

ORANGE COUNTY BOARD OF COMMISSIONERS

AGENDA

BOCC Budget Work Session
May 12, 2022
Meeting – 7:00 p.m.
Whitted Meeting Room
300 West Tryon Street
Hillsborough, NC 27278

The Board of Commissioners is conducting an In-Person Work Session on May 12, 2022. Members of the Board of Commissioners will be in-person in the Whitted Meeting Room, and the public is invited to attend the meeting. There will not be an opportunity for members of the public to speak as the Board does not receive public comments during work sessions. Members of the public may provide written comments by submitting them to the ocbocc@orangecountync.gov email address.

As in prior meetings, members of the public will be able to view and listen to the meeting via live streaming video at [orangecountync.gov/967/Meeting-Videos](https://www.orangecountync.gov/967/Meeting-Videos) and on Orange County Gov-TV on channels 1301 or 97.6 (Spectrum Cable).

- (7:00-8:30) 1. FY 2022-23 Operating and FY 2022-32 CIP Budget Discussions, with:
- Chapel Hill-Carrboro City Schools, Pg. 136-155
 - Orange County Schools, Pg. 156-173
- (8:30-9:00) 2. FY 2022-23 Orange County Recommended Operating Budget –
Education, Pg. 132

Orange County Board of Commissioners' regular meetings and work sessions are available via live streaming video <https://www.orangecountync.gov/967/Meeting-Videos> and Orange County Gov-TV on channels 1301 or 97.6 (Time Warner Cable).

**ORANGE COUNTY
BOARD OF COMMISSIONERS**

ACTION AGENDA ITEM ABSTRACT

Meeting Date: May 12, 2022

**Action Agenda
Item No. 2**

SUBJECT: FY 2022-23 Budget Work Session with Chapel Hill-Carrboro City Schools and Orange County Schools

DEPARTMENT: County Manager and Finance and Administrative Services

ATTACHMENT(S):

- A. NC Public Schools/DPI-Per Pupil Allocations by County
- B. Historical Per Pupil Appropriation
- C. Historical CHCCS District Tax
- D. School Districts Local Current Expense Fund Balance Policy
- E. Schools Capital Projects Summary
(Revised)

INFORMATION CONTACT:

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PURPOSE: To review and discuss the Chapel Hill-Carrboro City Schools and Orange County Schools FY 2022-23 Operating and Capital Investment Plan Budgets.

BACKGROUND: The County Manager presented the FY 2022-23 Recommended Budget on May 3, 2022. Since that time, the Board has conducted one public hearing to receive residents' comments regarding the proposed funding plan. This discussion is the first opportunity the Board has had to discuss next year's recommended funding plan related to Education funding. Total K-12 Education funding as included in the FY 2022-23 Manager Recommended Budget is \$120,324,620, or 47.1 percent of General Fund revenues. This includes funding for current expense, school related debt service, and school health and safety service contracts.

Total Funding for Local School Districts:

	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23*</u>
Original Budget	\$109,141,519	\$113,480,859	\$113,939,715	\$116,721,030	\$120,324,620

**Recommended Budget*

Student Enrollment Projections:

Based on North Carolina Department of Public Instruction (DPI) projections, the Chapel Hill-Carrboro City School District enrollment for fiscal year 2022-23 totals 11,442, for an overall decrease of 909 budgeted students when compared to FY 2021-22.

Based on DPI projections, the Orange County Schools district enrollment for fiscal year 2022-23 totals 8,023, for an overall decrease of 87 budgeted students when compared to FY 2021-22.

CHCCS	March 2021 DPI #s	March 2022 DPI #s	Difference
DPI Enrollment	12,448	11,466	-982
Less: Out-of-District	253	229	-24
Subtotal	12,195	11,237	-958
Plus: Current Charter Students	156	205	49
Total Budgeted Students	12,351	11,442	-909
% Distribution By District	60.36%	58.78%	-1.58%

OCS	March 2021 DPI #s	March 2022 DPI #s	Difference
DPI Enrollment	7,299	7,182	-117
Less: Out-of-District	108	110	2
Subtotal	7,191	7,072	-119
Plus: Current Charter Students	919	951	32
Total Budgeted Students	8,110	8,023	-87
% Distribution By District	39.64%	41.22%	1.58%

The North Carolina General Assembly requires school systems to pay a per pupil allotment to support charter students within their districts.

School Districts Budget Requests

Both School Districts requested increases in per pupil funding for FY 2022-23 as detailed in the tables below.

OCS	FY 2021-22 Approved	FY 2022-23 Continuation Increase	FY 2022-23 Expansion Increase	Total FY 2022-23 Increase	Total FY 2022-23 Request
ADM	8,110	8,023	8,023	8,023	8,023
Current Expense	\$35,416,370	\$1,100,000	\$4,319,500	\$5,419,500	\$40,835,870
Per Pupil Equivalent	\$4,367	\$137	\$538	\$675	\$5,090

CHCCS	FY 2021-22 Approved	FY 2022-23 Continuation Increase	FY 2022-23 Expansion Increase	Total FY 2022-23 Increase	Total FY 2022-23 Request
ADM	12,351	11,442	11,442	11,442	11,442
Current Expense	\$53,936,817	\$2,370,000	\$5,795,000	\$8,165,000	\$62,101,817
Per Pupil Equivalent	\$4,367	\$207	\$506	\$714	\$5,428

Current Expense

The recommended appropriations for Chapel Hill-Carrboro City and Orange County Schools increases the current expense funding by \$4,225,596 in FY 2022-23 as detailed in the tables below. This includes per pupil funding to increase to \$4,808 for each of the 19,465 students in the two school systems. Local Current Expense funding supplements State and Federal funds received by each district for the day-to-day operation of schools. Examples of expenses paid from these funds include salaries and benefits for locally paid teachers and utilities. North Carolina statutes mandate boards of county commissioners to provide local current expense monies to school districts. Counties having more than one school administrative unit, as is the case in Orange County, are required to provide equal per pupil appropriations to each system.

OCS	FY 2021-22 Approved	Total FY 2022-23 Request	Total FY 2022-23 Recommend	Difference
ADM	8,110	8,023	8,023	0
Current Expense	\$35,416,370	\$40,835,870	\$38,570,900	\$2,264,970
Per Pupil Equivalent	\$4,367	\$5,090	\$4,808	\$282

CHCCS	FY 2021-22 Approved	Total FY 2022-23 Request	Total FY 2022-23 Recommend	Difference
ADM	12,351	11,442	11,442	0
Current Expense	\$53,936,817	\$62,101,817	\$55,007,882	\$7,093,935
Per Pupil Equivalent	\$4,367	\$5,428	\$4,808	\$620

Recurring Capital

Recurring capital for both School districts remains the same as the prior year appropriation of \$3 million dollars. The budget for FY 2022-23 includes \$1,763,400 for Chapel Hill-Carrboro City Schools and \$1,236,600 for Orange County Schools. For FY 2022-23, a mix of debt financing (see page 95 of the Capital Investment Plan (CIP)) and pay-as-you-go funding (see page 132 of the Operating Budget) is recommended for Recurring Capital. Recurring capital pays for facility improvements, equipment, furnishings, and vehicle and bus purchases. State statutes mandate counties to fund recurring capital. However, the amount of money counties allocate to this function is discretionary and varies from county to county. **Note:** These amounts have been revised (represented by yellow highlighting on Attachment 2-E) from the Original Recommended Capital Investment Plan to reflect the revised average daily membership (ADM) percentage, as included in the FY 2022-23 Manager Recommended Operating Budget.

Long Range Capital

The County plans and programs long-range school capital funding through the County's Capital Investment Plan (CIP). The recommended CIP budget for FY 2022-23 includes \$2,502,680 for Chapel Hill-Carrboro City Schools and \$1,755,026 for Orange County Schools, as detailed on Attachment 2-E, which is an updated version of page 95 of the CIP using the most recent ADM for each district. This combines to a total of \$4,257,706, which represents an increase of \$83,484 from FY 2021-22. A 2% annual growth rate is included throughout the years of the CIP related to Long Range Capital. For FY 2022-23, as was the case in FY 2021-22, debt financing will be utilized, instead of pay-as-you-go funds for Long Range Capital projects. Similar to Local Current Expense funding, the amount of money counties allocate to long-range capital expenditures is discretionary and varies from county to county.

School Debt Service

The recommended budget provides for \$21,807,353 in School Related Debt Service, which represents repayment of principal and interest on School related debt, including general obligation bonds and private placement loans. This is a decrease of \$1,930,893 from FY 2021-22. North Carolina statutes require counties to pay for school related capital items, such as acquisition and construction of facilities. In instances where counties borrow funds to pay for such items, the State mandates counties to repay the debt. The amount of money counties borrow for school related projects is discretionary and varies from county to county.

Health and Safety Service Contracts

The recommended budget includes \$3,738,485 for the Health and Safety Service Contracts for both school districts to cover the costs of School Resource Officers in every middle and high school, and a School Health Nurse in every elementary, middle, and high school in both school systems. This represents a 3% increase over the FY 2021-22 funding amount.

Capital Investment Plan

The FY 2022-23 Manager Recommended Capital Investment Plan includes funding of \$18,088,811 in FY 2022-23, and a 10-Year total of \$101,939,541, for Chapel Hill-Carrboro City Schools. Funding of \$9,925,349 in FY 2022-23, and a 10-Year total of \$64,380,719, is included for Orange County Schools. The new split of funding per school system is detailed on Attachment 2-E.

Supplemental Deferred Maintenance Program

The FY 2020-21 CIP introduced a supplemental funding program for deferred maintenance and life and safety improvements in schools. The program would involve an expenditure of \$30 million over a three year period to expedite each School District's backlog of deferred maintenance projects in anticipation of a potential general obligation bond referendum in future years.

The total amount was divided between the Districts on the basis of average daily membership in FY 2020-21. As a result, Chapel Hill-Carrboro City Schools was allocated 59.99% or \$17,997,000 of the \$30 million total while Orange County Schools was allocated 40.01% or \$12,003,000 of the total amount.

The FY 2022-23 CIP recommends a second round of \$30 million over two years for additional school funding. These funds are split between the Districts on the basis of the average daily membership in FY 2022-23. As a result, Chapel Hill-Carrboro City Schools will be allocated 58.78% or \$17,634,000 of the \$30 million total while Orange County Schools will be allocated 41.22% or \$12,366,000 of the total amount. These funds are split so that 10% or \$3 million can be spent in FY 2022-23 for planning and professional services, so that the remaining 90% or \$27 million can be "shovel ready" immediately in FY 2023-24. The two rounds of funding can be combined by the schools to complete larger projects as detailed in the tables below.

CHCCS	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Original FY 2020-21 Allocation	\$ 1,800,000		\$ 10,000,000	\$ 6,197,000	\$ 17,997,000
Recommended FY 2022-23 Allocation			\$ 1,763,400	\$ 15,870,600	\$ 17,634,000
Total Funding	\$ 1,800,000	\$ -	\$ 11,763,400	\$ 22,067,600	\$ 35,631,000

OCS	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Original Allocation	\$ 4,150,000	\$ 3,600,000	\$ 4,253,000		\$ 12,003,000
Recommended Additional Allocation			\$ 1,236,600	\$ 11,129,400	\$ 12,366,000
Total Funding	\$ 4,150,000	\$ 3,600,000	\$ 5,489,600	\$ 11,129,400	\$ 24,369,000

The expenditures to date for CHCCS and OCS from the FY 2020-21 Allocation are \$849,308 and \$320,400 respectively.

Board members have the opportunity to discuss County funding and anticipated State funding for schools next year with Chapel Hill-Carrboro City Schools and Orange County Schools. Attachment 2-A provides additional information of how Orange County compares with other counties within North Carolina related to Current Expense funding per pupil and other educational related funding issues. Attachment 2-B provides a history of the Per Pupil Appropriation. Attachment 2-C provides a history of the Chapel Hill-Carrboro City Schools District Tax. Attachment 2-D represents the School Districts Local Current Expense Fund Balance Policy. Attachment 2-E presents the revised Capital Investment Plan Schools Projects Summary to reflect the revised ADM%, as included in the FY 2022-23 Manager's Recommended Operating Budget.

FINANCIAL IMPACT: Information on the financial impact is included in the above Background section.

SOCIAL JUSTICE IMPACT: There are no Orange County Social Justice Goal impacts associated with this item.

ENVIRONMENTAL IMPACT: There are no Orange County Environmental Responsibility Goal impacts associated with discussion of this item.

RECOMMENDATION(S): The Manager recommends that the Board discuss the topics noted and provide direction to staff, as appropriate.

**Table 30 - County Appropriations and Supplemental Taxes for Education
Year 2021**

Year	LEA No	LEA Name	Amount	PPA	Rank
2021	999	STATE TOTAL	3,424,502,495	2,331	0
2021	681	Chapel-Hill/Carrboro City Schools	78,595,078	6,749	1
2021	111	Asheville City Schools	22,324,157	5,417	2
2021	680	Orange County Schools	35,942,503	5,130	3
2021	320	Durham County Schools	151,278,656	4,910	4
2021	280	Dare County Schools	23,230,449	4,643	5
2021	190	Chatham County Schools	36,253,921	4,253	6
2021	880	Transylvania County Schools	12,752,827	4,000	7
2021	600	Charlotte-Mecklenburg County Schools	522,632,548	3,799	8
2021	650	New Hanover County Schools	83,374,975	3,431	9
2021	100	Brunswick County Schools	41,039,549	3,431	10
2021	480	Hyde County Schools	1,700,000	3,414	11
2021	920	Wake County Schools	526,003,342	3,355	12
2021	422	Weldon City Schools	2,202,222	3,352	13
2021	491	Mooresville City Schools	19,407,185	3,303	14
2021	110	Buncombe County Schools	69,761,937	3,200	15
2021	410	Guilford County Schools	209,610,398	3,156	16
2021	950	Watauga County Schools	13,864,099	3,128	17
2021	690	Pamlico County Schools	3,457,872	3,025	18
2021	160	Carteret County Schools	23,274,410	3,014	19
2021	930	Warren County Schools	4,964,331	2,937	20
2021	660	Northampton County Schools	3,500,000	2,859	21
2021	270	Currituck County Schools	11,478,196	2,791	22
2021	350	Franklin County Schools	21,192,936	2,765	23
2021	60	Avery County Schools	4,770,000	2,696	24
2021	340	Forsyth County Schools	134,708,592	2,678	25
2021	750	Polk County Schools	5,429,441	2,649	26
2021	70	Beaufort County Schools	14,587,140	2,489	27
2021	900	Union County Schools	98,566,814	2,482	28
2021	730	Person County Schools	10,442,896	2,478	29
2021	200	Cherokee County Schools	6,909,596	2,454	30
2021	850	Stokes County Schools	13,056,771	2,435	31
2021	700	Pasquotank County Schools	11,364,000	2,430	32
2021	500	Jackson County Schools	8,267,941	2,360	33
2021	440	Haywood County Schools	15,727,003	2,347	34
2021	580	Martin County Schools	6,000,000	2,303	35
2021	292	Thomasville City Schools	4,791,312	2,292	36
2021	450	Henderson County Schools	28,928,000	2,263	37
2021	630	Moore County Schools	27,714,377	2,256	38
2021	980	Wilson County Schools	22,461,930	2,228	39
2021	370	Gates County Schools	3,119,575	2,205	40
2021	130	Cabarrus County Schools	71,322,993	2,191	41
2021	670	Onslow County Schools	55,898,128	2,166	42
2021	761	Asheboro City Schools	9,496,072	2,162	43
2021	710	Pender County Schools	20,220,842	2,157	44
2021	132	Kannapolis City Schools	11,227,539	2,136	45
2021	291	Lexington City Schools	6,284,511	2,134	46

2021	300	Davie County Schools	11,840,402	2,075	47
2021	560	Macon County Schools	8,786,447	2,069	48
2021	530	Lee County Schools	18,912,278	2,065	49
2021	800	Rowan-Salisbury County Schools	36,414,914	2,038	50
2021	510	Johnston County Schools	72,000,000	2,016	51
2021	490	Iredell-Statesville Schools	40,068,018	2,006	52
2021	10	Alamance-Burlington Schools	42,003,142	1,982	53
2021	390	Granville County Schools	13,248,310	1,977	54
2021	30	Alleghany County Schools	2,521,101	1,956	55
2021	210	Edenton-Chowan County Schools	3,500,000	1,936	56
2021	50	Ashe County Schools	5,323,080	1,924	57
2021	830	Scotland County Schools	10,044,895	1,924	58
2021	181	Hickory City Schools	7,162,474	1,915	59
2021	821	Clinton City Schools	5,460,542	1,914	60
2021	720	Perquimans County Schools	2,900,000	1,851	61
2021	740	Pitt County Schools	41,497,811	1,847	62
2021	861	Elkin City Schools	2,229,028	1,838	63
2021	182	Newton-Conover City Schools	5,081,350	1,833	64
2021	180	Catawba County Schools	27,817,698	1,831	65
2021	810	Rutherford County Schools	13,187,976	1,798	66
2021	230	Cleveland County Schools	24,387,081	1,784	67
2021	995	Yancey County Schools	3,375,751	1,784	68
2021	90	Bladen County Schools	6,831,521	1,768	69
2021	250	Craven County Schools	22,021,335	1,765	70
2021	421	Roanoke Rapids City Schools	4,404,436	1,732	71
2021	360	Gaston County Schools	49,811,704	1,725	72
2021	862	Mount Airy City Schools	2,815,018	1,715	73
2021	260	Cumberland County Schools	80,711,700	1,709	74
2021	520	Jones County Schools	1,627,789	1,708	75
2021	460	Hertford County Schools	4,290,818	1,688	76
2021	80	Bertie County Schools	3,027,671	1,685	77
2021	940	Washington County Schools	1,739,398	1,681	78
2021	590	McDowell County Schools	9,243,000	1,655	79
2021	640	Nash-Rocky Mount Schools	23,096,054	1,655	80
2021	620	Montgomery County Schools	5,496,501	1,594	81
2021	20	Alexander County Schools	7,065,060	1,579	82
2021	420	Halifax County Schools	3,149,169	1,561	83
2021	760	Randolph County Schools	22,982,601	1,549	84
2021	40	Anson County Schools	4,466,183	1,530	85
2021	550	Lincoln County Schools	16,376,963	1,511	86
2021	150	Camden County Schools	2,649,999	1,501	87
2021	790	Rockingham County Schools	15,834,840	1,484	88
2021	970	Wilkes County Schools	12,369,284	1,480	89
2021	990	Yadkin County Schools	7,159,859	1,462	90
2021	570	Madison County Schools	3,053,120	1,453	91
2021	140	Caldwell County Schools	14,859,155	1,410	92
2021	220	Clay County Schools	1,609,799	1,394	93
2021	290	Davidson County Schools	24,246,170	1,378	94
2021	120	Burke County Schools	15,156,050	1,344	95
2021	840	Stanly County Schools	10,751,530	1,328	96
2021	610	Mitchell County Schools	2,257,491	1,323	97

2021	910	Vance County Schools	6,415,752	1,303	98
2021	860	Surry County Schools	9,121,490	1,298	99
2021	430	Harnett County Schools	24,271,534	1,272	100
2021	330	Edgecombe County Schools	6,637,395	1,250	101
2021	820	Sampson County Schools	9,358,327	1,248	102
2021	770	Richmond County Schools	7,873,240	1,225	103
2021	960	Wayne County Schools	20,515,695	1,215	104
2021	540	Lenoir County Schools	9,900,000	1,215	105
2021	170	Caswell County Schools	2,655,000	1,210	106
2021	240	Columbus County Schools	6,062,353	1,201	107
2021	890	Tyrrell County Schools	630,055	1,193	108
2021	241	Whiteville City Schools	2,272,697	1,126	109
2021	380	Graham County Schools	1,127,426	1,054	110
2021	310	Duplin County Schools	8,968,900	962	111
2021	400	Greene County Schools	2,585,000	957	112
2021	470	Hoke County Schools	5,700,000	691	113
2021	780	Robeson County Schools	13,305,000	656	114
2021	870	Swain County Schools	999,216	558	115
2021	295	Innovative School District	99,830	487	116

Attachment B

Per Pupil Appropriation (General Fund)
Historical Comparison

Fiscal Years 1983-84 through 2021-22 reflect Commissioner approved per pupil appropriations. Fiscal Year 2022-23 reflects the Manager's Recommended per pupil.

Fiscal Year	Per Pupil Appropriation	Annual \$ Increase	Annual % Increase
83-84	\$603		
84-85	\$642	\$39	6.47%
85-86	\$773	\$131	20.40%
86-87	\$871	\$98	12.68%
87-88	\$870	-\$1	-0.11%
88-89	\$967	\$97	11.15%
89-90	\$1,057	\$90	9.31%
90-91	\$1,175	\$118	11.16%
91-92	\$1,310	\$135	11.49%
92-93	\$1,310	\$0	0.00%
93-94	\$1,363	\$53	4.05%
94-95	\$1,451	\$88	6.46%
95-96	\$1,571	\$120	8.27%
96-97	\$1,782	\$211	13.43%
97-98	\$1,889	\$107	6.00%
98-99	\$2,040	\$151	7.99%
99-00	\$2,256	\$216	10.59%
00-01	\$2,395	\$139	6.16%
01-02	\$2,437	\$42	1.75%
02-03	\$2,516	\$79	3.24%
03-04	\$2,566	\$50	1.99%
04-05	\$2,623	\$57	2.22%
05-06	\$2,796	\$173	6.60%
06-07	\$2,957	\$161	5.76%
07-08	\$3,069	\$112	3.79%
08-09	\$3,200	\$131	4.27%
09-10	\$3,096	-\$104	-3.25%
10-11	\$3,096	\$0	0.00%
11-12	\$3,102	\$6	0.19%
12-13	\$3,167	\$65	2.10%
13-14	\$3,269	\$102	3.22%
14-15	\$3,571	\$302	9.24%
15-16	\$3,698	\$127	3.54%
16-17	\$3,868	\$171	4.61%
17-18	\$3,991	\$123	3.18%
18-19	\$4,165	\$174	4.36%
19-20	\$4,352	\$187	4.50%
20-21	\$4,367	\$15	0.34%
21-22	\$4,367	\$0	0.00%
22-23*	\$4,808	\$441	10.10%

*Manager's Recommended Budget

Historical Tax Rate (Per \$100 Assessed Valuation)		
Chapel Hill-Carrboro District Tax		
CHCCS Special District		<i>Change (in cents per \$100 assessed valuation)</i>
1989-90	17.75	
1990-91	17.75	0.00
1991-92	17.35	(0.40)
1992-93	17.35	0.00
1993-94*	15.75	(1.60)
1994-95	15.40	(0.35)
1995-96	15.40	0.00
1996-97	19.00	3.60
1997-98*	17.90	(1.10)
1998-99	19.20	1.30
1999-00	22.00	2.80
2000-01	22.00	0.00
2001-02*	20.20	(1.80)
2002-03	19.20	(1.00)
2003-04	20.00	0.80
2004-05	20.00	0.00
2005-06*	18.34	(1.66)
2006-07	18.85	0.51
2007-08	20.35	1.50
2008-09	23.00	2.65
2009-10*	18.84	(4.16)
2010-11	18.84	0.00
2011-12	18.84	0.00
2012-13	18.84	0.00
2013-14	20.84	2.00
2014-15	20.84	0.00
2015-16	20.84	0.00
2016-17	20.84	0.00
2017-18*	20.18	(0.66)
2018-19	20.18	0.00
2019-20	20.18	0.00
2020-21	20.18	0.00
2021-22*	18.30	(1.88)
2022-23	18.30	0.00

*Denotes Revaluation Year

**Fiscal Years 1989-90 through 2021-22 reflect approved tax rates; Fiscal Year 2022-23 reflects Manager Recommended tax rate.

School Districts Local Current Expense Fund Balance Policy

Joint Policy Between Orange County Board of County Commissioners Chapel Hill-Carrboro City Schools Board of Education Orange County Schools Board of Education

1. Guidelines

The School Budget and Fiscal Control Act (SBFCA) establishes accounting, budgetary and fiscal control guidelines for School Systems. The SBFCA is codified in G.S. Chapter 115C, Article 31, beginning at G.S. 115C-422. This act parallels the statutes established for Local Government with a few exceptions.

2. Definitions

- 2.1. **Total Fund Balance** – The difference between a school system’s total assets and its total liabilities at the end of the fiscal year.
- 2.2. **Fund Balance Available for Appropriation** – The sum of a school system’s assets held in cash and investments minus the sum of the school system’s liabilities and encumbrances at the end of the fiscal year as outlined in G.S. 115C-425 of the SBFCA.
- 2.3. **Designated Fund Balance** – The amount of the available fund balance that has been appropriated for the budget year through budgetary action of the School Board.
- 2.4. **Undesignated Fund Balance** - The difference between Fund Balance Available for Appropriation and Designated Fund Balance.

3. Policy

- 3.1. **Fund Balance for Cash Flow Purposes** – Each school district will make a good faith effort to maintain a level of undesignated fund balance that will ensure sufficient funds are available to address its cash flow needs. The following levels are to be maintained for cash flow purposes only:
 - 3.1.1. **Chapel Hill Carrboro City Schools** - The targeted level of undesignated fund balance for cash flow purposes will be at a minimum of 5.5 percent of budgeted expenditures.
 - 3.1.2. **Orange County Schools** – The targeted level of undesignated fund balance for cash flow purposes will be at a minimum of 5.5 percent of budgeted expenditures.

3.2. **Accumulated Fund Balance Above Cash Flow Purposes** - In the event that either school district accumulates more than the percentage amounts allowed for cash flow purposes, the respective Boards of Education will develop a plan in place for spending the accumulated fund balance surplus for non-recurring purposes. The Board of Education will share that plan with the Board of County Commissioners

3.3. **Fund Balance Appropriation Occurring Outside the Normal Annual Budgeting Process** – Appropriation of fund balance is a budgetary action that rests with elected bodies of each school system. It is highly desired that fund balance appropriations be limited to non-recurring expenses. Both school districts have historically appropriated fund balance as a part of their normal budgeting process, and this practice will remain until additional revenue is available to eliminate the use of fund balance. The Board of Education should note and explain significant deviations in the normal budgetary appropriation as a part of the budget narrative accompanying the recommended and adopted budgets.

If the Board of Education finds it necessary to appropriate fund balance, outside the normal annual budgeting process, the Board of Education shall highlight the appropriation in their next fiscal year's budget request. The County Commissioners are not obligated to increase local current expense in order to fund recurring items for which the Board of Education appropriates fund balance outside of the normal budgeting process.

4. **Undesignated Fund Balance** – Undesignated fund balance may be allowed to accumulate above the cash flow percentages under certain circumstances. School Boards will develop a detailed plan for future use of accumulated fund balance. Boards of Education are to use undesignated fund balance to address unforeseen events or opportunities. In these instances, it is the responsibility of the Board of Commissioners to work with the School Boards to address the extraordinary issues.
5. **Extraordinary Emergency Needs** – There may arise a time in the future when one or both school district(s) experience(s) an unforeseen extraordinary uninsured event that greatly compromises how the district(s) serve(s) children. In such instances, there may be a need for the school district(s) to use some or all of its fund balance. In such instances, the Board(s) of Education is(are) to take appropriate action to correct the problem, and following necessary budgetary action by the Board of County Commissioners, the County will reimburse the School Board(s) for the necessary expenditures.
6. **Policy Review** - The School/County Collaboration Work Group shall review this policy every 18 months to determine if changes to the policy are necessary.

School Projects Summary - RECOMMEND
Fiscal Years 2022-32

Appropriations	Current Fiscal Year 2021-22	Year 1 Fiscal Year 2022-23	Year 2 Fiscal Year 2023-24	Year 3 Fiscal Year 2024-25	Year 4 Fiscal Year 2025-26	Year 5 Fiscal Year 2026-27	Year 6 Fiscal Year 2027-28	Year 7 Fiscal Year 2028-29	Year 8 Fiscal Year 2029-30	Year 9 Fiscal Year 2030-31	Year 10 Fiscal Year 2031-32	Ten Year Total
Bond Referendum						45,000,000		45,000,000		40,000,000		130,000,000
Chapel Hill-Carrboro City Schools												
Bond Referendum	1,922,000											
Chapel Hill-Carrboro City Schools												
Article 46 Sales Tax Proceeds	1,219,446	1,268,223	1,318,952	1,371,710	1,426,578	1,483,641	1,542,987	1,604,706	1,668,894	1,735,650	1,805,076	15,226,417
Debt Financing - School Improvements	2,519,561	2,569,952	2,621,351	2,673,778	2,727,254	2,781,799	2,837,435	2,894,184	2,952,068	3,011,109	3,071,331	28,140,261
Lottery Proceeds	846,461	846,461	846,461	846,461	846,461	846,461	846,461	846,461	846,461	846,461	846,461	8,464,610
Recurring Capital Items	1,810,800	1,810,800	1,810,800	1,810,800	1,810,800	1,810,800	1,810,800	1,810,800	1,810,800	1,810,800	1,810,800	18,108,000
Supplemental Deferred Maintenance Program		11,810,800	22,494,200									34,305,000
Chapel Hill-Carrboro City Schools Total	8,318,268	18,306,236	29,091,764	6,702,749	6,811,093	6,922,701	7,037,683	7,156,151	7,278,223	7,404,020	7,533,668	104,244,288
Orange County Schools												
Bond Referendum	11,386,000											
Orange County Schools												
Article 46 Sales Tax Proceeds	800,842	832,876	866,191	900,839	936,872	974,348	1,013,322	1,053,855	1,096,009	1,139,849	1,185,443	9,999,604
Debt Financing - School Improvements	1,654,661	1,687,754	1,721,509	1,755,940	1,791,059	1,826,879	1,863,417	1,900,685	1,938,699	1,977,473	2,017,022	18,480,437
Lottery Proceeds	555,893	555,893	555,893	555,893	555,893	555,893	555,893	555,893	555,893	555,893	555,893	5,558,930
Recurring Capital Items	1,189,200	1,189,200	1,189,200	1,189,200	1,189,200	1,189,200	1,189,200	1,189,200	1,189,200	1,189,200	1,189,200	11,892,000
Supplemental Deferred Maintenance Program	3,600,000	5,442,200	10,702,800									16,145,000
Orange County Schools Total	19,186,596	9,707,923	15,035,593	4,401,872	4,473,024	4,546,320	4,621,832	4,699,633	4,779,801	4,862,415	4,947,558	62,075,971
Durham Tech Community College		500,000	10,500,000									11,000,000
Appropriations Total	27,504,864	28,514,159	54,627,357	11,104,621	11,284,117	56,469,021	11,659,515	56,855,784	12,058,024	52,266,435	12,481,226	307,320,259
Revenues/Funding Sources												
Article 46 Sales Tax Proceeds	2,020,288	2,101,099	2,185,143	2,272,549	2,363,450	2,457,989	2,556,309	2,658,561	2,764,903	2,875,499	2,990,519	25,226,021
Debt Financing - Bond Proceeds	13,308,000					45,000,000		45,000,000		40,000,000		130,000,000
Debt Financing - Durham Tech		500,000	10,500,000									11,000,000
Debt Financing - School Improvements	10,774,222	23,310,706	39,039,860	5,629,718	5,418,313	5,508,678	5,600,852	5,694,869	5,790,767	5,888,582	5,988,353	107,870,698
Lottery Proceeds	1,402,354	1,402,354	1,402,354	1,402,354	1,402,354	1,402,354	1,402,354	1,402,354	1,402,354	1,402,354	1,402,354	14,023,540
Transfer from General Fund		1,200,000	1,500,000	1,800,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	19,200,000
Revenues/Funding Sources Total	27,504,864	28,514,159	54,627,357	11,104,621	11,284,117	56,469,021	11,659,515	56,855,784	12,058,024	52,266,435	12,481,226	307,320,259

School Projects Summary - RECOMMEND
Fiscal Years 2022-32

Appropriations	Current Fiscal Year 2021-22	Year 1 Fiscal Year 2022-23	Year 2 Fiscal Year 2023-24	Year 3 Fiscal Year 2024-25	Year 4 Fiscal Year 2025-26	Year 5 Fiscal Year 2026-27	Year 6 Fiscal Year 2027-28	Year 7 Fiscal Year 2028-29	Year 8 Fiscal Year 2029-30	Year 9 Fiscal Year 2030-31	Year 10 Fiscal Year 2031-32	Ten Year Total
Bond Referendum						45,000,000		45,000,000		40,000,000		130,000,000
Chapel Hill-Carrboro City Schools												
Bond Referendum	1,922,000											
Chapel Hill-Carrboro City Schools												
Article 46 Sales Tax Proceeds	1,219,446	1,235,027	1,284,427	1,335,804	1,389,236	1,444,806	1,502,598	1,562,702	1,625,210	1,690,218	1,757,827	14,827,855
Debt Financing - School Improvements	2,519,561	2,502,680	2,552,733	2,603,788	2,655,864	2,708,981	2,763,161	2,818,424	2,874,793	2,932,288	2,990,934	27,403,646
Lottery Proceeds	846,461	824,304	824,304	824,304	824,304	824,304	824,304	824,304	824,304	824,304	824,304	8,243,040
Recurring Capital Items	1,810,800	1,763,400	1,763,400	1,763,400	1,763,400	1,763,400	1,763,400	1,763,400	1,763,400	1,763,400	1,763,400	17,634,000
Supplemental Deferred Maintenance Program		11,763,400	22,067,600									33,831,000
Chapel Hill-Carrboro City Schools Total	8,318,268	18,088,811	28,492,464	6,527,296	6,632,804	6,741,491	6,853,463	6,968,830	7,087,707	7,210,210	7,336,465	101,939,541
Orange County Schools												
Bond Referendum	11,386,000											
Orange County Schools												
Article 46 Sales Tax Proceeds	800,842	866,073	900,716	936,745	974,214	1,013,183	1,053,711	1,095,859	1,139,693	1,185,281	1,232,692	10,398,167
Debt Financing - School Improvements	1,654,661	1,755,026	1,790,127	1,825,930	1,862,449	1,899,697	1,937,691	1,976,445	2,015,974	2,056,294	2,097,419	19,217,052
Lottery Proceeds	555,893	578,050	578,050	578,050	578,050	578,050	578,050	578,050	578,050	578,050	578,050	5,780,500
Recurring Capital Items	1,189,200	1,236,600	1,236,600	1,236,600	1,236,600	1,236,600	1,236,600	1,236,600	1,236,600	1,236,600	1,236,600	12,366,000
Supplemental Deferred Maintenance Program	3,600,000	5,489,600	11,129,400									16,619,000
Orange County Schools Total	19,186,596	9,925,349	15,634,893	4,577,325	4,651,313	4,727,530	4,806,052	4,886,954	4,970,317	5,056,225	5,144,761	64,380,719
Durham Tech Community College		500,000	10,500,000									11,000,000
Appropriations Total	27,504,864	28,514,160	54,627,357	11,104,621	11,284,117	56,469,021	11,659,515	56,855,784	12,058,024	52,266,435	12,481,226	307,320,260
Revenues/Funding Sources												
Article 46 Sales Tax Proceeds	2,020,288	2,101,100	2,185,143	2,272,549	2,363,450	2,457,989	2,556,309	2,658,561	2,764,903	2,875,499	2,990,519	25,226,022
Debt Financing - Bond Proceeds	13,308,000					45,000,000		45,000,000		40,000,000		130,000,000
Debt Financing - Durham Tech		500,000	10,500,000									11,000,000
Debt Financing - School Improvements	10,774,222	23,310,706	39,039,860	5,629,718	5,418,313	5,508,678	5,600,852	5,694,869	5,790,767	5,888,582	5,988,353	107,870,698
Lottery Proceeds	1,402,354	1,402,354	1,402,354	1,402,354	1,402,354	1,402,354	1,402,354	1,402,354	1,402,354	1,402,354	1,402,354	14,023,540
Transfer from General Fund		1,200,000	1,500,000	1,800,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	19,200,000
Revenues/Funding Sources Total	27,504,864	28,514,160	54,627,357	11,104,621	11,284,117	56,469,021	11,659,515	56,855,784	12,058,024	52,266,435	12,481,226	307,320,260