

**JOINT EDUCATIONAL FUNDING POLICY OF  
THE ONSLOW COUNTY BOARD OF COMMISSIONERS AND  
THE ONSLOW COUNTY BOARD OF EDUCATION**

This Joint Educational Funding Policy is established by the Onslow County Board of Commissioners (hereinafter "Board of Commissioners") and the Onslow County Board of Education (hereinafter "Board of Education") this the 21 day of March, 2014.

**WITNESSETH**

WHEREAS, both the Board of Commissioners and the Board of Education have certain responsibilities and authority regarding the funding of public education in Onslow County which is best performed in a collaborative approach; and

WHEREAS, North Carolina General Statutes §115C-408(b) states:

To insure a quality education for every child in North Carolina, and to assure that the necessary resources are provided, it is the policy of the State of North Carolina to provide from State revenue sources the instructional expenses for current operations of the public school system as defined in the standard course of study.

It is the policy of the State of North Carolina that the facilities requirements for a public education system will be met by county governments.

WHEREAS, North Carolina General Statutes §115C-426.2 states:

In order to promote greater mutual understanding of immediate and long term budgetary issues and constraints affecting public schools and county governments, local boards of education and boards of county commissioners are strongly encouraged to conduct periodic joint meetings during each fiscal year.

WHEREAS, the Board of Commissioners and the Board of Education in furtherance of the above have agreed to develop a joint educational funding policy to:

- Establish a collaborative and formal means for developing annual educational budgets;
- Allow each party to do fiscal planning on a long-range basis;
- Develop a means for integrating the educational goals and policies of the State and local boards of education, the financial resources of the Board of Commissioners and the Board of Education and the fiscal policies of the Board of Commissioners and the Board of Education to assure the citizens of Onslow County of a system of free public schools as defined by State law and State Board of Education policy; and
- Prevent the cost and disruptive community effects of school budget litigation.

WHEREAS, the State of North Carolina has made unprecedented cuts in public school funding for classroom teachers, teacher assistants, assistant principals, non-instructional support (such as substitute teachers, custodians, and office support), instructional support (such as guidance counselors, media specialists, nurses and social workers), textbooks, instructional supplies, and professional development since fiscal year 2009; and

WHEREAS, the Board of Commissioners acknowledges the importance of a strong public school system that prepares students for the future of college and careers and fosters a strong foundation for local economic development; and

WHEREAS, while financial support is not the sole determinant of academic success, both the Board of Commissioners and the Board of Education recognize that Onslow County students compete with students throughout North Carolina for quality jobs and post-secondary educational opportunities; and

WHEREAS, the Board of Commissioners and Board of Education heard Onslow's citizens who have communicated that the goal of public school facility funding and long range planning should first and foremost ensure that space for instruction is the priority in our public schools; and

WHEREAS, the Board of Commissioners and Board of Education jointly acknowledge that long-range planning and budgeting is in the best interest of both units of government and the community as a whole; and

WHEREAS, the Board of Commissioners and Board of Education have determined that a portion of Onslow County Public School System fund balance should be utilized to facilitate necessary construction.

NOW, THEREFORE, the following educational funding policies are hereby jointly established as a guideline for future fiscal planning and budgeting purposes:

#### **I. AS TO ANNUAL CURRENT EXPENSE BUDGET:**

Onslow County will annually budget an amount equal to the most recent known 2<sup>nd</sup> month average daily membership (ADM) count of students within the Onslow County Public School System times the most recent known statewide average per pupil appropriation by counties within the State of North Carolina.

#### **II. AS TO ANNUAL CAPITAL BUDGET:**

Onslow County will increase the amount of funding from the fiscal year 2014 level of \$1,775,000 to \$2,175,000 in fiscal year 2015, to \$2,575,000 in fiscal year 2016 , and then to \$3.0 million during fiscal year 2017. Funding for fiscal year 2018 will be maintained at \$3.0 million. Beginning in fiscal year 2019 and every four (4) years thereafter, the County will consider whether funding levels are adequate by examining such data as:

- A. The annual average index percentage of the most recent Consumer Price Index for all items for All Urban Consumers (CPI-U) within the South Region, size class B/C as determined by the United States Bureau of Labor Statistics.
- B. Growth in the public assets inventory of the school system.
- C. Changes in responsibility for transportation or other services between the state and local levels of government.

### III. AS TO LONG RANGE CAPITAL PLANNING AND CONSTRUCTION

#### **FUNDING:** A. Establish a Long-Range Public Schools Capital Improvement Program

As established in North Carolina General Statute §115C-521(b):

It shall be the duty of the boards of education of the several local school administrative school units of the State to make provisions for the public school term by providing adequate school buildings equipped with suitable school furniture and apparatus. The needs and the cost of those buildings, equipment, and apparatus, shall be presented each year when the school budget is submitted to the respective tax-levying authorities.

The boards of commissioners shall be given a reasonable time to provide the funds which they, upon investigation, shall find to be necessary for providing their respective units with buildings suitably equipped, and it shall be the duty of the several boards of county commissioners to provide funds for the same.

The Onslow County Board of Education and the Onslow County Board of Commissioners will approve major capital construction projects which will, based on all currently available data, cover the next ten (10) years. The combined projects as approved will be referred to as the "Public Schools Capital Improvement Program". No project will be included in this program which is not jointly agreed upon by both governing bodies. The basis for inclusion within the Public Schools Capital Improvement Program will be projects which are necessary to serve the district's student population following exhaustion of other solutions such as redistricting.

The Capital Improvement Program will be reviewed and adjusted annually following program implementation in fiscal year 2015. Each construction project will be carefully reexamined to determine whether, in light of changing student populations, additional school capacity is still required.

The initial fiscal year 2015 approved list of projects and key construction dates within the Capital Improvement Program may be found, and is fully incorporated herein by reference, at **Exhibit A**.

## B. Establish Funding for the Public Schools Capital Improvement Program

Implementation of the Public Schools Capital Improvement Program requires long-range financial planning and a dedicated funding stream. To this end, the measures outlined within this section are taken.

### 1. Establishment of the Onslow County Government Public Schools Capital Reserve Fund

Onslow County Government will create a restricted fund balance to be known as the “Onslow County Government Public Schools Capital Reserve Fund”, with every transaction transparent to the Board of Education and the general public. Onslow County Government will utilize such funds exclusively for debt service payments made on projects within the jointly-approved public schools capital improvement program.

The Onslow County Government Public Schools Capital Reserve Fund is best established with a one-time initial investment, which will reduce the overall tax burden to the citizens of Onslow County. Given the limitations placed upon the school system and county government by applicable laws, as well as the financial planning requirements of the Local Government Commission, the mechanism of creating an initial investment within the capital reserve fund will be as follows:

- a. The Board of Education and the Board of County Commissioners jointly agree that during fiscal year 2015 only, Onslow County will implement the provisions contained within this policy for both the current expense budget and capital budget to reach a total amount of appropriations; then, that appropriation amount for fiscal year 2015 only will be reduced by the sum of \$13.0 million. The \$13 million reduction will be placed within the restricted Onslow County Government Public Schools Capital Reserve Fund and used exclusively for debt service payments made on approved projects within the jointly-approved public schools capital improvement program.
- b. The Board of Education agrees that it has capacity within its unassigned fund balance to cover the one-time reduction of \$13.0 million in fiscal year 2015 and will not seek mediation for this one time reduction. The Board of Commissioners agrees that it will restore the one-time reduction in funding in fiscal year 2016. Further, the Board of Education agrees that it will appropriate the \$13.0 million for operating expenses within the fiscal year 2015 Onslow County Schools Budget, presented to the Onslow County Board of Commissioners not later than May 15, 2014. The appropriation will be fully transparent to the Board of Commissioners and the general public.
- c. Onslow County Government agrees it will not divert any portion of the \$13.0 million initial investment placed within the reserved Onslow County Government Public Schools Capital Reserve Fund for any other purpose.

2. Maintenance of the Onslow County Government Public Schools Capital Reserve Fund

In order to sustain debt service payments on the projects jointly-approved within the Public Schools Capital Improvement Program, Onslow County Government must make additional annual investments to the Onslow County Government Public Schools Capital Reserve Fund. The level of initial fiscal year 2015 investment as well as an estimated schedule of increased future tax increases by Onslow County Government may be found, and is incorporated fully herein by reference, at **Exhibit B**.

C. Miscellaneous

1. If the Board of Education intends to sell any real property (exclusive of easements or similar interests in land) , the Board of Education will effectuate the sale so that the proceeds will be deposited in the Onslow County Government Public Schools Capital Reserve Fund.
2. Interest earned on monies within the Onslow County Government Public Schools Capital Reserve Fund will accrue solely to those funds.
3. The full value of each penny on the tax rate designated for the Onslow County Government Public Schools Capital Reserve Fund will go into the fund as the value of each penny goes up or down with the overall county tax base. This will be reviewed and established annually as part of the county budget process.
4. Both the Onslow County Board of Commissioners and the Onslow County Board of Education agree that school construction funding through a sales tax would be preferable to funding through property taxes. Both units of government shall support the effort to obtain an additional local option sales tax for the purpose of school construction funding. An additional sales tax would allow the Board of County Commissioners to consider that funding stream for future debt as opposed to the property tax. Until such time as the sales tax option is available, both the Board of Education and Board of Commissioners shall proceed as outlined in this policy.

**IV. PROVISION FOR FUTURE BOARD OF EDUCATION INVESTMENT**

The Board of Education agrees to maintain an unassigned fund balance in the local current expense general fund in an amount not to exceed eight (8) percent of the annual expenditures of total governmental funds of the public school system. Amounts in excess of this eight (8) percent calculation derived from data in the audited annual financial statements, beginning with the audit for fiscal year 2015, will be deducted from the following fiscal year's current expense appropriation.

The full amount of these deductions will be placed within the restricted Onslow County

Government Public Schools Capital Reserve Fund and used exclusively for debt service payments made on approved projects within the jointly-approved public schools capital improvement program.

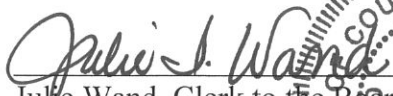
So that the school system's fund balance and overall financial health may be readily observed by county government and the citizens of Onslow County, key documents to include the annual school system budget and comprehensive annual financial report/audit will be made available annually online on the public portion of the Onslow County Government Public School System website no later than 30 days after adoption and/or completion of such documents.


Likewise, Onslow County will continue its practice of transparency in financial reporting by posting its adopted budget and comprehensive annual financial report/audit each year on the County's website which will be made available online on the public portion of the Onslow County website no later than 30 days after adoption and/or completion of such documents.

ONSLOW COUNTY  
BOARD OF COMMISSIONERS

  
Paul Buchanan, Chairman

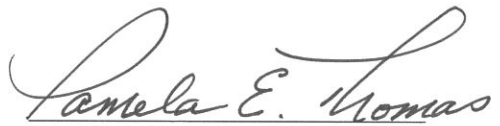
ATTEST:

  
Julie Wand, Clerk to the Board



The seal is circular with a double-line border. The outer ring contains the text "ONSLOW COUNTY COMMISSIONERS" at the top and "N.C." at the bottom. The inner ring contains "ONSLOW COUNTY" at the top and "BOARD OF COMMISSIONERS" at the bottom. The word "SEAL" is positioned at the bottom center of the inner ring.

ONSLOW COUNTY  
BOARD OF EDUCATION

  
Pamela Thomas, Chairman

ATTEST:

  
Rick Stout, Secretary to the Board



The seal is circular with a double-line border. The outer ring contains the text "ONSLOW COUNTY BOARD OF EDUCATION" at the top and "N.C." at the bottom. The inner ring contains "ONSLOW COUNTY" at the top and "BOARD OF EDUCATION" at the bottom. A stylized torch is positioned at the bottom center of the inner ring.

## EXHIBIT A

Project	Student Capacity	Total Investment	Design Start	Construction Start	Construction Finish
Dixon Middle	950	\$31,524,656	4/1/2014	5/1/2015	5/1/2017
Richlands Elementary	800	\$25,159,025	6/1/2016	4/1/2017	4/1/2019
West Central Elementary	600	\$22,988,113	9/1/2018	7/1/2019	5/1/2021
New Southern Elementary	600	\$23,456,210	9/1/2020	7/1/2021	5/1/2023
Northwoods Park Middle Expansion	900	\$10,574,805	11/1/2021	9/1/2022	5/1/2024
Midwest School	650	\$31,461,686	6/1/2022	5/1/2023	5/1/2025
<b>Total:</b>		<b>\$145,164,495</b>			

The Board of County Commissioners and Board of Education agree that work necessary to retain the school site in Sneads Ferry for the replacement Dixon Middle School is authorized immediately upon execution of this policy by both boards. All costs for such work are to be borne from the Onslow County Public Schools Capital Reserve Fund, which shall be implemented with an initial investment of \$13.0 million.

## Exhibit B

### Full School Board Requested Program

Total Project Cost	\$145,175,000
Initial Investment in capital reserve	\$13,000,000
County Investment (borrowed)	\$145,175,000
Debt Maturity	20 Years-2 Years Interest Only
Dates Borrowed	Dixon: 3/2015 Richlands: 2/2017 West Central: 6/2019 New Southern: 6/2021 Northwoods & Midwest: 3/2023
Tax Increases Needed	2.00¢-2015 3.00¢-2019 2.25¢-2023