May 16, 2019

Guilford County Board of Commissioners:

The Honorable Alan Branson, Chair  
The Honorable Jeffrey M. Phillips, Vice Chair  
The Honorable Melvin L. (Skip) Alston  
The Honorable Katie S. (Kay) Cashion  
The Honorable Carolyn Q. Coleman  
The Honorable Justin Conrad  
The Honorable J. Carlevena Foster  
The Honorable Hank Henning  
The Honorable Alan Perdue

Guilford County Board of Commissioners and Residents of Guilford County:

It is my privilege to present to you the recommended budget for the 2019-20 fiscal year. In accordance with the General Statutes of North Carolina, the budget is balanced and prepared under the guidelines of the North Carolina Local Government Budget and Fiscal Control Act. A copy of this document has been filed with the Clerk to the Board and posted on the County's website where it is available to the public for inspection.

Local Economy

Local government budgets are impacted significantly by local economic conditions. In Guilford County, the unemployment rate remains relatively low. The March 2019 unemployment rate was 4.3%, up slightly from 4.2% in March 2018. The rate of unemployed workers is close to the North Carolina statewide rate of 4.0% and lags the national rate of 3.8%. The county's two major sources of revenue are positively impacted when a higher percentage of Guilford County residents are employed. When people have more disposable income, taxable retail sales increase locally resulting in increased sales tax revenue. Fiscal year-to-date taxable sales in Guilford County were $4.5 billion in February 2018 compared to $4.31 billion the same time last year. Annual totals are projected to increase by 5% this year versus 2% last year. The county's property tax collection rate has been on a positive trajectory in recent years due to timely payment of taxes. The real estate market has continued to strengthen with an average annual median three-bedroom home sale price in April 2019 of $161,600 compared to $151,500 in April 2018. Overall, the county's property tax base will increase by approximately 1.9% over estimated FY 2018-19 values.

Based on population estimates for July 2018, the county's permanent population has grown approximately 9.3 percent since 2010 to nearly 533,700. However, the county's Medicaid-eligible population has grown by more than 26% since January 2015 – a much faster pace than the general population which places increased demand on the county's human services. The
County's Department of Commerce Economic Tier Ranking remains at Tier 2 for 2019 primarily due to median household incomes indicative that we have more work to do on the economic development front.

High Priority Focus Areas

In developing this budget, I looked to the Board’s guidance during its retreat and its review of the county’s mission, vision, and major focus areas. High level summaries of focus area funding included in the recommended budget are presented later in this message, identified using the icons noted below. Specific high priority initiatives are **noted in bold**. The priority areas are discussed in more detail in the County Goals & Priorities section of the budget document.

![Icons](Organizational Excellence Healthy People Public Safety Economic Development Education Recreation & Culture Infrastructure)

Budget Priorities

Limited growth in our major revenue sources, increases in demand for many of our current services, and the need to plan for significant future community needs presented constraints on what we have been able to accomplish with this budget. The current tax rate does not produce enough recurring revenues to maintain the current budgets for major facility maintenance needs, the set-aside for future county infrastructure projects, or to expand services in areas where we are not meeting our performance standards. In addition, the current tax rate does not provide enough recurring revenue to address the operating deficit the county had at the end of FY 2017-18 and is likely to have at the end of FY 2018-19. Additional work is required to clarify the county’s purpose and desired future state of our community so that we can select, build, and fund services that support an improved Guilford County.

Given this year’s constraints, difficult choices had to be made about which priorities could be funded and which ones could not without additional recurring revenues or a corresponding reduction in services. Nevertheless, this budget prioritizes and makes progress in three main areas that I believe are critical for the long-term success of our community:

- Protect the provision of quality services for our residents by attracting and retaining quality employees that provide quality work through a competitive and modernized compensation program.
- Support the quality education of our youngest residents by increasing the funding for the Guilford County Schools and local charter schools. Although the recommended funding
level falls short of that requested, it continues the county's commitment to supporting the Board of Education's strategic goals. Any increase to the recommended funding level should be provided through a recurring source of revenue.

- Prepare for the future by adopting a debt leveling policy to maintain debt repayment funding at current levels to provide a funding source for borrowing required to address needs identified in the school capital finance study.

Recommended General Property Tax Rate

The proposed budget recommends a general county tax rate of 73.05 cents per $100 of assessed valuation – no change from the current rate. The budget begins to address employee attraction and retention issues, expands services for veterans, prepares for 16 and 17 year-olds that will be housed at the Juvenile Detention Center under new Raise the Age legislation, and increases funding for the Guilford County Schools.

REVENUES

Total revenues and appropriated fund balance are expected to increase by $11.1 million next year, or 1.8% over last year's budget. The amount of fund balance used to balance the budget decreases by $865,000, mostly the result of less departmental-specific fund balance being used next year. The amount of fund balance needed for general county services increases by about $86,000.

About 61%, or $380 million, of total General Fund revenues will come from the property tax. Sales tax and revenues from the federal and state governments will generate $91 million (15%) and $68 million (11%), respectively. Together, these three sources of funds account for nearly nine of every ten dollars of budgeted revenue.

### Summary of Sources of Funds

<table>
<thead>
<tr>
<th></th>
<th>FY2018 Actual</th>
<th>FY2019 Adopted</th>
<th>FY2019 Amended</th>
<th>FY2020 Request</th>
<th>FY2020 Recommend</th>
<th>vs. FY19 Adopted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>$370,222,425</td>
<td>$372,870,000</td>
<td>$372,870,000</td>
<td>$379,950,000</td>
<td>$379,950,000</td>
<td>+$7,080,000, 1.9%</td>
</tr>
<tr>
<td>Federal/State Funds</td>
<td>$62,326,663</td>
<td>$66,595,893</td>
<td>$68,378,770</td>
<td>$67,761,025</td>
<td>$67,691,883</td>
<td>$1,095,990, 1.6%</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$85,925,781</td>
<td>$90,975,000</td>
<td>$90,975,000</td>
<td>$90,975,000</td>
<td>$90,975,000</td>
<td>-</td>
</tr>
<tr>
<td>User Charges</td>
<td>$41,578,529</td>
<td>$39,864,419</td>
<td>$39,916,019</td>
<td>$41,838,925</td>
<td>$43,190,652</td>
<td>$3,326,233, 8.3%</td>
</tr>
<tr>
<td>Fund Balance</td>
<td>$3,923,763</td>
<td>$5,382,353</td>
<td>$5,382,353</td>
<td>$5,362,551</td>
<td>$5,362,551</td>
<td>$168, 0.0%</td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>$220,076,066</td>
<td>$9,635,048</td>
<td>$9,729,758</td>
<td>$10,027,950</td>
<td>$10,102,642</td>
<td>+$467,584, 4.9%</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$784,056,249</td>
<td>$585,392,713</td>
<td>$587,231,900</td>
<td>$595,915,451</td>
<td>$597,272,728</td>
<td>+$11,970,015, 2.0%</td>
</tr>
<tr>
<td>Fund Balance</td>
<td>$11,917,919</td>
<td>$31,010,287</td>
<td>$40,854,051</td>
<td>$58,858,744</td>
<td>$30,145,272</td>
<td>(865,015, -2.8%)</td>
</tr>
<tr>
<td>Total</td>
<td>$795,974,168</td>
<td>$616,313,000</td>
<td>$628,085,051</td>
<td>$654,774,195</td>
<td>$627,418,000</td>
<td>+$11,105,000, 1.8%</td>
</tr>
</tbody>
</table>

Property Tax
The total property tax base for FY 2019-20 is estimated to be $52.5 billion. This is an increase of 1.9% over the prior year's estimated values and will result in an additional $7 million of property tax revenue. The county continues to offer a discount of 0.5% for current year taxes paid by August 31. About 60% of property owners pay their tax bills by the discount deadline. The reduction in tax revenues due to this discount is approximately $1 million.

Education, including repayment of education-related debt, receives over 58 cents of every dollar of property tax collected by the county. The following chart indicates how the rest of each dollar raised is allocated.
Federal & State Funds

Revenues from the state and federal governments will increase by $1 million to approximately $68 million next year. About $292,000 of new grant funds for the Family Justice Center and Law Enforcement special operations are included in next year's budget. An additional $1 million will be received to offset county expenses for qualified clients with heating/cooling crises, supplemental nutrition program eligibility, and family & children services. These increases are partially offset by an adjustment in day care program funds.

The budget includes $4.8 million in lottery revenues that are earmarked to help pay for school debt repayment. The budget assumes no change by the General Assembly to the current allocation of lottery funds; however, final changes to the state budget will not be made until later this year. About $2.7 million of American Recovery and Reinvestment Act (ARRA) funds will also be used to help pay for debt repayment next fiscal year.

Sales Tax

Sales Tax revenues are budgeted at $91 million for next fiscal year - the same level included in the prior budget.

Through January 2019, the latest month for which sales data are available from the state, taxable retail sales in Guilford County are up 5.5% over the same period last year. However, actual sales tax revenues through the April 2019 distribution (seven of the twelve distributions the county receives annually), are only up 1% over the same period last year. The amount of sales tax revenue the county receives is based on retail sales, the sales tax rate, and refunds of sales taxes paid by non-profits, local governments, and other entities qualified to receive a refund of taxes paid. Because of the way refunds are reported to and processed by the state, the reduction in net sales tax revenues can vary significantly from year to year. So far in FY 2018-19, refunds charged against the sales tax revenues returned to Guilford County are up 57% over the same period last year. This means that at least some of the increase in underlying taxable sales are being made by organizations that can later claim refunds. Because of the significant increase in refunds, actual sales tax revenues this year are $2.4 million under budget. Given the uncertainty surrounding the level of sales tax refunds and performance this year, a conservative approach to budgeting sales tax revenues is prudent.

The budget assumes no changes to the way sales tax revenues are distributed to counties. Any changes made by state legislators that impact both the total amount of sales tax revenue that is returned to local governments in Guilford and how those revenues are distributed within the county could have a negative impact on county revenues.
**Fees & Charges**

User Fees and Charges will generate about $43 million in FY 2019-20. While there is considerable variation in individual user fee budgets, the overall total is about $3.3 million more than the amount adopted last year. Law Enforcement fees will increase by $276,000 primarily for housing federal and state inmates, Public Health fees are up by $326,000 as a result of demand increases, and Elections fees will increase by $168,000 due to municipal reimbursements for elections.

In addition to the change in fee revenues related to general service level changes, the budget proposes increases to the base fee rates for several programs. According to 2018 local government financial data collected by the state Treasurer, Guilford County’s revenue per capita generated from fees for sales and services is less than a third of the per capita average for counties with populations of 100,000 or more. Although Guilford offers many of the same services as other large counties, it is not collecting as much revenue from the primary users of those services as are other governments. As a result, property tax revenues and other general revenues are being used to subsidize those services and are not available to fund needs in other program areas.

The FY 2019-20 budget includes the following fee adjustments:

- An increase in Emergency Services special event fees, resulting in an annual revenue increase of approximately $50,000.
- An increase in Animal Services fees, resulting in an annual revenue increase of approximately $60,000.
- An increase in Security for identification badge fees to help offset the cost of new security enhancements. About $6,400 in annual revenues are expected to be generated by these changes.
- An increase in the fees for emergency medical services from 150% to 175% of the Medicare allowable rate. The county expects to collect an additional $1.39 million in annual revenues (less an additional $73,000 in fees charged by the county external billing service) from this change. Despite this increase, Guilford County rates will still be lower than the rates charged by several peer counties.

**Fund Balance**

The General Fund budget includes a fund balance (from all sources) appropriation of $30.1 million to help balance the budget – about $865,000 less than the amount needed to balance last year’s adopted budget.

The amount of fund balance used to support general county operations is $20.3 million, an $86,000 increase from the prior year’s budget. Restricted departmental fund balances make up the rest of the $30.1 million of total appropriated fund balance.
EXPENDITURES

The recommended fiscal year 2019-20 General Fund budget totals $627,418,000. This is $11.1 million (1.8%) more than the budget approved for FY 2018-19. Expenditures for Education, Human Services, and Public Safety account for nine of every ten dollars included in the budget.

This budget advances several of the Board's high priority goals, including additional funding for the Guilford County Schools and charter schools; protecting the level and quality of services by attracting and retaining a top-notch workforce through competitive compensation, and preparing for the state legislation that raises the age of juveniles housed in the county's Juvenile Detention center.

### Summary of Expenditures by Service Category

<table>
<thead>
<tr>
<th>Service Category</th>
<th>FY2018 Actual</th>
<th>FY2019 Adopted</th>
<th>FY2019 Amended</th>
<th>FY2020 Request</th>
<th>FY2020 Recomm</th>
<th>vs. FY19 Adopted</th>
<th>$chg</th>
<th>%chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>$ 291,880,308</td>
<td>$ 309,546,282</td>
<td>$ 309,550,209</td>
<td>$ 326,244,664</td>
<td>$ 312,496,192</td>
<td>$ 2,949,910</td>
<td>1.0%</td>
<td></td>
</tr>
<tr>
<td>Human Services</td>
<td></td>
<td>$ 118,8 (19%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Safety</td>
<td></td>
<td>$ 115.4 (18%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Government</td>
<td></td>
<td>$ 31.7 (6%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support Services</td>
<td></td>
<td>$ 24.1 (4%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Education Debt</td>
<td></td>
<td>$ 14.0 (2%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Services</td>
<td></td>
<td>$ 10.9 (2%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$ 795,974,168</td>
<td>$ 616,313,000</td>
<td>$ 628,085,951</td>
<td>$ 654,774,192</td>
<td>$ 627,418,000</td>
<td>$ 11,105,000</td>
<td>1.8%</td>
<td></td>
</tr>
<tr>
<td>Permanent Positions</td>
<td>2,554.25</td>
<td>2,574.25</td>
<td>2,580.75</td>
<td>2,666.75</td>
<td>2,586.00</td>
<td>11.75</td>
<td>0.5%</td>
<td></td>
</tr>
</tbody>
</table>

### Summary of Expenditures by Type of Expense

<table>
<thead>
<tr>
<th>Type of Expense</th>
<th>FY2018 Actual</th>
<th>FY2019 Adopted</th>
<th>FY2019 Amended</th>
<th>FY2020 Request</th>
<th>FY2020 Recomm</th>
<th>vs. FY19 Adopted</th>
<th>$chg</th>
<th>%chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>$ 182,450,504</td>
<td>$ 191,441,295</td>
<td>$ 191,753,135</td>
<td>$ 203,362,324</td>
<td>$ 197,835,762</td>
<td>$ 6,394,467</td>
<td>3.3%</td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td>$ 289,145,462</td>
<td>$ 307,888,045</td>
<td>$ 313,941,167</td>
<td>$ 322,237,499</td>
<td>$ 312,513,456</td>
<td>$ 4,815,410</td>
<td>1.5%</td>
<td></td>
</tr>
<tr>
<td>Debt Repayment</td>
<td>$ 304,405,220</td>
<td>$ 95,458,012</td>
<td>$ 95,458,513</td>
<td>$ 96,079,655</td>
<td>$ 96,079,655</td>
<td>621,634</td>
<td>0.7%</td>
<td></td>
</tr>
<tr>
<td>Human Svc Assistance</td>
<td>$ 13,649,788</td>
<td>$ 17,616,009</td>
<td>$ 17,567,889</td>
<td>$ 17,127,503</td>
<td>$ 17,127,503</td>
<td>108,590</td>
<td>0.6%</td>
<td></td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>$ 6,123,195</td>
<td>$ 4,456,739</td>
<td>$ 9,361,248</td>
<td>$ 5,967,215</td>
<td>$ 3,861,625</td>
<td>(335,314)</td>
<td>-14.1%</td>
<td></td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$ 795,974,169</td>
<td>$ 616,313,000</td>
<td>$ 628,085,951</td>
<td>$ 654,774,196</td>
<td>$ 627,418,000</td>
<td>$ 11,105,000</td>
<td>1.8%</td>
<td></td>
</tr>
<tr>
<td>Permanent Positions</td>
<td>2,554.25</td>
<td>2,574.25</td>
<td>2,580.75</td>
<td>2,666.75</td>
<td>2,586.00</td>
<td>11.75</td>
<td>0.5%</td>
<td></td>
</tr>
</tbody>
</table>
Education

Guilford County partners with local schools to develop a system that produces graduates with high academic achievement and skill levels to compete successfully in the job market.

This spring, the Board of Commissioners confirmed ensuring adequate funding of public education as one of its high priority focus areas. The recommended budget supports this goal through additional operating and capital funds for education. Details regarding the $312.5 million recommended Education budget are included below.

Guilford County Schools & Charter Schools

- The recommended FY 2019-20 local Operating and Capital Maintenance Budget for the Guilford County Schools is $212,726,926, an increase of $4.1 million over the previous year’s adopted budget.
- The overall budget increase is based on allocating an amount equal to approximately 41.2 cents of the current property tax rate for GCS/Charter School operating expense (40 cents) and GCS capital maintenance needs (1.2 cents). This share of the property tax is based on the conversion of the prior year’s operating and capital allocation to an equivalent property tax rate. A property tax rate increase of 2.3 cents is needed to fully support the Board of Education’s request. (Note: Guilford County Government does not allocate operating funding directly to charter schools. Guilford County Schools allocates per pupil amount to the charter schools from its county allocation based on final funding and student population numbers and actual charter school enrollment.)
- The budget includes an increase in operating funding for GCS of $4 million from $220,610,398 to $220,610,398. Total student population is projected to be 80,452 (71,926 Guilford County Schools and 8,526 charter schools). This allocation increases the county’s projected per pupil operating allocation from $2,563 to $2,568. For FY 18-19, the county ranked fifth highest in local operating funding among the 10 largest counties and 14th among all counties. The Board of Commissioners previously set target funding levels of third among the 10 largest counties and within the top 10 among all counties. Rankings for FY 19-20 will not be available until all counties adopt their budgets.
- The budget for capital maintenance and repair projects is $6,116,528, an increase of $116,528 over the previous budget.
- The Board of Commissioners also approved up to $10 million for Guilford County Schools security needs to be funded through anticipated bond sales in Spring 2019. Debt repayment for the bonds is expected to begin in FY 2019-20 and is included in the recommended budget.
- All the county’s operating allocation will be provided to the Guilford County Schools which must then make allocations to charter schools that serve Guilford County students. Based upon current school population estimates, the Guilford County Schools will retain about $184.7 million of the total allocation and the rest, about $21.9 million, will be distributed to charter schools. Actual charter school allocations will be based on actual student population numbers.

Guilford Technical Community College

- The operating allocation for Guilford Technical Community College (GTCC) is increased by $500,000 to $16,650,000. The budget recommends a capital maintenance and repair appropriation of $1 million, a reduction of $500,000 from the FY 2018-19 budget. The Board of Trustees requested a total increase of $1.9 million in operating and capital maintenance funds.

Debt repayment for school and community college facilities will be $82 million next year.
Healthy People

Guilford County is a healthy community that strengthens coordination of care through partnerships which ensure the availability of quality social, physical, psychological and behavioral health services.

The total Human Services budget, which includes most Healthy People programs, will increase by $748,000 next year. Major changes for Healthy People include:

- Two new positions in Veterans Services at an annual cost of approximately $122,500. These positions will allow the department to increase the number of veterans seen and allow for community outreach activities focused on claim support, suicide awareness, mental health issues, and substance abuse. In addition, the new staff will help address changes in the veteran pension application process that have been shifted to counties.

- The Social Services budget includes an additional $150,000 for the county’s share of adoption subsidies to support proper placements of children in the county’s care, as well as an additional $350,000 in utilities assistance for clients that experience heating and/or cooling crises. The increase in utilities assistance is funded by non-county revenues. The new budget also fully funds three new eligibility caseworkers added by the Board during last fiscal year after the original budget was adopted ($104,000).

- An additional $144,000 for drugs and medical supplies is included in the Public Health budget, mostly to support the expansion of clinical services in response to the new Medicaid transformation into managed care process being mandated by North Carolina’s Department of Health and Human Services.

- The recommended budget maintains funding for Sandhills Center at $9,674,000. Sandhills Center will continue to use part of this allocation to provide county’s Mental Health Court, the Adult Drug Treatment Court, and the Juvenile Drug Treatment Court.

Public Safety

Guilford County maintains safe and secure communities through strategically coordinated and professional public safety services.

At 18% of total county expenditures, Public Safety is the third largest service category in the General Fund. Guilford County’s Public Safety departments protect the safety of residents and visitors and include the Sheriff’s Department, Emergency Services, Building Inspections, and Animal Services. The budget includes $115.4 million for Public Safety services, an increase of $3.3 million (2.9%) over the prior year’s budget. Revenues offset approximately 27% of total expenses.

Major changes in the Public Safety budget include:

- The Law Enforcement budget includes additional funds for medical care of inmates ($384,000), grant program expenses, including the Governor’s Highway Safety Grant and drug trafficking grants ($85,000), department accreditation expenses ($21,000), enhanced advertising for hard-to-fill positions ($30,000), increased fuel costs ($55,000), and
increased inmate food costs ($67,000). The budget also includes funding for 38 replacement vehicles.

- The budget recommends allocating $79,000 of county funds to Law Enforcement to pay for the existing re-entry program for justice-involved residents after grant funding expires in September. The department reports early success of the program, and the recommendation for county funds to continue services is contingent upon the department working with County Administration and the Budget, Management, and Evaluation Department to establish a data collection and program evaluation framework to assess the impacts of the pilot program.

- The budget recommends allocating $79,000 of county funds to pay for the existing re-entry program for justice-involved residents after grant funding expires in September. The department reports early success of the program, and the recommendation for county funds to continue services is contingent upon the department working with County Administration and the Budget, Management, and Evaluation Department to establish a data collection and program evaluation framework to assess the impacts of the pilot program.

- The budget recommends allocating $79,000 of county funds to Law Enforcement to pay for the existing re-entry program for justice-involved residents after grant funding expires in September. The department reports early success of the program, and the recommendation for county funds to continue services is contingent upon the department working with County Administration and the Budget, Management, and Evaluation Department to establish a data collection and program evaluation framework to assess the impacts of the pilot program.

- The Emergency Services (ES) and Guilford-Metro 911 Communications budgets include:
  - An increase of $267,000 in the county's share of Guilford-Metro 911 expenses. Costs are shared with Greensboro based upon usage by participating county and city departments during the previous calendar year. The county will pay 40% of GM 911's net expenses next year, up from 39% in the previous year.
  - An additional $400,000 to purchase the initial supply of disposable linens. The hospital recently stopped providing these to the department.
  - Four replacement ambulances and a staff vehicle.

- The Family Justice Center budget includes the full-year impact of the Board’s addition of two new grant-funded positions ($95,000 for child trauma and elder justice services) during FY 2018-19 after the budget was adopted and the full year costs of the new High Point office in accordance with the Board’s goal of expanding the Guilford County Family Justice Center to the High Point area.

- Additional funds are also included in the Security budget for higher costs associated with the master security services contract and for enhancements at county facilities ($336,000).

- The Juvenile Detention/Court Services budget includes funding for four new positions (three Juvenile Counselor Technicians and one Human Services coordinator) to provide adequate supervision and programming for juveniles after the Raise the Age legislation takes effect December 1, 2019. After the change, most 16 and 17 year-olds that become justice-involved will be housed in the Juvenile Detention Center rather than the adult detention center. The positions are budgeted to start in March 2020, though that may change based on the operational impact of the legislative change ($102,000 for the four positions, starting in March).

- Property tax rate increases are recommended for two fire districts – Northeast (+0.01) and Protection District 1 (Horneytown) (+0.02). Both increases are for a combination of personnel and general on-going operations.
Organizational Excellence

*Guilford County provides the highest possible level of services by being a fiscally sound organization that values a high performing, professional, and innovative workforce.*

Infrastructure

*Guilford County provides safe and adequate public facilities that support the service, access, and technological needs of the public while optimizing the utilization of all properties.*

The Organizational Excellence and Infrastructure focus areas include most of the departments that fall under the General Government, Support Services, Capital Needs, and Non-Education Debt service categories. Together, the budgets for these departments total $70 million. This is $4.5 million more than last year's combined budgets.

The budget includes funding for the implementation of phase one of the county’s market-based compensation study recommendations ($1.5 million in addition to $1 million already included in the budget from FY 2018-19 for the attraction/retention of hard-to-fill positions). This study, currently planned to be implemented in three phases, will allow the county to continue to provide high quality services by offering competitive compensation that attracts and retains high quality employees and supports the Board’s goals to maintain competitive compensation and benefits and to improve the hiring and retention of the public safety workforce.

An increase in the Elections budget ($500,000) is related to a higher number of elections scheduled during FY 2019-20 than last year. The budget includes funds for two municipal elections and one presidential primary. The additional expense will be partially offset by revenues from the municipal elections.

The Information Services budget reflects the costs associated with the county’s new permitting and inspections software, EnerGov, and the new enterprise resource planning software, Munis, in support of the Board’s goals to improve the planning and development process and promote fiscal responsibility, accountability and stewardship.

Scheduled debt repayments and related fees for voter-approved bonds and other capital needs, including the Spring 2019 issue of $40 million in bonds for school and county facilities, are planned to decrease by $1.97 million. However, the approved debt repayment schedules for existing debt call for an increase in county funds of $3.1 million in FY 2020-21 and $3.9 million in FY 2021-22. In addition, the Board of Commissioners and the Board of Education are currently reviewing a school capital facilities report that indicates an additional $1.5 billion are needed to renovate or rebuild nearly half of the county’s 126 school facilities that were rated as unsatisfactory or in poor condition due to age and deferred maintenance. The responsibility for funding school construction rests with the county. To begin planning for the additional debt repayment that will be needed over the next several years, the budget includes a “debt repayment leveling” allocation of $2.6 million to maintain the current level of county funding for debt repayment. Although this additional funding is not expected to be used next fiscal year, it can be set aside for use in future years to soften the impact of coming increases in debt repayment for major public facilities. Using a leveling approach to plan for future debt repayment results in an overall increase in the total Debt Repayment budget of $622,000 next fiscal year.
To partially accommodate these increases and to protect current service levels while avoiding a general tax rate increase, the following reductions to county infrastructure and equipment maintenance/replacement programs have been made:

- The major facilities maintenance program has been reduced by $500,000 from $3 million to $2.5 million. This reduction defers needed maintenance and is likely to increase repair costs for public facilities over the next several years.
- The motor vehicle annual replacement budget is reduced by $139,000. This will allow the county to purchase 16 replacement vehicles and 4 new vehicles to address department needs. However, it defers other needed replacements until future years.
- The cash transfer for the county’s Capital Investment Plan (CIP) is reduced from $2 million to $1.5 million. Like the reductions in facility maintenance and vehicle replacements, this decrease was made to maintain community service levels and avoid a property tax increase. However, the county’s CIP is not fully funded and additional cash funds or debt financing will be required to complete the planned projects.

**Economic Development**

*Guilford County encourages economic development by working with all stakeholders to create quality jobs, and expand and diversify the local and regional economy.*

**Recreation & Culture**

*Guilford County enhances the quality of life in the community by supporting leisure, physical activities, and cultural opportunities.*

The county’s Community Services departments support the Economic Development and Recreation and Culture high priority focus areas. These budgets, in total, will decrease by approximately $360,000 to $11 million in FY 2019-20. This reduction is due to a significant reduction in planned incentive grant payouts scheduled during the next fiscal year in the Economic Development department.

Guilford County does not operate a library system, but does provide operating support for local municipal libraries in Greensboro, High Point, Gibsonville, and Jamestown. The budget keeps library funding at its current level of $1.83 million. Because the county provides financial support to these libraries, all county residents, regardless of where they live, may use any of these facilities without paying a non-resident library card fee.
Staffing and Employee Compensation

Staffing

The budget includes the following seven new positions:

- **Veteran Services** - 2 Veteran Services Specialists ($122,500)
- **Juvenile Detention** - 3 Juvenile Counselor Technicians & 1 Human Services Coordinator ($102,000 for March start dates)
- **Internal Services/Health Care** - 1 Wellness Position ($55,000 – paid from Internal Services fund)

Note: 86 positions requested to address demand and service needs in a variety of departments

Based on county employment data collected by the North Carolina Association of County Commissioners for FY 2018-19 adopted budgets, the latest year for which position counts are available for other counties, Guilford County had the second lowest number of employees per 1,000 residents for large counties at 4.8 positions. The average for all counties is 9 positions for every 1,000 residents.

Employee Compensation

The budget includes a merit pool equivalent to 3.0% of salaries and benefits. Employee merit pay increases will be awarded effective the first full pay period in January 2020. Merit adjustments will be based on job performance and may be more or less than 3% based on individual and overall department performance scores. The first-year net cost of the merit program is approximately $1.8 million ($2.2 million gross expense less expected vacancies and reimbursement revenue from non-county sources). A full year’s net cost is approximately $3.7 million ($4.5 million gross expense less expected vacancies and reimbursement revenue from non-county sources).

As discussed above, the budget also includes an additional $1.5 million for the implementation of phase one of the county’s market-based compensation study recommendations

Conclusion

The recommended budget for FY 2019-20 will allow the county to advance some of the initiatives included in the Commissioners’ Major Focus Areas and maintain current service levels. Slow growth in the county’s major revenue sources will limit the implementation of new programs or the expansion of existing services, but provide sufficient growth to continue all services at current
levels. Implementation of the compensation/classification study to keep employees’ pay competitive will require a phased approach. Funding for phase one is included in the budget which is a crucial step in our effort to remain competitive in talent recruitment and retention.

Progress will be made with our high priority capital projects thanks to the Board of Commissioners’ authorization to issue $40 million in two-thirds bonds. Construction has started on the EMS Maintenance and Logistics Center; design development continues on the Animal Shelter and the Ambulatory Behavioral Health Crisis Center; and the architectural selection process is underway for the Law Enforcement Center. Guilford County Schools is developing a comprehensive school security plan which will be partially funded with proceeds of the two-thirds bonds.

The school capital facility assessment and boundary alignment study initiated last year by the county and the school district has been completed. It will be incumbent on the Board of Education and the Board of Commissioners to develop a school facilities master plan and prioritize the projects to be included in a school bond referendum package.

Public school funding remains one of the Board of Commissioners' top priorities. This budget proposal recommends increases in funding for school operating and capital. Hopefully, the State of North Carolina will continue to increase school funding to offset the costs of class size mandates and other public operating needs so that county governments can allocate more resources to facilities, which is our statutory responsibility.

The challenges associated with meeting our service demands continue to grow, as does the pressure on the limited revenue options for county governments. The growth in the property tax base, while positive, is not as strong as needed to keep pace with operating cost increases and capital needs. While the Greensboro/High Point metropolitan area ranks in the top 10 nationally for new development project announcements, the rate of poverty in the county remains high which tends to increase county service demands in human service, public safety, and education.

This budget was developed with the goal of not increasing the ad valorem property tax rate and includes a fund balance appropriation to balance revenues with expected expenditures, which has been a practice for many years. A portion of the fund balance budgeted last year was expended and a portion of the fund balance appropriated in the current year will likely be expended. The county maintains a solid financial position, but the operating budget’s reliance on fund balance is a concern. The three major credit rating agencies recently assigned a AAA Stable Outlook on the county's upcoming $40 million Series 2019A bonds. Material declines in fund balance and liquidity were listed as potential reasons for a downgrade. Going forward, it will be important to avoid any practices that will jeopardize the county's credit rating.

I would like to thank Commissioners for your leadership and the guidance and direction you provided during the annual retreat and the preliminary work session on the budget. I would also like to thank the county department directors for submitting thoughtful budget requests and for leading a dedicated and high-performing team of professionals. Lastly, many thanks to Michael Halford and the Budget, Management and Evaluation staff for their focus, insight, and professionalism in developing this recommended budget plan for FY 2019-20.

Respectfully submitted,

Marty K. Lawing
County Manager