

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

**Greensboro, North Carolina  
January 4, 2023**

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 January 4, 2023 at 4:00PM in the Guilford County Schools' Administrative Offices Board Room located at 712 N. Eugene St., Greensboro NC.

**Guilford County Board of Commissioners (BOC)**

**Present:** Committee Co-Chair Commissioner Melvin "Skip" Alston, presiding; Commissioners J. Carlvena Foster (in at 4:11PM) and Carly Cooke

**Absent:** Kay Cashion

**Guilford County Schools (GCS) Board of Education (BOE)**

**Present:** Committee Co-Chair Deena A. Hayes, presiding; Board of Education members Bettye T. Jenkins (in at 4:32PM) and Alan Sherouse

**Absent:**

**Also Present:** County Manager Michael Halford; Dr. Whitney Oakley, GCS Superintendent; Lisa Nolen, GCS Board Relations Director; Clerk to Board Robin Keller; Victor Isler, Assistant County Manager; Jason Jones, Assistant County Manager; Jose Oliva, GCS Chief of Staff; Michelle Reed, GCS Chief Operating Officer; Tara Trexler, GCS Chief Financial Officer; Toy Beeninga, Budget & Management Services Director; 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 Deena A. Hayes called the meeting to order at 4:06PM and welcomed those present.

## **II. APPROVAL OF MINUTES**

A draft copy of minutes for the October 26, 2022 committee meeting were reviewed for accuracy.

**By unanimous consent, the committee approved the October 26, 2022 meeting minutes.**

## **III. PROJECT ORDINANCE UPDATE**

Dr. Whitney Oakley, GCS Superintendent, provided introductions for new committee members and staff updates. She noted that, during the last meeting the committee discussed the rising costs of construction and requested a breakdown of costs.

Commissioner J. Carlvena Foster arrived at the meeting at 4:11PM.

Dr. Oakley expressed her readiness to move forward with the construction projects as the voters have reaffirmed their commitment to the schools.

Michelle Reed, GCS Chief Operating Officer, reviewed the agenda and confirmed they will address rising construction costs. She provided an overview of current active projects.

Reed stated that the BOE approved revisions to certain project ordinances on November 15, 2022 for the design and construction of new and replacement school bond projects. She noted their construction management firm, HICAPS/C2 provided cost estimates that exceeded the original budgets by significant amounts due to: inflation, logistics, labor, additional square footage and design elements that include recommended safety features. Reed shared the estimated costs also included larger than normal contingencies to accommodate additional material cost increases.

Reed confirmed that, as of today, they have received two (2) guaranteed maximum price (GMP) quotes. She explained the GMP includes the construction manager's scope of work, and once approved, it locks them into the estimated costs. She noted that, if the construction costs exceed the GMP, the construction manager will have to honor the quoted GMP. Reed stated the GMP is only one portion of the project budget, separate costs include lighting, furniture, technology, books and fees are also included. She noted that the GMP combined with these additional costs make up the total project budget.

Reed stated that, in order to ensure they can approve contracts in a timely manner, the project ordinances need to be approved as soon as possible. She introduced revised project ordinance amounts for Kiser Middle School, Claxton Elementary School, Brooks Global Studies, Peck Expeditionary Learning School, Foust Gaming & Robotics School and New Visual & Performing Arts School.

Reed reviewed the details behind the rising project costs and noted the presentation delivered during the committee's August 9, 2022 meeting that referenced challenges with supply chains

that extended lead times and timelines for construction projects, material and equipment availability and unanticipated costs increases from manufacturers.

Reed stated other market factors unforeseen in 2019 included the unprecedented level of new construction activity in this area, including million-dollar projects from Toyota, VinFast, Boom Supersonic, municipal work and university development. She noted these projects created a greater challenge when attempting to secure vendors for school projects.

Reed confirmed all sites have been evaluated based upon expert recommendations on teaching the whole student and safety design. She shared that it took time to identify a cost estimating company with historical and North Carolina experience, but selected Palacio Collaborative, a minority-owned full-service cost estimating firm from Atlanta, Georgia. She noted they applied their conceptual cost modeling to these projects.

Reed stated the new cost per square foot estimates are three times higher than the initial estimates developed in 2019 and finishing costs have increased, as well.

Reed discussed costs for the Claxton Elementary School project and noted the increased costs result from its design as a two-story building, due to site constraints. She shared the total project cost has increased by 100%, but over \$3.2 million in savings were identified through value engineering.

Reed reviewed costs for the Brooks Global Studies project and noted the site has a 20-foot ravine that requires a retaining wall. She shared the project costs have increased by over \$16 million from initial estimates, of which 54% of the increase results from inflation. Reed noted value engineering removed the third level that was included in the initial design.

Dr. Oakley spoke to the benefits of value engineering and the savings identified in this project.

Reed shared the initial and new estimates for the Foust Gaming and Robotics Elementary School and noted this is also a two-level school. She noted this will be the first elementary school of its type in the country and they are estimating an increase of over \$28 million in the total project budget. Reed stated 60.5% of the cost increase is due to inflation while 27% is attributed to the addition of square footage. She noted the value engineering process eliminated four (4) classrooms.

Reed discussed the Kiser Middle School project and noted the estimated total increases of \$26 million were attributed to supply chain and labor, as well as topography challenges with the site. She noted they were able to recover \$1.4 million in savings through value engineering.

Reed reviewed the New Visual & Performing Arts Elementary School and the design images. She shared this will be a three-story school that will replace Peeler Elementary, which was destroyed by the April 2018 tornado and subsequent fire damage. Reed noted this will be a purpose-built magnet school and total project costs have increased by over \$35 million.

Reed introduced the Peck Expeditionary Learning School that will be the first of its type in the country. She noted total project costs have increased by over \$37 million and discussed value engineering efforts that reduced the square footage of the campus.

Reed stated project ordinance amendments will be presented to the Board of Commissioners during their January 5, 2023 meeting and the BOE will consider the first GMP packages during their January 10 meeting.

Dr. Oakley noted the extended timeframes associated with the ordinance amendments and GMP's, and shared today's market is further complicating the challenging construction process. She stated that, as a result of cold weather experienced last week, the system had additional repairs to be completed before students could return to school today. Dr. Oakley reminded those present that Peck Elementary has had no capital investment since 1999.

Committee Co-Chair Hayes questioned construction costs.

Reed confirmed they were very cost conscious and remained aware of life-cycle costs, and noted they did not compromise on construction products, though certain proposed items were not accepted.

Commissioner Carly Cooke questioned the early release construction packages discussed during the presentation.

Reed stated there are existing project ordinances that cover pre-construction costs and allow for ordering of items with long lead times, such as steel, and completion of early construction work. She noted they have been able to leverage these packages to conduct initial demolition work and site work to clear properties.

Commissioner Cooke requested Reed discuss the addition of square footage to certain projects.

Reed confirmed the square footage changes were included to address pre-pandemic designs of certain schools. She noted NC design standards do not address pandemic-related standards that include elements like open corridors and flexible classrooms, and when project managers and design teams began to address these issues, the schematic designs were larger than anticipated. Reed shared they were able to reduce some of the designs down to what have been presented today.

Commissioner Cooke spoke to the high increases in project contingencies and questioned who sets these rates and what was included in the amounts.

Reed stated the contingencies were included in the construction manager at-risk (CMAR) contract and the amount includes what they estimate they will need to complete the project. She noted many managers now view this as a high-risk market because subcontractors are defaulting on insurance, and noted that, historically, they have observed construction contingency at a certain percentage, in addition to an owner's contingency. Reed confirmed the current contingency percentages are atypical of what is normally quoted and clarified the CMAR and school system both carry their own contingencies.

Committee Co-Chair Alston echoed Ms. Reed's comments and noted that, historically, they have observed contingency rates of 5-10% above total project estimates, but are now receiving contingency rates at 20% above costs. He questioned how staff review and verify contingency submissions.

Reed shared they have contracted with Brooks Pierce to verify the use of contingency and noted if it is not used, these funds are returned to the school system. She spoke to the need for contingency to manage certain risks and incidents, such as, an inspector identifying the need for additional items in order to receive a permit.

Commissioner Alston expressed concerns with this practice and noted the contingencies could be used in place of contract change orders.

Reed offer the example of \$8 million in contingencies for the Peck Expeditionary Learning School and noted this attributed to 22% of the total project increase. She shared they have clauses in the contracts that require the use of contingencies in a way comparable to change orders.

Commissioner Alston noted these prices are not guaranteed as they have not yet gone out to bid.

Reed stated they have two (2) GMP's, and the estimates received from HICAPS/C2 are aligned with project ordinance amendments that will be presented to the Commissioners.

Dr. Oakley echoed Reed's comments.

Reed confirmed multiple bid packages were received in October, prior to the modified estimates, and noted these bids are separate from the early release packages. She stated their goal is to open the school in 2024 and are allowing use of the early release packages to remain on target with the timeline. Reed emphasized that project ordinance amendments for Peck and Foust would be placed on the next Board of Commissioners' agenda, and additional GMP's packages would be presented at a later date.

Commissioner Alston questioned the benefits of utilizing a CMAR versus direct bid process for the projects.

Reed stated that, once the GMP is confirmed, the CMAR cannot request additional funds for the projects.

Commissioner Alston noted CMAR's typically pad their bids to avoid losses and questioned if the bids included an additional 10-15% above cost.

Reed shared that, based upon their line items, they have observed a 7% increase. She shared that 40% of the 7% increased will be returned to the school system once permitting is completed, as the risk will then be eliminated.

Commissioner Alston questioned the percentage of the savings that would be returned to the owner.

Reed stated this depends upon the negotiated contract.

Commissioner Alston questioned if these provisions are included in the contracts and Reed confirmed.

County Manager Michael Halford questioned if sales tax is included in the estimates as there is an agreement between the County and school system that allows for a tax exemption during the construction phase, which could reduce costs.

Commissioner Alston noted the CMAR is required to provide us with records so the County can file for the sales tax exemption.

Commissioner Cooke questioned if the contingencies included design fees.

Reed clarified design fees are not included in the GMP but are a part of the total project budget, and noted the CMAR carries contingencies on the owner's design and construction.

Commissioner Alston questioned design uncertainty.

Reed stated architectural and engineering services are included in design uncertainty, and if a project has not fully undergone the permitting process, there is a line item for risk, in addition to construction contingency.

Commissioner Cooke spoke to the importance of this discussion in clarifying for the public why the contingency amount for Peck is \$8.3 million.

Halford clarified \$8.3 million is only the increase in the amount of contingency and the actual amount is higher.

Board of Education member Alan Sherouse requested staff discuss the value engineering process.

Reed shared that any construction undergoes a value engineering process and noted that, following the design process, budget estimates were significantly higher than anticipated. She stated value engineering allows them to make adjustments and removes certain elements in order to reduce costs and also identifies the implications of these changes.

Board of Education member Bettye T. Jenkins questioned the major items that increased project costs.

Reed shared that the independent study completed by Palacio Collaborative identified concrete, footing, steel, drywall, glazing and electrical costs all increased, and costs associated with labor shortages also contributed to the increases. She stated some of these increases were specific to this market as construction is booming in the Triad and all construction groups are attempting to pull from the same pool of resources.

Reed noted some of the value engineering recommendations that were declined included roof materials that were rejected due to their impact upon the life of the building.

Jose Oliva, GCS Chief of Staff, emphasized that once the schools receive GMP's for the projects they will have actual estimates.

BOE member Deena Hayes spoke to her uncertainty of the existing market and questioned if any contractors or firms were lost as a result of the pandemic.

Commissioner Alston noted staff are requested the Board of Commissioners adopt a project ordinance amendment based on estimates and questioned next steps if the associated project costs increase.

Oliva stated they are tracking these estimates and based upon the work of Ms. Reed's team, they believe these amounts are accurate, but increases would be very challenging.

Reed shared her belief that the market would track with the estimates and confirmed they will continue to ensure there is competition during the bidding process.

Dr. Oakley expressed her hope that they will observe lower rates during the bid process.

Halford stated they have received two (2) estimates that are better than the others and confirmed the Board of Commissioners could parse the projects out and approve them as GMP's are received, as meetings are conducted every two (2) weeks.

Commissioner Alston questioned the impact of adopting project ordinances in this manner.

Oakley stated their goal is to present two (2) project ordinance amendments to the Board of Education next week and this process could delay approvals, timeframes and subsequent school openings. She spoke to the challenges associated with "swing" space, and as children are returned to Claxton Elementary, this process could cause a domino effect of delays. Oakley noted the GMP's are being submitted quickly and construction is scheduled to follow immediately upon approval.

Commissioner Alston noted the Board of Education plans to approve the project ordinances for Claxton Elementary School, Kiser Middle School and two (2) other projects on January 26.

Oakley shared this schedule is dependent upon lot of options and staff project to receive new GMP's by January 11.

Commissioner Alston shared his preference to approve ordinances that were closest to the actual figures.

Reed expressed her preference for the Boards to remain flexible during this process.

Commissioner Alston reiterated his preference to vote on actual figures versus estimates.

Commissioner J. Carlvena Foster expressed her agreement with Commissioner Alston and shared the Board of Commissioners should feel comfortable with the numbers presented.

Commissioner Alston noted that, once the GMP is approved and the contractor agrees, if prices increases six (6) months later, the associated costs will be the responsibility of the CMAR. He questioned if they would attempt to use contingency to cover these cost gaps.

Reed shared they could only do this if this option is included in their contracts.

Halford reviewed the County funding model adopted in the FY 2022-23 budget and noted the model planning principles include the following:

1. Addressing County current and future capital needs and deferred major maintenance in a timely manner
2. Protect the County's ability to provide and enhance services for residents
3. Design a stable funding model that fits existing revenue sources
4. Reduce the overall cost of infrastructure for residents by incorporating a "Pay-as-You-Go" model for construction, renovation and maintenance
5. Limit change in the property tax rate to provide predictability and stability for residents and businesses

Halford stated that while we discuss funding for schools, the Board of Commissioners also has to consider facility needs for the Guilford County Courts system, Guilford Technical Community College (GTCC) and County facilities. He shared the first step when planning for school construction is to design a model that incorporates a "Pay-as-You-Go" model, which will also cover long-term maintenance needs.

Halford shared the current funding model is based upon timing of when the money is needed, interest rates and when debt is issued. He noted that, while there is \$2 billion in total bond funds available, not all of this funding is issued as once. Halford stated the issuances are divided into packages based upon cash needs and revenue estimates, and confirmed these bonds are being funded primarily by property and sales taxes.

Halford reviewed initial funding model assumptions based upon original interest rates and noted that if the County abides by this model, it becomes unbalanced by 2037. He stated that choices being made today will influence the total amount the County needs to borrow and cost of interest.

Halford spoke to the potential of delaying the issuance of the first release in order to maintain the funding model and retain a surplus in future years. He noted an alternative is to adjust the financing strategy and utilize interim financing or a drawdown method, and shared that, if the County anticipates issuing bonds in the future, interim financing can be issued to structure borrowing of larger amounts.

Halford stated another option is reconciliation with project list and explained that the County would have to identify other funding options to support projects closer to the end of the list if changes are not made. He recognized the need for more conversations regarding the implementation of the remaining projects and noted that, if the 2027 issuance could be pushed to 2028, the older bond repayments would have been satisfied, leaving the County with less debt.

Commissioner Alston questioned how often the County could approach the Local Government Commission (LGC) regarding issuances.

Halford stated we currently have the LGC's approval for the existing model.



Commissioner Alston questioned the possibility of saving money through annual issuances.

Halford shared this could be accomplished through a drawdown model, which is similar to a funding model utilized by Wake County.

Commissioner Alston noted the \$50 million in annual set-aside funding goes into fund balance in order to build a surplus that will pay debt peaks and questioned if some of these funds could be used to reduce interest.

Halford shared his preference to keep set-aside funding in fund balance to maintain the County's bond rating.

Commissioner Alston clarified it is not his goal to delay the school system's progress and spoke to the importance of the Board's responsibility to issue bonds in order to pay these construction costs.

Dr. Oakley affirmed and noted the importance of following their plan in order to stretch available funding.

BOE member Hayes thanked Commissioner Alston for his commitment and noted this was a joint and district-wide collaboration. She expressed her excitement with opening schools in accordance with the established plan and stated they need to continue discussing the safety of the schools.

Commissioner Cooke questioned if there were any deferred maintenance considerations that would be presented to the Board of Commissioners. She spoke to the \$92 million request for deferred maintenance and noted the community's interest in addressing existing maintenance needs. She noted the design fees for several schools on the list and questioned how they might identify efficiencies in design and materials. Cooke stated that, while they would love every community to have its own unique school, there is a need to address as many schools as possible.

Reed discussed the programmatic design element differences between elementary, middle and high schools, and spoke to the needs for ancillary spaces in magnet schools. She shared they have engaged with a project management firm that will assist in the initial planning phases and help the school system develop an implementation plan.

Dr. Oakley noted the school system started from scratch with the initial set of school builds and if these designs work, they will be used in future projects. She clarified they have learned certain things during these projects that can be replicated with the project manager, and expressed her hope this would result in fiscal responsibility and transparency for the public.

#### **IV. OTHER BUSINESS**

There was no other business to discuss.

**V. ADJOURN**

There being no further business, the meeting was adjourned by unanimous consent at 5:39PM.