance that will be unsustainable for FY 2021-22.

Lawing shared that if the FY 2020-21 budget is better than projected, expenses can be added and if worse, the budget can be amended to remove certain items, such as merit pay. He reminded the Board they have until the last meeting in June to approve the budget and there may be additional changes to the recommendations. Lawing confirmed staff will continue to monitor revenues and expenses for the remainder of the year to keep in line with the budget.

Commissioner Cashion expressed concerns maintaining the general fund balance minimum of 8% of general fund expenses.

Lawing stated the goal is to keep the fund balance percentage as high as possible through June, and shared his belief that Coronavirus Aid, Relief and Economic Security (CARES) revenues could be used towards eligible expenditures, in lieu of fund balance. He noted the most volatile revenue source, at this time, was sales tax.

Chairman Phillips spoke to the level of uncertainty placed upon revenues during the COVID pandemic.

PROPOSED FEE SCHEDULE CHANGES

Smith reviewed proposed fee increases included in the recommended budget and noted the additional fee schedule included for use of the county's firing range. He discussed the higher subsidy rate the county will receive for in-county juveniles housed in Guilford Juvenile Detention.

Lawing noted the change to the in-county youth subsidy resulted from an agreement between the state and Mecklenburg County to keep their detention facility open to continue housing their youth. He confirmed county staff became aware of this change and contacted the state to negotiate the same higher subsidy rate.

FY 2020-21 BUDGET DRIVERS

Smith introduced FY 2020-21 budget drivers and noted the largest drivers include education operation funds, debt repayment and county personnel costs. He reviewed debt repayment requirements and noted the county will have to reduce debt leveling funds used to bond interest, resulting in the need to increase county funding by \$700,000 towards debt service. Smith noted in FY 2021-22, the county should anticipate an increase of \$5 million in debt repayment.

DEBT SERVICE

Harley Will, Finance Director, discussed the county's debt portfolio and shared that while debt is expected to decrease slightly next year, debt service will increase over the next three (3) years.

He reviewed the potential changes to debt service requirements if school bonds are approved by voters and issuance occurs in 2022.

Commissioner Alston questioned if staff could provide an estimate of a typical amount that might be issued in 2022 and reflect this issuance, and its effect upon debt service, in the presentation. He noted that once debt is issued, the County must begin paying interest on this amount, and expressed his interest in focusing on scenarios for issuances that could be spent within a fiscal year.

Lawing shared staff's intent to propose interim financing options to GCS, if the bonds are approved, towards school designs, and then issue bonds to pay for construction. He spoke to the feasibility of the interim financing component in reducing issuances and associated costs.

Commissioner Alston reiterated his hope that staff would give additional thought to this process, and cautioned that the county should only budget for funds that can be spent in a fiscal year.

Chairman Phillips concurred with Commissioner Alston and opined two (2) issuances at \$150 million per issuance might be a better approach to allow time to spend down the initial issuance, and noted this process would be dictated by affordability.

Vice Chairman Perdue echoed prior comments and recommended adopting an approach that considered what needs to be spent versus how to spend all available funding.

Chairman Phillips spoke to the Board's ability to place a bond on the ballot in 2022 and every two (2) years thereafter to spread out funding distribution towards school capital expenses. He recommended staff utilize this paced approach when presenting debt service options.

Commissioner Cashion spoke to the value of the conversation and the importance of determining a reasonable amount that can be spent within a specific period of time.

EDUCATION FUNDING RECOMMENDATIONS

Smith shared the FY 2020-21 recommended budget includes \$209.6 million towards Guilford County Schools (GCS) operating expenses, an increase of \$3 million from the current year, and \$3.1 million towards capital maintenance and repair, a decrease of \$3 million. He noted per pupil funding will increase from \$2,554 to \$2,611.

Commissioner Cashion noted the county's state ranking in per pupil funding may change, as many other counties are reducing allocations in response to COVID-19 impacts on revenues.

Commissioner Alston requested staff include a comparison of peer county total school funding, including debt service.

Commissioner Alston expressed concern with transferring capital funds to cover operating expenses and questioned total maintenance funding.

Lawing noted that, as of last week, GCS has \$5 million remaining in their current capital budget, and noted when they spend funding towards these expenses, they request immediate reimbursement.

Chairman Phillips questioned if this is a comment spending pattern this close to the end of the school year.

Lawing confirmed and stated they typically wait to complete capital projects during the summer months, when school is not in session.

Commissioner Alston noted the school system would likely spend \$6 million towards capital and questioned decreasing the allocation to \$3 million.

Lawing confirmed their funding needs are higher, but the Board has never fully funded school capital requests during his tenure and capital funding has typically ranged between \$2 million to \$7.5 million.

Commissioner Alston recommended returning the additional operating allocation of \$3 million back to capital maintenance and repair.

Vice Chairman Perdue questioned if there is any data available comparing student results with county education spending.

Smith discussed the possibility of comparing high school graduation rates with overall spending, but noted he has not seen a reliable source with this data readily available. He shared a consistently recorded statistic is a high school graduate's need for remedial math upon entering college, but noted data on GCS graduates is not provided by every college.

Vice Chairman Perdue spoke to the need to compare outcomes of success with spending.

Lawing confirmed the NC Public School Board does provide information on test scores and noted some counties with lower per pupil spending have higher test scores. He discussed the challenges with drawing conclusions based upon this data due to demographic and socioeconomic differences.

Chairman Phillips expressed his interest in receiving data comparing peer counties total school spending, including debt service obligations.

Lawing shared this data is provided by the NCACC Budget and Tax Survey, which includes ranking based upon debt. He noted Guilford County's relevant effort to fund schools ranking is higher than Wake, Mecklenburg and Durham counties, based upon our available tax base.

Commissioner Foster shared Guilford County ranks highest in the state for graduation rates, above Charlotte-Mecklenburg, Wake and Winston-Salem-Forsyth county school systems.

Smith reviewed the FY 2020-21 recommended budget funding allocation for Guilford Technical Community College (GTCC), and noted there is no net increase in the total funding amount.

BUDGET DRIVERS FOR FY 2020-21 (cont'd)

Smith introduced the eight (8) new positions included in the FY 2020-21 recommended budget.

Commissioner Foster questioned the Infant Mortality Coordinator position and its differences from a similar state-funded position sponsored by the Coalition on Infant Mortality.

Smith stated the new position will focus on education efforts related to infant mortality, specifically in High Point, while the state-funded position addresses county-wide infant mortality rates.

Smith reviewed the thirty-nine (39) positions added in FY 2019-20 in Public Health, Social Services and Animal Services. He discussed the performance-based 3% merit pool included in the recommended budget and reiterated implementation of Phase 2 of the market compensation study, at a cost of \$2.5 million, was not included.

Smith shared state retirement employer contribution increases and stated the county anticipates a \$5.8 million increase in the health insurance budget, due to increases claims and related costs.

Lawing emphasized the health insurance budget increase is driven by catastrophic-level claims for a small group of employees.

INTERNAL SERVICE FUND

Carol Campbell, Human Resources Benefits Manager, reviewed the county's claim patterns between 2019 and 2020. She spoke to the significant plan changes made in 2019 resulting in decreased county contributions to the plan. Campbell reiterated stop loss claims have helped mitigate costs associated with catastrophic claims for certain employees, but plan costs have primarily been driven by these expenses.

Campbell shared approximately \$6 million in Internal Service fund balance will be used to address claims, specialty drug costs and increasing stop loss premiums in FY 2019-20. She

shared numerous governmental entities are experiencing the same trend, and spoke to the need to cut services and increase premiums to impact county costs.

Lawing noted they will provide options to the Board for consideration, which will likely include increases in employee contributions to address increasing costs while maintaining current plan service levels.

Vice Chairman Perdue questioned the impact of telemedicine upon the plan and requested data regarding usage.

Campbell shared that, since March, 187 virtual visits have been conducted through the United Healthcare (UHC) portal, which does not include virtual visits administered directly by physician's offices. She stated she is uncertain if local providers offer reduced rates for virtual visits, and noted that last year, 572 visits were conducted through the portal.

Vice Chairman Perdue recommended highlighting UHC virtual visits between March 1 through June 1, and presenting the usage and resulting cost-savings as options for employees to offset their own costs associated with potential plan premium increases.

BUDGET DRIVERS FOR FY 2020-21 (cont'd)

Smith reviewed major operating increases within the recommended budget, which include: \$670,000 increase for medical services for detainees in the Jails and youth in the Juvenile Detention Center; \$150,000 increase in contract security primarily associated with the Behavioral Health Center; and a \$400,000 increase in the scrap tire disposal contract. He noted staff are considering ways to minimize costs related to the contract, including sorting tires and directing tires to appropriate vendors, based upon size. Smith shared the recommended budget also includes \$275,000 in anticipated economic incentive payouts and an additional \$40,000 in economic development agency grants.

Vice Chairman Perdue questioned if the charges for regular and heavy tire disposal cover county costs for the contract.

Smith confirmed the charges do not cover the costs, which have increased more steeply than revenues.

Lawing shared the county does receive grant funding to offset these expenses.

Leslie Bell, Planning & Development Director, spoke to issues related to state rates and the volume of tires received at the Bishop Road facility. He stated the county has very little competition with regards to scrap tire processing, as the next closest processor is located in Mt. Airy, NC, and they do not have the capacity to receive these tires. Bell stated that off-the-road

tires, such as those on tractors and equipment, have been surcharged by the processing facility and shared staff's plan to work with facilities generating these used tires to reduce charges.

Smith reviewed vehicle replacement and major equipment plans included in the recommended budget, and noted many purchases will be deferred. He shared that the budget included \$2.3 million for routine maintenance and \$1.5 million for special maintenance, which is \$1.7 million less than planned due to the impacts of COVID.

Smith noted the recommended budget also includes no transfer to capital and stated the capital improvement plan (CIP) is not fully funded, and would require an average cash transfer of \$13.3 million annually over the next five (5) years to address all projects. He reviewed the current special facility maintenance plan and anticipated allocation needs. Smith reviewed the County Building Construction Fund and noted, pending receipt of state funds for the Behavioral Health facility, the account will have approximately \$0.5 million available after projects have been completed.

FIRE DEPARTMENT BUDGETS

Smith discussed the FY 2020-21 recommended budget for Fire Districts and noted sales tax revenue for these departments have decreased by 20%, due to COVID impacts. He noted four (4) districts requested property tax increases, but these were not included in the recommended budget.

Commissioner Alan Branson questioned if the loss of tax revenue could be attributed to annexation by City of Greensboro. He expressed concerns with annexations by the city, for the purpose of water and sewer services, resulting in reduced revenues with no additional funds distributed to county fire departments. Branson spoke to increases in the number of calls as a result of growth, but no accompanying revenues towards service provision.

Vice Chairman Perdue spoke to the changing dynamic of fire district personnel, and the transition from volunteerism to paid staffing. He noted costs have increased because districts must now hire firefighters to ensure they maintain an effective public safety program. Perdue questioned the impact upon services if salary issues are not managed within the districts.

Chairman Phillips requested confirmation that \$2 million in CARES funding had been allocated to assist Fire Districts.

Campbell confirmed the Board allocated \$2 million towards this one-time purpose in a previous meeting.

Vice Chairman Perdue noted this is a one-time allotment that can meet short-term needs, but salary and personnel issues are long-term needs that must be addressed.

Commissioner Conrad spoke to the history of local fire departments and expressed his agreement with Vice Chairman Perdue's interest in identifying long-term solutions regarding personnel needs.

INTERNAL SERVICES FUND

Smith reviewed the FY 2020-21 recommendations for Risk Management and spoke to increases in expenses for non-workman's compensation costs. He noted the program continues to utilize fund balance to manage costs, which should be addressed at some point in the future.

Smith reviewed the recommended Healthcare budget and \$11 million increase in county contributions for these costs. He spoke to the significant decrease in fund balance related to COVID impacts.

Smith presented the FY 2020-21 Economic Development Organization (EDO) grant funding recommendations and anticipated incentive grants.

Bell noted the EDO City Project underwent a name change to Forward High Point in 2016.

Chairman Phillips thanked Smith and his team for their efforts and thanked Lawing and all department directors for their work with the annual budget presentations. He reiterated the county cannot underestimate the impact of COVID-19 upon the community, which has resulted in one of the most challenging budget seasons.

Vice Chairman Perdue requested an update regarding any damages sustained by the county as a result of recent protests in downtown Greensboro.

Lawing discussed the significant damage to the New Courthouse, but noted the Sheriff's and City of Greensboro Fire departments was quick to respond and mitigate the issue. He stated a fire and restoration group have already begun working in the impacted area that was in use by the Guilford County Board of Elections. Lawing confirmed unused paper ballots, furniture and one (1) piece of voting equipment were lost to fire damage, and spoke to the potential loss of approximately \$2 million in voting equipment that was avoided due to the quick response of public safety officials. He estimated repair and replacement costs at approximately \$200,000, and shared one of the windows in the BB&T building was broken and will also require repair.

IV. OTHER BUSINESS

Chairman Phillips questioned the need to schedule the next budget work session.

Commissioner Alston questioned the potential impact of the City of Greensboro's curfew upon the upcoming regular meeting of the Board scheduled for Thursday night. He requested the

Board consider the meeting may go past 8:00PM, as the public hearing on the recommended budget is included on the agenda.

Commissioner Conrad questioned the potential to conduct the meeting earlier in the day in consideration of citizens participating in the public hearing.

Clerk to Board Robin Keller confirmed that, pursuant to S.L. 2020-3, the public must be afforded the opportunity to submit comments in writing up to twenty-four (24) hours after the public hearing, and the meeting room will be able to accommodate thirty (30) members of the public who would like to comment in person during the public hearing. She explained the process that would be used to navigate speakers within the meeting room, and noted this could be impacted by changes in meeting time. Keller noted notice of the change must be submitted at 48 hours prior to the meeting.

County Attorney Mark Payne reviewed the curfew exemptions and spoke to the need to request clarifications regarding certain aspects of the order.

The Board discussed the potential impact of the curfew upon the upcoming regular meeting.

The Board discussed upcoming meetings and scheduled events.

By general consensus, the Board scheduled a work session for Tuesday, June 9, 2020 at 11:00AM.

Chairman Phillips noted the Agenda Review with the Chairman would be scheduled for 8:00AM on Tuesday, June 9 in the Blue Room, located on the 1st Floor of the Old County Courthouse and the ground-breaking event at the new Animal Shelter would be held at 9:30AM on the same date. He spoke to the potential for scheduling an additional work session on Tuesday, June 16.

V. ADJOURN

There being no further business, the Board adjourned the meeting by unanimous consent at 5:19PM.

Jeffrey M. Phillips
Chairman

Robin B. Keller
Clerk to Board