

ORANGE COUNTY
BOARD OF EDUCATION

AGENDA ITEM ABSTRACT

Meeting Date: November 22, 2010

AGENDA ITEM No. 10-11-(2)-11

ACTION ITEM: (Y/N) N

SUBJECT: Collaboration Meeting Report

INFO. CONTACT: G. Patrick Rhodes PHONE: 919-732-8126

ATTACHMENTS: 1. Meeting Plan for the County/Schools Collaboration Work Group.
2. Draft Meeting Notes.

PURPOSE: The purpose of this agenda item is to provide an opportunity for the board chair and vice chair to lead a discussion of the November 3, 2010 collaboration meeting.

BACKGROUND: The board chair, vice chair, and superintendent attended the quarterly collaboration meeting. A copy of the meeting agenda is attached.

FINANCIAL IMPACT: None.

RECOMMENDATION: The Superintendent recommends the board hear the report from the chair and vice chair and discuss, as needed.

Meeting Plan for the County/Schools Collaboration Work Group

Wednesday, November 3, 2010 3:00 PM – 5:00 PM

Government Services Center, Hillsborough

Expected Attendees (16): Work Group Members (9): Jamezetta Bedford, Frank Clifton, Donna Coffey, Valerie Foushee, Mike Kelley, Tony McKnight, Neil Pedersen, Bernadette Pelissier, Patrick Rhodes.
Staff (7): Clarence Grier (Director, OC Financial Services), Paul Laughton (OC Financial Services), Todd LoFrese (CHCCS Assistant Superintendent for Support Services), George McFarley, Jr. (OCS Chief Operating Officer), Michael Talbert (Deputy Director, OC Financial Services), Greg Wilde (Director, OC Management Support), Andy Sachs (facilitator).

Desired Outcomes

- Debrief of the September 2010 Joint Boards meeting
- Clarification of existing policies for the usage of school facilities.
- Update on several matters relevant to schools funding

Agenda

3:00 Convene

- Introductions, as needed.
- Review/revise/adopt today's Meeting Plan (*desired outcomes, agenda, groundrules*).

3:10 Debrief of the September 2010 Joint Boards meeting

- What stands out for each Work Group member about the Joint Boards meeting?
- What if anything should the Work Group do as follow-up to the Joint Boards meeting, or in preparation for Spring 2012 Joint Boards meeting?

3:30 Policies for the Usage of School Facilities

Commissioner Pelissier asked that the Work Group consider the development of policies for the usage of school facilities. The Superintendents will explain their districts' policies and actual experience (e.g., usage information) for consideration by the Work Group.

4:00 Schools Funding Update

- Update on sales tax referendum
- Any new and relevant budget information from the State?
- Update on schools and County capital needs, including revisions to the County's Capital Improvement Plan.
- Other coordination needed for the 2011-2012 budget cycle?

4:45 Wrap Up

Agenda items and date for any next Work Group meeting.

5:00 Adjourn

Work Group Ground Rules (adopted 1/27/04, amended 4/9/07)

- One speaker at a time.
- Stick to task and topic.
- Listen attentively to the speaker.
- Share the floor.
- It is OK to disagree...please do so respectfully.
- Raise and discuss new ideas, doubts and differences with the group before going public.
- Decisions will be made within this group by unanimous consent among group members (although not necessarily with equal levels of enthusiasm).
- Items will appear on Work Group final meeting agenda only by group decision. Each Work Group meeting will begin with a review by the group of the meeting's proposed agenda.

Draft Meeting Notes
County/Schools Collaboration Work Group
Wednesday, November 3, 2010
John M. Link, Jr. Government Services Center, Hillsborough

Attendees: Work Group Members: Jamezetta Bedford, Frank Clifton, Donna Coffey, Mike Kelley, Tony McKnight, Neil Pedersen, Bernadette Pelissier, Patrick Rhodes. Staff: Clarence Grier, Paul Laughton, Todd LoFrese, Michael Talbert, Greg Wilder. Andy Sachs (facilitator).

Convening

The group adopted the draft agenda that had been circulated in advance of the meeting.

Debrief of the September 2010 Joint Boards meeting

Dr. Kelley said that he appreciated the Superintendents' joint presentation on the budget. Mr. Rhodes said that it will be more difficult for the two districts to make joint budget presentations in the coming year because, although the State funding categories will continue to be comparable, each district's local funding categories are going to be very different from the other's.

Ms. Bedford said that the discussion about dental hygienists that took place at the Joint Boards meeting is probably moot now because of the outcome of yesterday's elections.

Policies for the Usage of School Facilities

Commissioner Pelissier said that she had asked for this agenda item in order to get a better sense of what is going on with respect to community use of school facilities. Dr. Kelley distributed a handout, "Community Use of School Facilities: Chapel Hill-Carrboro City Schools 2009-2010," and noted that each school facility has been used in some way by the community. The handout lists facilities users during the time period of the report. Some school facilities are designed for shared use, he said, such as the Rashkis Elementary gym. Ms. Bedford added that the Carrboro High School was designed to allow public access to the media center while also securing the rest of school against unauthorized visitors. CHCCS talked with the Town of Chapel Hill about partnering on the development of joint recreational facilities when Elementary School #11 is built, but the Town declined.

Commissioner Pelissier asked if it is profitable for the schools to share facilities. Ms. Bedford said that the rental fees charged to community users are set to recover costs associated with utilities and facilities maintenance.

Athletic fields are generally not available to the community at large during the school year, Ms. Bedford said, because school programs use the fields intensively during those months. The fields are available to the community at large during the summer. Mr. LoFrese added that the community at large uses school gyms all year round.

Mr. Rhodes distributed a handout on OCS's community use of school facilities. He said that OCS has a special working relationship with the County's Recreation and Parks Department for use of the Orange High School tennis courts. A full range of community groups has used school facilities, including churches, the Democratic Party, and the Hillsborough Water/Sewer Advisory Committee.

Not-for-profit organizations get special rates. C.W. Stanford Middle School was designed so that the community at large could use the theater.

Mr. Rhodes said that he has not heard any complaints about the OCS policy or practices with respect to community use of school facilities, and asked if the County had any specific concerns. Commissioner Pelissier said that she had not heard any specific complaints, but that she is aware of a general perception in the community that access to school facilities is limited and the rental fees are high. "But I'm not hearing that there is a lot we can do differently" she said.

Ms. Coffey recalled that the Board of County Commissioners had approved a set of school construction standards in the 1990's, which includes a section devoted to multi-purpose school design. All schools built since the adoption of those standards have been so with those multi-purpose standards in mind, she said.

Dr. Pedersen acknowledged that it is difficult to accommodate citizen groups who are not even formal organizations with a budget, because they often want to use school facilities for free. They do not have a lot of money, he said, and we have a policy that directs us to impose rental fees in order to recover added costs from public use associated with utilities and facilities maintenance. If a not-for-profit or ad hoc group of citizens is in a partnership with the District then we can accommodate their budget constraints, but this is a tough call because many groups can make a case that they should not have to pay. Dr. Pedersen said that Mr. LoFrese, Assistant Superintendent for Support Services, is delegated the responsibility for making such judgments.

Update on Sales Tax Referendum

All noted that the voters rejected the sales tax referendum yesterday. Dr. Kelley said that he found it interesting that the referendum failed even though the local Democratic candidates did well. Mr. Clifton observed that there was neither strong organized support nor strong organized opposition for the tax, although there was limited support by both chambers of commerce and a position against by the Republican Party. The Democratic Party did not take a position, he said. Although the referendum passed in the southern-county precincts, there was greater voter turnout and greater opposition in the northern precincts. Of the 45,000 overall voters in this election, about 3500 voters skipped the question entirely, he said. The tax did not pass anywhere in the state where it was on the ballot yesterday, he said, and it was only a close outcome in Guilford and Orange counties.

Mr. Clifton said that the shift in control of the General Assembly as a result of yesterday's elections "won't make it easy for us." There is a \$3.2 billion State budget deficit projected for the 2011-2012 fiscal year, he said, and a legislative majority pledging not to raise taxes. Temporary tax increases that were passed in 2009 (corporate and individual income tax surcharges and a one percent sales tax) are set to expire in 2011. "It will be an interesting budget session," he said. We need to start preparing the public together.

In response to a question from Ms. Bedford, Mr. Clifton said that the sales tax referendum could be placed on a future ballot. Onslow County ran it three times before it passed there, he said. If it is to come back, he advised, think about "selling it" and whether it would be better to place it during a

general election or not. Mr. Talbert said that when the tax has passed it has done so in off-year elections.

Commissioner Pelissier said that a future referendum may be complicated by the interest among Triangle area governments in a regional transit tax. All of the chambers of commerce in the region are in favor of a half-penny sales tax for transit, said.

New and relevant budget information from the State

Mr. Clifton said that there is much uncertainty regarding what the State legislature will do. Ms. Bedford said that the uncertainty makes it difficult for the School Board to know how to present a budget needs to the County Commissioners. The School Board has told Dr. Pedersen to tell us what can be reduced, she said, but if we could be looking at \$7million in cuts then what would be the best approach? Do the Commissioners want scenarios, including a worst-case presentation? How low can we dip into reserves, she asked, given that the County fund balance could backstop us if a roof blows off?

Mr. Clifton said that anything the schools budget over what current revenues can support would have to be paid for by a property tax increase. The County can't cut mandated services; we can look at non-mandated services, he said, for example, dental services would save us \$300,000 if we eliminated it. But look at how much we got beat up by trying to save \$60,000 through consolidation, he added.

Mr. Rhodes urged all to read an article, "Race to the Bottom," that both Superintendents brought copies of. It was written by John Dornan, President/Executive Director of the Public School Forum of North Carolina, and includes and expounds the statement, "there is a distinct possibility that North Carolina could be at, or near, 50th place on investing in its young people when the upcoming 2011 Session of the General Assembly comes to an end." Cuts mainly will be in the area of personnel, Mr. Rhodes said. Mr. Clifton said that a penny on the County property tax rate generates about \$1.5 million, and asked "how many pennies will it take to stay even" if the kinds of State cuts anticipated in the article are made.

In response to a question from Dr. Kelley, Mr. Clifton said that State cuts will be in the areas of reimbursements for the use of the county jail facilities, education, holding onto certain sales tax revenues that currently go to the counties, not assuming Medicare responsibilities, and/or changing Medicare/Medicaid formulas. The sales tax provides about \$14.5 million to the County, a little less than 10% of its \$178 million budget. Last year, the State delayed conveying \$900,000 of sales tax revenues to the counties until after the fiscal year in order to show a balanced State budget.

Dr. Pedersen said that State and local funds are comingled. If the State cuts \$5-\$10 million then the local contributions also will have to be cut. When we present the school budget, it will be a reflection of the State situation. We all understand that the BOCC will not be able to raise taxes sufficient to offset what the State is likely to cut. In other years, we might have asked for \$3-4 million to make up for cuts, but we hear that we will not be able to do that in the coming year. Our practice has been for me to make a budget recommendation in February, and then a formal presentation in March. I'm not sure how we will be able to develop a budget with the County in

April when there will be so much uncertainty. We might have to find another process than the one we have been using. Is there a better way we can format the budget so we're not wasting each other's time at the early stages?

Mr. Rhodes said he agreed with Dr. Pedersen about the need to change the timing of the budget process this year. The BOCC is going to be blamed for the dire situation, even if the cuts are coming from the State, he said. The earlier we work this out the better it will be for everyone.

Mr. Clifton said that he and the Superintendents would follow up to develop a more functional budget process and budget format for the coming year. Mr. McKnight said that this year the Senate will go first in the General Assembly in presenting a budget. Mr. Frank said that the County and schools would have a little more certainty once the Governor presents her budget.

Ms. Coffey said that this year in particular, collaboration across the schools and County is going to be needed. This group will need to come together more than in the past, she said. We are going to have to be flexible about how we use the 48.1% budget target for public education.

Mr. Clifton suggested that there be earlier communication to the public about the limited options we're facing at the local level. If we have to make up for all of the State budget cuts then it will cost more than anyone is going to be willing to pay, he said.

Ms. Bedford asked if there were models to show whether and to what extent layoffs of local teachers and County employees would affect property and sales tax collections, setting off a downward economic spiral. Mr. Clifton said that a lot of County employees do not live in Orange County, and that these dynamics would be too hard to model. Mr. Talbert added that Orange County's economy is more resilient than in other parts of the state. For example, in general when unemployment rises then property tax revenue goes down, but in Orange County we're not seeing a significant reduction in property tax revenues due to unemployment because the rate here (6%) is relatively low. Unemployment here has not impacted property values, he said. Ms. Coffey wondered aloud if the unemployment rate will remain low in the future.

Ms. Coffey asked if a new Republican majority in the General Assembly would undercut the State's commitment and ability to maintain a high tax collection rate. Mr. Clifton said that the State is delaying implementation of a new motor vehicle tax collection system. Motor vehicle tax revenue for Orange County is about 10% of property tax revenues. Mr. Clifton said that he does not expect the motor vehicle tax collection issue to be significant.

Commissioner Pelissier said that the BOCC made an informal announcement last year that it would not raise property taxes for the 2009-2010 budget. We may need to do that again, she said. We certainly will not be able to backstop all of the State losses, she added. Mr. Clifton said that he would advise the Commissioners to allow the schools as much flexibility as they might need with respect to delaying or deferring capital outlays in favor of operations. It would be easier to raise taxes for facilities than for operations, he said.

Update on Cchools and County Capital Needs

Mr. Clifton explained that the County is trying to strengthen its CIP process. The BOCC asked its staff to get feedback from the school districts on some proposed policy changes.

Mr. Talbert distributed the first of three handouts, "Orange County 2011-16 Capital Investment Plan" and explained that in these uncertain economic times the County thinks it prudent to consolidate its capital facilities planning and to shorten its planning horizon from ten to five years. Mr. Grier said that in this new approach the County is trying to have the most positive impact on the budget as possible through retiring or refinancing debt. Mr. Talbert walked the group through the 5-year plan.

Dr. Pedersen asked for clarification of the Cedar Ridge High School line on the Schools Capital Projects Summary schedule. Mr. Rhodes said that it was to accommodate additional student seating capacity.

Dr. Pedersen said that the "unfunded" line on the Schools Capital Projects Summary schedule should be renamed or defined more explicitly. Mr. Clifton explained that the "unfunded" line refers to the gap between what the school districts have proposed in their capital plans and what the County has obligated itself to fund. Elementary #11 would not be considered "unfunded" because it is already in the County's debt schedule, for example. Dr. Pedersen said that CHCCS does not ask for funding for many capital projects that it needs because it takes into consideration the County's constraints and wants to communicate its priorities clearly; we would consider those other projects to be unfunded although they are not included in this schedule, he said. Mr. LoFrese added that the CHCCS CIP is based on funding amounts that the County says is available. Perhaps we can use the term "funding differential" or "shortfall from projects listed in a particular year," suggested Dr. Pedersen. Mr. Grier suggested that a separate sheet be added with the schools' "wish lists" and the "unfunded" line on this schedule be seen as a "deficit" in the County's funding of the schools' priority capital projects. Mr. Talbert said that he does not believe OCS has such a "wish list." Mr. Clifton suggested that Mr. Talbert, Mr. LoFrese and Dr. McFarley resolve this issue as follow-up to this meeting, and all agreed.

Ms. Coffey said that her Board's constituents would like to see the schools capital projects information broken out school-by-school. Mr. Talbert said that the County's plan can be modified to cross-reference expenditures with each school.

Mr. Talbert distributed a second handout, "Orange County Board of Commissioners Approved Capital Funding Policy," and called the group's attention to proposed language on the first page: *"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."*

Ms. Coffey asked if any County policy will identify the 2-4 cent target for recurring capital that had been agreed upon several years ago. Mr. Clifton said that the County has set that commitment as a budget line item – more recently at the two-cents level -- but that it has been a long time since the BOCC has taken a look at that full range. Rather than have a policy with a goal that we will never meet, we would rather make an annual commitment. Also, he said, I do not want to tell you what

you have to use your funds for, outside of your debt obligations. I would rather give you as much flexibility as I can.

Mr. Rhodes said that if the 2-4 cents is not included in a written policy then it could disappear altogether. Mr. Clifton said that the BOCC could take it away at any time anyway. The four-cent level was not getting funded, he said. Commissioner Pelissier said that a goal that is never met doesn't make good sense to have in policy. Future Boards could change the range, she added. We are going to look at all the recurring capital needs and do our best to support what we can. Mr. Clifton suggested that a reference be made in the policy that in FY 2009-10, the basis of the recurring capital amount was 2%.

Ms. Coffey acknowledged that the County has not funded recurring capital needs at the level of 4% in a long while. She said that this issue "goes hand in hand" with the 48.1% target. We'll need flexibility in the next and probably the next several years, she said. We've not agreed explicitly what the target includes, and there are other items not included in the target funds. Whether it is here in this proposed language or in some other policy document, these questions need to be resolved.

Mr. Talbert said that the purpose of bringing these policies to the Work Group is to get feedback. He asked the Chairs, Vice Chairs and school staffs to share the policies with their respective boards and to solicit feedback. All agreed to do so.

Mr. Talbert then distributed a third handout, "Debt Management Policy (draft revised 10/26/10)," and asked that it be distributed to the school boards and feedback be solicited. Mr. Grier said that new Local Government Commission reporting requirements are making it necessary for the County to change certain budget categories and accounting practices.

Other Coordination Needed for the 2011-2012 Budget Cycle

Revisiting the 48.1% target

Mr. Clifton acknowledged the 48.1% target as an agreement across the three jurisdictions. He reiterated the County's commitment to funding the schools at that target. However, said, when the County's General Fund falls then the amounts going to the schools fall with it. He said he would like to explore the possibility of basing education funding on the property tax rate instead. There would be less variability, he said. Let's try to come up with a formula for doing this that would meet the needs of all of us, including providing greater stability in education funding and providing the County with more flexibility in seeking grants.

Dr. Pedersen said it sounded like a good idea. Ms. Coffey said the idea is worth exploring. She noted that the target was adopted in 2001, that not all counties have a target, and that there are different targets being used (valuation, district tax rates, etc.). Some of what the County puts into education does not even show up under the target, and that's not transparent to the public.

Avoiding Premature Definitive Statements

Dr. Pedersen said that in the spirit of collaboration he would ask all of the participants in the Work Group and their Boards to avoid making definitive statements about what will happen or not

happen in June, before we all understand the implications of those actions. Of course, different courses of action should be raised and discussed, but it would not be helpful for anyone to stake himself or herself out before we've discussed the impacts all together. Dr. Kelley added, "on the other hand, if you know for sure that you will not raise taxes then tell us as soon as you are sure about that so we can plan accordingly." Commissioner Pelissier noted that the schools and County were in a "chicken and egg situation." The schools cannot plan without hearing from BOCC, and we have to know what you are facing in order for us to make decisions that will affect you." Dr. Pedersen said that he can proceed for 2011-12 under the assumption that BOCC supports his doing so using the same per pupil funding levels as 2010-11. Then, if draconian State cuts come about, BOCC might want to raise taxes a penny to address that.

Agenda items and date for next Work Group meeting

The group agreed to meet again in January 2011. The facilitator will solicit Work Group members' availability, and set a date based on that effort. OCS will host.