

**MINUTES OF THE GUILFORD COUNTY BOARD OF COMMISSIONERS /
GUILFORD COUNTY BOARD OF EDUCATION
JOINT CAPITAL/FACILITIES COMMITTEE**

**Greensboro, North Carolina
August 9, 2022**

The Joint Capital/Facilities Committee, appointed by the Guilford County Board of Commissioners and Guilford County Schools Board of Education, met in a duly noticed meeting on August 9, 2022 at 9:00AM in the McAdoo Conference Room, located on the third floor of the Truist Building, 201 W. Market Street, Greensboro NC.

Guilford County Board of Commissioners

Present: Committee Co-Chair Commissioner Melvin “Skip” Alston, presiding;
Commissioners J. Carlvena Foster and Kay Cashion

Absent: Commissioner Carly Cooke

Guilford County Schools Board of Education

Present: Committee Co-Chair Deena A. Hayes, presiding; Bettye T. Jenkins, Pat Tillman and H. Winston McGregor

Absent: None

Also Present: County Manager Michael Halford; Interim County Attorney Matthew Mason; Clerk to Board Robin Keller; Toy Beeninga, Budget & Evaluation Director; Dr. Whitney Oakley, GCS Acting Superintendent; Angie Henry, GCS Senior Advisor; Michelle Reed, GCS Chief Operating Officer; members of County and GCS staff, community partners, the public and media. Virtual participation was made available to the public and media partners.

I. WELCOME AND CALL TO ORDER

Committee Co-Chair Melvin “Skip” Alston called the meeting to order at 9:00AM and welcomed those present.

II. INTRODUCTION OF JOINT CAPITAL/FACILITIES COMMITTEE MEMBERS

Alston introduced the Guilford County Board of Commissioners participating on the subcommittee.

Committee Co-Chair Deena A. Hayes introduced the Guilford County Schools (GCS) Board of Education (BOE) members participating on the subcommittee.

III. UPDATE ON \$300 MILLION BOND PROJECTS

Dr. Whitney Oakley, GCS Acting Supervisor, expressed appreciation to the voters for approving the bond and offered an overview of the presentation.

Angie Henry, GCS Senior Advisor, introduced representatives presenting on behalf of GCS.

Ms. Henry reviewed the project timeline, beginning with the initial Joint Capital and Facilities Planning meeting between the Board and BOE. She noted that, in 2018, both boards approved a contract in the amount of \$900,000 to perform a facilities condition assessment study of school and district facilities, which was completed in 2019 and identified that approximately 50% of our schools were in poor or unsatisfactory condition. Ms. Henry ongoing community meetings were conducted with David Sturtz from Cooperative Strategies to present the Facilities Master Plan.

Ms. Henry shared the BOE's initial request in March 2020 to place a \$1.6 billion bond on the November 2020 ballot; however the Board of Commissioners voted to place a \$300 million bond on the ballot, which was approved by Guilford County voters. She shared that in May 2021, a contract was executed with HiCaps/C² Venture with a due date of June 2021 for responses to the request for qualifications (RFQ) for Construction Management at Risk Services. Ms. Henry noted the BOE authorize staff to negotiate architectural and engineering services contracts in August 2021, which were executed in December 2021, and schematic design began in November 2021.

Ms. Henry discussed the Board of Commissioner's vote to place a \$1.7 billion bond referendum on the March 8, 2022 ballot and in January 2022, GCS staff presented initial school renderings for the \$300 million bond projects to the BOE and reviewed information on concerns related to inflation and the supply chain.

Ms. Henry confirmed Guilford County voters approved the \$1.7 billion bond referendum, but did not approve the ¼-cent sales tax. She discussed the election protest filed to overturn the bond referendum, but probable cause was not found, and the Guilford County Board of Elections filed a resolution certifying the school bond election on July 19, 2022.

Jason Lembke, DLR Group, stated he would provide an overview of the 21st century school design that would enhance today's learning.

Mr. Lembke noted several factors, such as: school type and programs offered; vision for teaching and learning; community services needed; post-pandemic school design needs; site size and shape, site attributes; and vehicular circulation/parking have influenced the 2020 bond projects' square footage.

Mr. Lembke discussed the concept of community-based design and the ability to utilize facilities to their fullest potential by offering health clinics, walk-up food service, after-hours meeting

spaces, community access to media centers and outdoor performance spaces. He reviewed the pandemic and safety design modifications that would focus on how students move throughout and gather within a building, with emphasis placed on the compartmentalizing certain spaces, the size and width of entrances and distributed dining.

Dr. Oakley added that, during these post-pandemic design meetings, the emphasis is placed on creating facilities that will allow the school system to never have to close schools again. She stated that, as these schools will be designed to last at least another fifty (50) years, it is important to ensure that they maintain this lens during the design phase.

Mr. Lembke shared these schools are designed as a reflection of the community they serve and their vision of the future. He noted the magnet schools will feature a first-of-its-kind model within the United States and there are no prior blueprints. Lembke stated COVID-19 has shifted educational and functional design parameters and safety and security needs require updated technologies, factors that lend themselves to a personalized design for each of these schools.

Mr. Lembke noted archetypes of previous generations of schools are no longer meeting the needs of today's learning and spoke to the impact of school design upon learning progress. He shared that the physical learning environment has a 16% impact upon learning progress, which is an important factor to consider in the designs. Lembke spoke to the amount of research involved in holistic school design and noted the best layout solution for improved learning is a more flexible design, and GCS values related to flexibility and safety and security have been considered at each step of the design phase.

Dr. Oakley spoke to certain news reports that have offered insight on the value of a vestibule and having a space where administrators can observe visitors before they enter the building.

Mr. Lembke discussed design elements for exception children, including audio aides, handicap accessible classrooms and other types of assistive equipment or technology.

Dr. Oakley shared a story where hearing impaired students attending Lindley Elementary were moved to Hunter Elementary to ensure they were in an environment where learning was easier for them.

Dr. Oakley noted GCS staff have spent a year discussing workforce development and how to best align our schools to meet those needs, and noted business leaders shared the importance of providing more student choice, access to quality CTE programs that align with the labor market.

Dave Smith provided an update on the current state of construction costs and cited an article that discussed the rising cost of construction in Sarasota, FL schools, whose projects increased from \$15 million to \$30 million. He shared similar reports from Tennessee and Hillsborough, FL projects where construction cost increases ranged from 43% to 90% within the past two (2) years.

Mr. Smith noted everyone around the country is feeling the impacts of inflation and provided examples of the impacts on school construction. He shared that Kiser Middle School is currently

projected to cost \$350.09 per square foot, and provided additional examples of estimated construction costs for schools in the area, but noted these amounts would likely increase.

Kenneth Grube, Samet Corporation, spoke to the general increases in construction prices and noted these are not limited to schools as material costs are rising, along with labor costs for qualified craftsmen in the field. He discussed the current, unprecedented issues with supply chain and freight costs, along with the war in Ukraine, which has exacerbated fuel prices.

Mr. Grube presented the Producer Price Indices developed by the AGC Construction Association to illustrate the percentage change in costs for certain products. He noted that between April 2020 and May 2022, steel mill product costs have increased by 128%, lumber and plywood have increased by 90%, plastic construction product costs have increased by 53%, truck transportation costs increased by 41% and bid prices for non-residential building construction have increased by 23%.

Mr. Grube confirmed these increases have been observed across the country and shared that over this period, inflation has increased by approximately 1% per month. He noted that, based upon the current trend, initial bid estimates have increased by approximately 30%. Mr. Grube noted that lead time for projects have also significantly increased due to supply chain challenges, which can add six to eight months to construction duration.

Mr. Grube stated Raleigh and Charlotte are included in most top five metropolitan area lists for desirable places to live and North Carolina is included in top five lists for economic growth. He spoke to unprecedented number of construction activity in the Triad, but there is a small pool of contractors here that will result in price increases by more than 30%.

Mr. Grube noted trade contractors in the area are stressed as 25% of the construction labor force was lost during between 2008 and 2009. He shared that there are young workers interested in construction, but not enough workers to meet the demand. Grube reviewed a year-over-year change in materials costs versus bid prices between January 2006 to January 2022.

Monte Edwards, M. Edwards Group, shared his experience working with GCS over the past fifteen (15) years, and provided an update on crude oil, gasoline and diesel price increases and their impact upon asphalt, roofing membranes, paint, solvents and other construction materials.

Michelle Reed, GCS Chief Operating Officer, reviewed the \$300 million school bond projects currently in the design phase. She shared they have launched six (6) projects and have committed approximately \$26 million in funding. Reed noted that two (2) projects have been shift to a value engineering model and all projects are on schedule for early bid dates beginning in September. She stated they have postponed several projects to consider the benefits of value engineering and have a goal to lock in prices by November 2022 for three (3) of the projects.

Co-Chair Alston asked questions on behalf of Commissioner Carly Cooke, in her absence:

1. What is the cost breakdown and how much of the cost increase is due to changes in scope and design?

2. What ideas or changes have been considered to adjust for cost increases to ensure we can still address as many schools as possible with bond dollars approved by the voters?
3. What prototype designs have been considered or have the use of prototype designs been considered to increase efficiencies and cost savings?

Co-Chair Hayes thanked the staff for their presentation and research, and for keeping teacher and student effectiveness in mind while trying to manage costs.

Commissioner Kay Cashion thanked staff for the informed shared and confirmed concerns related to project costs increasing by 20-30%. She questioned if they will attempt to replicate interior design options to maintain consistency in construction supplies.

Dr. Oakley stated they are discussing design prototypes and how they apply to certain types of schools. She noted, for example, magnet schools do not lend themselves to the traditional building design and prototypes are something under consideration for more traditional school programs.

Mr. Lembke discussed the evolution of prototypes across the nation and shared there are opportunities for more traditional concepts when designing administrative spaces, and while standardization can be commoditized, assembly can be a challenge when designing for a unique site. Mr. Lembke confirmed GCS is seeking consistency while acknowledging the importance of magnet school programs, as well as their sites and surrounding communities.

GCS Board of Education Member H. Winston McGregor spoke to the level of discussion conducted when interviewing program managers and noted that while the design for Claxton Elementary could be replicated, the surrounding land also contributes to certain factors of the design. She expressed her appreciation for the responses to this question and staff's effort to seek commitments to work collaboratively across design teams. Ms. McGregor confirmed that, while they will track materials based upon increasing cost, it is important to prioritize the recruitment of teachers and tailoring programs in order to attract and retain companies that are moving to the Triad. She shared that her term on the board will end in the next six (6) months and expressed her appreciation for the future challenges that will be encountered.

Commissioner J. Carlvena Foster thanked staff for the presentation and noted this committee now has a very clear picture of where we are and where we need to move forward. She expressed her support for magnet schools and ensuring the building design is consistent with the programs offered.

GCS Board of Education Member Pat Tillman thanked staff for their work on the presentation and recognized that when voters supported the school bond referendum they were unaware that costs would increase by 30, 40 and now 50% increases in estimated costs. He questioned opportunities to utilize substitute materials in construction of the facilities.

Mr. Grube discussed potential changes to roofing systems, wiring and piping that could be used in lieu of standard materials, and spoke to the unpredictability of the market at this time.

Mr. Edwards offered an example of alternative materials and confirmed they are constantly evaluating other brands and products.

Mr. Smith noted that each phase of design, they conduct side-by-side comparisons of each school project to capture the best opportunities for cost savings.

Mr. Tillman spoke to the major economic impacts related to this shutdown and questioned the potential for projected savings over the lifetime of these new and renovated buildings.

Mr. Edwards shared certain conservation measures that could be used to reduce energy bills and have a direct positive impact upon taxpayers.

Mr. Grube spoke to the importance of thinking strategically when bidding projects and noted more attractive bid projects, such as those that require large amounts of work, will be bid on first by contractors, versus less attractive projects, such as renovations. He noted bids for these projects should be spaced out to keep costs lower.

GCS Board of Education Member Bettye Jenkins thanked the presenters for information shared with the committee and spoke to the school system's history of patching older schools and the importance of nice facilities for our students. She expressed her support for community clinics and other opportunities of benefit to surrounding communities. Ms. Jenkins spoke in support of flexible spaces and facilities that would provide additional opportunities for special needs students.

Co-Chair Hayes shared GCS, historically, has spent almost \$1 billion dollars gradually building and renovating schools and noted that having a master facilities plan that covers the entire district is a step in the right direction. She noted this plan has the opportunity to prepare students for a global workspace.

Co-Chair Alston opined we can either build cheap now, and build it again later, or build it right and not have to continue fixing these facilities. He spoke to the importance of making a choice on whether we support our children, and while there may be short-term solutions that result in the delay of certain projects, children are still wearing coats in classrooms.

Mr. Alston stated we have to make tough choices as this determines our children's future, and spoke to the years of neglect that we want to avoid in the future. He spoke to the potential impact of improved facilities upon teacher retention and noted that costs will continue to increase, as these projects will take 10-12 years to complete. Mr. Alston emphasized the need to focus on how funds will be spent now to forward in the first phase of construction.

Mr. Tillman left the meeting at 10:30AM.

IV. UPDATE ON COUNTY BOND PROGRAM

County Manager Michael Halford confirmed it was time to consider how we will pay for these projects and noted that, statutorily, the Board of Commissioners have to fund this with their financial resources, based upon their fiscal policies.

Halford discussed how the County designed its bond program and noted that the smallest change could result in a domino effect. He shared the overall bond program is based on five (5) guiding principles:

- The County can address GCS' and the County's future capital needs and deferred maintenance in a timely manner to provide adequate public facilities and services
- Protect the County's fiscal ability to provide and enhance services
- Design a stable funding model that fits existing revenue sources as much as possible
- Reduce the overall costs of infrastructure for residents, particularly over the long-term
- Limit changes in the property tax rate to provide stability and predictability for taxpayers

Toy Beeninga, Budget & Evaluation Director, introduced the debt model presentation and discussed the different capital funding mechanisms available in North Carolina. He noted the Local Government Commission (LGC) is an important partner in our financing plans, as they approve applications to issue and sell debt on behalf of the County. Beeninga stated that, as they review the application for approval, they assess our debt management procedures and policies, our compliance with the Local Government Budget and Fiscal Control Act and our ability to repay the debt.

Beeninga noted that, within North Carolina, counties are required to fund capital needs for schools, community colleges, the court system and mandated programs, such as Social Services. He shared that Guilford County currently has \$680.5 million in long-term outstanding debt across a number of different issuances for different purposes.

Beeninga provided a summary of the County's existing debt and noted that a decrease in annual debt service over the next few years has been factored into the plan for the \$1.7 billion school bond. He discussed the two (2) issuances of debt this year which included the first \$120 million tranche of the \$300 million school bond and \$41 million towards other county capital needs. Beeninga shared we currently hold a AAA bond rating from all three (3) rating agencies and we are one of forty-eight counties within the United States that hold this distinction.

Beeninga stated the debt model was developed in partnership with our financial advisors to demonstrate the County's ability to service our proposed debt. He noted the model expense inputs are driven by outstanding debt service and planned future debt issuance. Beeninga shared we have a total of approximately \$602.7 million in existing debt service with approximately \$2.8 million in principal and interest on planned future debt issuances, for a total of over \$3.4 billion.

Beeninga stated debt model revenue inputs include dedicated property tax as approved by the Board of Commissioners, which represents 17.6% of the County's property tax, or \$88 million. He noted this amount includes \$50 million approved by the Board in the FY 2022-23 budget as a funding mechanism for the \$1.7 billion school bond.

Beeninga noted \$28 million of the County's sales tax collection is committed to school capital and will be applied to the debt model. He noted the inputs also include lottery proceeds in the amount of \$4.7 million and federal subsidy and other revenue totaling \$6 million.

Beeninga illustrated how existing debt is modeled over the next few years and the impact the second tranche equaling \$180 million of the \$300 million school bond. He noted they will use the decrease in existing debt to stabilize the amount of revenue required to service the planned debt.

Halford clarified this is an example of how we build stability into our existing model and take advantage of current resources, so it does not impact operating funding for the schools, our ability to staff for emergency and social services.

Beeninga stated that as we layer in the \$1.7 billion debt, there are several spikes in the debt model, and noted the LGC is interested in our ability to generate sufficient revenues to navigate these spikes in debt. He confirmed we have seven (7) years to issue the debt with the issuance of \$180 million in 2023 and three (3) planned issuances in 2024, 2027 and 2029. Beeninga spoke to the importance of building interest rate increases between 75-125 basis points into the model.

Beeninga shared that, based upon the current plan, if we start spending these funds next month, we could support a cash flow of \$16 million per month through March 2027 and could increase cash flow to \$24 million per month through February 2031. He noted this plan is dependent upon the estimates from project managers moving forward.

Halford emphasized the project managers would need to confirm to these cash flows and if the model changes, the funding will no longer support our repayment efforts.

Beeninga discussed how the County will fund the debt model and reiterated the Board's approval of \$50 million in the FY 2022-23 budget to cover future school capital needs and debt service. He noted that during the first few years, the County will build a balance of reserves which will create a fund balance to meet the spikes in debt services when the revenue inputs are not projected to meet the proposed debt service. Beeninga noted that by 2037 and 2038, revenues are projected to exceed proposed debt service and there is additional capacity to fund pay-go projects or fund future debt issuances fit within the model and committed revenues. He noted the capacity is dependent upon the Board continuing to allocate \$50 million in the budget towards capital needs.

Beeninga discussed next steps and shared there is meeting with the LGC on the approval and plan to issue \$1.7 billion in school on September 22. He noted the LGC has expressed concerns with the County's ability to ramp up based upon the size of the issuance, how we would address inflation and our ability to meet debt service payments.

Halford stated that the \$50 million allocated towards capital expenses is helpful when evaluating our fiscal resources. He noted the Board will have to address some of their debt policies as they approach the spikes, and despite that we have an application pending for the bonds, voters have approved the bonds and the effort has survived challenges, this still requires approval from the LGC.

Co-Chair Alston questioned how much this will cost based upon the information shared today.

Ms. Henry stated they anticipate an additional \$170 million is required to address the \$300 million school bond projects. She shared they are returning to a value engineering process to save some costs, although these savings are not significant, and the more changes made requires additional time and money.

Co-Chair Alston questioned how we pay for these increases and questioned if any portion of the \$1.7 billion school bond can be used towards these overages. He expressed his hope that it was the will of the Board of Commissioners to determine how to pay for these projects versus if we will pay for these projects and shared his interest in moving forward with planned groundbreaking ceremonies.

Halford discussed the accounting principles utilized by the County and school system and offered an example where, once the Board of Education identifies the project, and based upon the County's funding plan, the Board of Commissioners issues project ordinances which allows the school system to spend up to a certain amount towards approved projects.

Halford emphasized it is the County's responsibility to ensure we have sufficient cash on hand to make those payments. He spoke to the importance of the cash flows and noted that the County may not be able to issue full project ordinances for the \$1.7 billion school bond as it will take time to sell additional bonds to gain cash and the balance involved in the process.

Co-Chair Alston thanked the County Manager for this information and noted the purpose of the committee is to keep each other informed regarding the status of projects, when issuances are needed and how they are managed.

Ms. McGregor spoke to the importance of continuing with site work and planning, and questioned if partial ordinances would be issued moving forward.

Halford confirmed and noted the importance of managing these projects, as they will conduct 3-4 issuances over the seven (7) year period. He spoke to the importance of pacing the projects to avoid overwhelming the market.

Ms. Henry noted the project ordinance requests brought to the Board of Commissioners were partial ordinances for construction management designs.

Co-Chair Alston reiterated costs will have to be evaluated and expressed his interest in meeting every four (4) weeks, as time is of the essence. He requested GCS staff work with the Clerk to Board's office to develop a schedule for the next six months.

Halford noted there are overlapping interests in projects developed by GCS and Guilford Technical Community College (GTCC), and questioned if the committee has any thoughts on identifying how we might move faster, at a lower cost, by working on a single project between both entities versus two (2) separate projects.

Ms. McGregor shared they have attempted to collaborate with GTCC and expressed her hope that their representatives could join this committee to gain their input. She questioned if any staff had reached out to their Board of Trustees and noted there have been challenges with operational coordination.

Co-Chair Alston stated he would reach out to their board.

Ms. McGregor shared her interest in seeing creative uses for the shared spaces that will be offered through these new designs, and opportunities to coordinate with local government and GTCC on use of space.

V. SCHEDULE NEXT MEETING / ADJOURNMENT

There being no further business, the meeting was adjourned by unanimous consent at 11:06AM.

Commissioner Melvin “Skip” Alston
Committee Co-Chair

GCS Board of Ed., Deena A. Hayes
Committee Co-Chair

Robin Keller, Clerk to Board