

## **Orange County Board of Commissioners Capital Funding Policy**

### **Preamble**

This capital funding policy is the product of extensive analysis and deliberation. The intent of this policy is to reflect greater priority than there has been historically on providing funding for County projects, with particular emphasis directed at enhanced upkeep of existing County facilities. The policy reflects the implementation of the Board of Commissioners' resolution of November 16, 2004 that the Board *"does hereby adopt in principle a policy of allocating a target of 60 percent of capital expenditures for school projects and 40 percent of capital expenditures for county projects over the decade beginning in calendar year 2005"*. This policy continues the County's principle and historical practice of funding all School and County related debt service obligations before allocating any other School or County capital funds for other purposes.

### **Long Range Capital Investment Plan**

During January of each fiscal year, the County Manager shall present, to the Board, five-year County and School capital needs and funding plans in the form of a Capital Investment Plan. Each year, the Board of Commissioners shall conduct a public hearing on the Manager's Recommended CIP during March and subsequently adopt a five-year Capital Investment Plan (CIP) as part of the annual operating budget in June.

**County and School recurring capital needs will be identified and reviewed during each annual operating budget cycle, and recurring capital appropriations will be approved by the Board of Commissioners as an element of each annual Orange County Budget Ordinance.**

The five-year plan for long-range capital funding shall include anticipated County and School capital expenditures costing \$100,000 or more.

### **Sources of Funds**

*The County will allocate the following sources of funds for County and School debt service and long-range and recurring capital:*

- All proceeds from the Article 40 and Article 42 half-cent sales taxes.  
*(The North Carolina General Statutes require that 30 percent of the Article 40 (NCGS§105-487(a)) and 60 percent of the Article 42 (NCGS§105-502(a)) sales tax revenue be earmarked for public school capital outlay as defined in NCGS§105-426(f) or to retire any indebtedness incurred by the county for these purposes)*
- School Construction Impact Fees for each school system.
- Property tax revenue as needed and approved by the Board.

- The County will budget NC Education Lottery proceeds as the revenues are distributed by the State each quarter, once the revenues are identified for an individual school capital project and requested by each district.

### **Debt Service**

All County and School related debt service obligations would be funded prior to allocation of programmed funding for any other capital purposes.

Orange County Schools' impact fees will be earmarked to pay for debt service on projects that involved the construction of new school space in the Orange County Schools system. Chapel Hill-Carrboro City Schools' impact fees will be earmarked to pay for debt service on projects that involved the construction of new school space in the Chapel Hill-Carrboro City Schools system. These expenditures will be tracked and verified by each district annually.

### **NC Education Lottery Proceeds**

Each school district will have the option to dedicate its share of the annual NC Education Lottery monies to address school facility renovation needs or as additional revenue to the districts pay-as-you-go funding to address school facility renovation needs. Annually either district can request that the County dedicate Lottery proceeds to repay debt service and the county will substitute pay-as-you-go-funding to expedite approved capital projects in the schools capital improvement plan.

### **Allocation**

Capital funding for each five-year capital planning period will be allocated between the two school districts based on the student membership planning allotments, provided by the NC Department of Public Instruction by March 1 of each year.

### **Capital Project Ordinances – Form and Purpose**

All funds allocated to capital projects are to be accounted for in a Capital Project Fund as authorized by a Board of County Commissioner approved Capital Project Ordinance.

The Capital Project Ordinance will include a detailed break down of each major cost category related to the project.

In accordance with the Board of County Commissioners November 2000 adopted "*Policy on Planning and Funding School Capital Projects*", whenever School capital project bids are either higher or lower than originally projected, or any other factor affecting the project budget occurs, the affected school system is expected to work with County Management and Budget staff to present revised capital project ordinances for adoption by the Board of Commissioners. The same expectations shall be applicable for changes to County Capital project budgets.

### **Community Use of Schools**

It is the intent of the Board of County Commissioners to evaluate each new proposed school in both School Districts for joint community use opportunities, including, but not limited to, park and recreation use.

April 5, 2011

### **Schools Adequate Public Facilities Ordinance**

Orange County's Schools Adequate Public Facilities Ordinance (SAPFO) and Memoranda of Understanding (MOUs) between the County and its municipal and school partners establish the machinery to assure that, to the extent possible, new development will take place only when there are adequate public school facilities available, or planned, which will accommodate such new development. The Board of County Commissioners is committed to the principle that new school space documented as needed through the annual SAPFO technical review process will be reflected in the next adopted CIP, and will be funded so as to be constructed to be available before the relevant level of service threshold is exceeded.

### **Rescission**

This policy supersedes any policy in place prior to this date.

April 5, 2011