

ORANGE COUNTY  
BOARD OF EDUCATION

AGENDA ITEM ABSTRACT

Meeting Date: June 11, 2012

AGENDA ITEM No. 12-06-17

ACTION ITEM: (Y/N) N

SUBJECT: Collaboration Meeting Discussion

INFO. CONTACT: Donna Coffey, Chair; Stephen Halkiotis, Vice Chair PHONE: 919-732-8126

ATTACHMENTS: 1. County/Schools Collaboration Work Group Meeting DRAFT minutes.

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**PURPOSE:** The purpose of this agenda item is to provide an opportunity for the board chair and vice chair to provide a briefing on the recent collaboration meeting.

**BACKGROUND:** Board Chair Coffey, Vice Chair Halkiotis and Superintendent Rhodes attended the quarterly collaboration meeting held May 31, 2012. DRAFT meeting notes are attached.

**FINANCIAL IMPACT:** None.

**RECOMMENDATION:** The Superintendent recommends the board hear a report from the chair and vice chair and discuss as appropriate.

**County/Schools Collaboration Work Group Meeting**

Thursday, May 31, 2012

Orange County Schools Central Office, Hillsborough

**Attendees:** Work Group Members present: Mia Burroughs, Frank Clifton, Donna Coffey, Tom Forcella, Stephen Halkiotis, Pam Hemminger, Mike Kelley (for Michelle Brownstein), Bernadette Pelissier, Patrick Rhodes. Staff present: Clarence Grier, Paul Laughton, Todd LoFrese, George McFarley, Jr., Michael Talbert, Tim ---- (County management intern), Andy Sachs (facilitator).

**Convene** The group adopted the proposed agenda (revised May 22) that had been distributed in advance.

**Debrief April 26 Joint Boards Meeting and the May 24 BOCC Budget Work Session**

This agenda item provided Work Group members an opportunity to share observations on the state of collaboration across the three Boards and sets of staff, and to identify matters for Work Group attention in the future. Ms. Coffey said that collaboration across the Boards has gotten stronger over the past 18 months. Dr. Halkiotis said that from a historical perspective the relationship across the Boards has improved dramatically. There was a time in the past when the Boards would not tell each other what their fund balances were, he said.

Mr. Clifton said that he would like to see even more discussion about the formula used by the County to balance funding for education with non-education needs. Ms. Coffey said that she would like the Work Group to review all the formulas and to consider a full range of options. Education funding can be complicated, she said, and we should not set ourselves in stone.

Commissioner Pelissier said that the County has presented alternatives to the formula in the past. I'm hearing that the Boards of Education are not interested in revisiting the formula, she said. I understand that this year we did not want to confuse the public during the budget process with a more fundamental reconsideration of the formula. Can we take this up again after the budgets are passed, she asked?

Ms. Burroughs said that the formulas are in place to give the staff a starting point each year for developing a budget. But there are new factors every year, she said, and we have to react to those contingencies even as we use the formulas for

planning. Something that is more needs based would be great, she said, but I'm not so sure I want to spend too much time developing new formulas when we'll always have to be flexible. Commissioner Hemminger said that the Boards agreed to use the formula when revenues were increasing instead of relying solely on per pupil distributions. It's not as easy to explain changes to constituents when revenues are declining; that's when the formula works best for us. Per pupil distributions are easier to explain on a case by case basis. Our per pupil distributions are so much better than the rest of the state's, she said.

Mr. Clifton said that the voters have established an inequity (one school district has taxing authority and the other does not) that cannot be overcome without the public becoming much more involved in the process. For me, he said, public education is very important. But so are ambulance services and child day care. Formulas are easy to use and are most functional when people do not trust each other. But formulas are not helpful when needs change. My concern for the school districts is that the formula is putting us on a path toward a crisis. There is no revenue growth coming. If we're at the point of raising taxes, then the elected officials are going to have to pull together. It is harder to raise taxes for solid waste collection or social services or the health department than it is for public education.

Ms. Coffey said that the school districts were encouraged to ask the County for what they needed this year. We can continue to do that. If a tax rate increase is necessary and we need to educate the public about that then I am all in, she said.

Dr. Kelley said that there is no "formula" for funding the schools; we've agreed that a fraction of the County budget will go to public education. A formula would actually be a change. Also, the district tax is not "an inequity," he said. It is unequal but it gives the people in both school districts self-determination. The BOCC can zero-out the district tax at any time. And if OCS has unfulfilled needs then we can reduce the CHCCS district tax in proportion to any amount the BOCC wants to increase per pupil funding to OCS. It makes sense to balance needs; a pass through does not make sense. If non-education services are needed then we should be educating the public about those needs.

Dr. Halkiotis reminded the Work Group that Hillsborough area residents have a history of conservatism with respect to taxes, as far back as the Regulator movement in the late 1760's. Our local bond referenda for public education pass because city voters believe as I do that that all kids are the same and support them, he said. The CHCCS voters chose their district tax over a hundred years ago. We

know that OCS district voters aren't going to support a tax increase. But I'm willing to go to the voters and ask them. Public education was thrown under the bus during the Great Depression, he added. Progressive thinkers stepped up in support of education, and we have a small conservative segment in Raleigh now who want to take us back. The State no longer pays for schools' utility bills, and now they're trying to shift payments for school buses and activity buses to the local governments. It's going to get worse. We need a long standing commitment to working together, to explaining to the voters why all the plums are coming out of the pudding. We share an interest in supporting public education, like we shared the interest in economic development that led Chapel Hill voters to support extending sewer lines in Efland even while northern Orange residents voted against it. That's the battle we face together. Let's figure out the financial picture together. I'm up for long range involvement in this.

Ms. Coffey said that the political lines were clearer in the past. Our interest in educating children is what we all have in common now. I'm hearing more and more from families in northern and central Orange County that they want what is best for their kids. I'm up for the conversation. The message has to change because the situation is changing.

Mr. Clifton suggested that the group adopt a multi-year strategy with respect to education funding. Right now, everyone looks at each year separate from all the other years. The County's delay of revaluation offers us an opportunity. Our staff can develop a multi-year scenario, to give you a picture of what different funding scenarios might look like, to help define the magnitude of the issue. Let's ask our respective finance staffs to develop a 2-3 year forecast. It may take some time, but it will help us deal with the shifting landscape. Mr. Grier said the information at the County level is readily available.

There appeared to be consensus for the finance staffs to come back to the Work Group with the 2-3 year analysis that Mr. Clifton proposed.

### **School Fund Balance Policy**

Ms. Coffey had asked that this item be addressed by the Work Group. She distributed "School Districts Local Current Expense Fund Balance Policy," which had been approved by the BOCC on 10/21/2008. She noted that item #6 commits the Collaboration Work Group to a review of the policy every 18 months to determine if changes to it are necessary. We've not done that, she said. Let's not let this drop.

It's not wise to use the fund balance for recurring needs, she said. However, the recommended budget proposes a large percentage for recurring needs. Dr. Halkiotis added that this is a concern for him as well. He also asked what the basis is for the target percentages in item 3.1. The targeted level of undesignated fund balance for cash flow purposes are set in this item at a minimum of 5.5% of budget expenditures for CHCCS and 3% for OCS.

Dr. Kelley added that 5% also is set aside for operating expenses. Since district tax revenues are not received until November, the fund balance is needed as a cushion. Our fund balance got too low one year, he said. CHCCS acted responsibly this past year: it used federal money first, and it developed a fund balance plan as the County policy requires. We've followed the policy and should not be penalized now.

Dr. Halkiotis said that the BOCC is the banker of last resort for emergencies that might afflict the school districts, but because of the way federal and State reimbursements are distributed the bank is empty 7 months of the year. He added that private sector interests and charter advocates are pressuring public education. The Cabarrus County Board of Education is working with a private company to install servers for home-schoolers, and public educators are on that company's Board of Directors. Howard Lee is advocating for a local charter; hundreds of thousands of public dollars are going to charter schools. But local public education is not broken; it does not need these things. Parents who home-school want checks written to them; if all the home-schoolers in Orange County sign up for those funds it would be a big loss of funds to the public schools.

Commissioner Hemminger said that the CHCCS fund balance in the past has gotten up to 12%-15%. It is hard to justify that to voters. The County offered to cover a month's worth of operating budget, we talked about what was needed, we agreed on the percentages in the policy, and we agreed to review the policy. One year, the State money didn't come through by October/November. The lottery money also had been under consideration as a pool to borrow against.

Mr. Clifton said that the BOCC has only recently adopted its own fund balance policy. In the past, the balance had gotten too low. It is important to the schools that the County stay as solvent as possible. We'll get to 17% by the end of the year. The County is indeed your bank. The problem is that the revenue base is too reliant on property taxes. We need to develop a level of trust that will allow the

County to establish the best credit rating and the most secure fund balance possible. Right now, we're on a thin marginal line. My issue with the schools' fund balance is, in these tight fiscal times, voters should meet new needs with new taxes and not with savings. If there is a time to use your fund balance then now is the time if you are not going to raise taxes.

Ms. Burroughs said that the CHCCS fund balance is obligated. We think this is good stewardship. It's never a good idea to use your savings for ongoing expenses, she said.

Mr. Grier said that the terminology of the policy is outdated and should be revised. Dr. Halkiotis asked that the terminology be revised and brought back to the Work Group. All appeared to agree.

**Schools Adequate Public Facilities Ordinance and CAPs**

Ms.

Burroughs said that everyone needed to understand that SAPFO might put CHCCS in the position of having to deny developers Certificates of Adequate Public Schools (CAPs) in the Fall. Mr. LoFrese said that the schools capacity limit is likely to be reached on November 15, unless a big development is proposed prior to that date. The ordinance says "shall deny," he said. We don't see the authority to be flexible.

Dr. McFarley said that SAPFO had never been intended to dictate when a school facility is built. The student generation rate is not correct, he added. More kids are coming out of multi-family housing than the rate predicts. We have to resolve this, he said. Craig Benedict, the County Planning Director, is talking about bringing back TischlerBise (formerly Tischler & Associates Inc) to revise the student generation rate.

Dr. Halkiotis said that it took a huge effort for the community to adopt SAPFO. Everyone had their attorneys at the table, he said. But a lot has changed since then. This would be the first time CHCCS denies a developer a CAP. We've tried to avoid this through all sorts of means. It is an interesting discussion that has to take place: was the goal to ensure that schools be brought on line in an orderly fashion? Dr. Kelley said that his understanding is that the purpose of SAPFO is not to control growth. This may be a good time to think about the risks of denying CAPs. There may be legal challenges. It's happened elsewhere. The Towns could pull out of SAPFO altogether.

In response to a question from Commissioner Pelissier, Mr. LoFrese said that he's explained the implications of the current situation to the Towns, but not explored the risks extensively with them. Commissioner Pelissier noted that the elected boards have not discussed this extensively either. The County and Town elected officials no longer meet in a full Assembly of Governments as they used to, she added, because not all Towns were interested in all the issues that the other Towns wanted to discuss with the BOCC. Commissioner Hemminger said that in October the BOCC will be meeting separately with the Carrboro Board of Aldermen and in December an Assembly of Governments is scheduled mainly to address Rogers Road.

Commissioner Pelissier said that misunderstandings can happen, and escalate into fear mongering, when an issue is not discussed thoroughly. The Boards need to discuss this, because we do not want fear mongering. Ms. Burroughs agreed, and said she would schedule a meeting for herself as Chair of the Board of Education and the mayors of Chapel Hill and Carrboro. She added that her recollection of the purpose of SAPFO is to keep schools from becoming over crowded. The schools were bursting at the seams and the kids kept coming. I'm OK with reconceiving the ordinance as an early warning system for all the elected boards so that its application has positive results, she said.

Mr. Clifton said that there have been legal challenges brought by the NC Homebuilders Association against similar ordinances in Cabarrus and Union counties. Those cases are currently before the NC Court of Appeals. If CHCCS denies CAPs, the home builders are going to challenge SAPFO too. SAPFO may be a good planning tool, but it's not a good enforcement tool, he said.

Ms. Coffey said that SAPFO is only as good as the Towns allow it to be. Even if we can control growth through CAPs, she said, growth in Mebane is going to continue. It's OCS's biggest new-student generator, but it's not a party to SAPFO.

Dr. Halkiotis said that he wished the school boards were included in Assembly of Governments meetings. SAPFO developed when the school districts were at the table with the municipalities and the County. Commissioner Pelissier said that she is not opposed to having the school districts and all of the Towns at the table when the issues being discussed are of interest to all those jurisdictions. If we can support the conversation with one municipality and one school district then we can do that too, she added. Commissioner Hemminger and I will be meeting with the



mayor and mayor pro tem from Mebane, she said. They're not signatories to SAPFO but they have an interest in planning for adequate public facilities.

Commissioner Hemminger said that the County and schools need the planning tool, regardless of SAPFO's original intent. We need to be able to project school facilities needs into the future. It's the tool we need, not the CAPs or enforcement authority. We most definitely have to have this conversation with the Towns.

Ms. Burroughs asked who the home builders would sue if they chose to challenge SAPFO. Mr. Clifton suggested that the School Board ask the Town attorneys whether the school administrators are interpreting the ordinance the only way it can be interpreted with respect to how much flexibility the district has in deciding to deny CAPs.

#### **SAPFO and Pre-K Classrooms**

Commissioner Pelissier said that there are no parameters within SAPFO for allocating adequate space to pre-K needs. It's a complicated system, in that some pre-K programs are privately operated. We need to talk about this.

Dr. Halkiotis said that politics in Raleigh is undermining pre-K programming, especially for the many children who have disabilities or are from lower SES. Pre-K programming has been a great leveler for academic achievement. Our dilemma is with the allocation and upgrading of facilities to meet State guidelines. The guidelines take rooms away from meeting our K-12 needs. Once there was a crazy proposal to put all of Orange County's pre-K kids in one location. Let's be fair and equitable: if we allocate space to pre-K to meet State requirements, then that should be taken into account when we're evaluating whether our school facilities have the remaining capacity to meet K-12 needs. That does not happen now. In reply to a question from Dr. Halkiotis, Mr. Rhodes said that OCS maintains 9 pre-K classrooms and Mr. LoFrese said that CHCCS maintains 18 pre-K classrooms.

Dr. Kelley said that State schools building standards are a relevant factor in this discussion. Mr. LoFrese added that pre-K classrooms are considered non-capacity rooms under the building standards but none of the CHCCS schools are non-capacity. Dr. Kelley said that we need a conversation about existing schools, about whether all the rooms in all the schools should be counted under SAPFO. Dr. Halkiotis's points are well-taken, he said: pre-K programming is the most effective thing we do to ensure academic preparedness.



Ms. Coffey said that a logical and easy fix may be to limit SAPFO's application to K-12 capacity. Amend the language of the ordinance to the effect that pre-K rooms will not be considered when evaluating the capacity of a school. Otherwise, when we count pre-K rooms that are not available for K-12 students we're overstating that school's capacity. Commissioner Hemminger said that the State building standards document each school's capacity; you can't deviate from those numbers, she said. Commissioner Pelissier said that the whole system is very complicated. There are pre-K rooms being used by Smart Start that are not being counted. We need a complete inventory. Commissioner Hemminger said that there also is pre-K space being used in private homes.

Dr. Halkiotis said that after the new BOCC members are sworn in in December there will be no Commissioners with direct board of education experience. That portends badly for both districts. He suggested that the school boards chairs and the chair of the BOCC meet informally to clarify the pre-K capacity issues, and to consider how to educate the rest of the BOCC. Commissioner Hemminger said that it's worth orienting the BOCC on education financing and how to work fairly with two school districts. Commissioner Pelissier recalled having a tour of the schools after she came onto the BOCC, but never a more general orientation to the school systems. It would be good to do this, she said.

Ms. Burroughs said that she has added a joint OCS/CHCCS/BOCC orientation on the schools to her "do to" list. Ms. Coffey agreed to collaborate with her on that. We can start with finances for the new Commissioners, she suggested. Dr. Halkiotis said that it would be very important to conduct the outreach and orientation jointly. There are forces in Raleigh who would turn back the clock on public education, he said. The three chairs will return to the Collaboration Work Group with a joint plan.

**Future Meeting Times**                      The group considered a proposal from Dr. Brownstein and Ms. Burroughs to set future meeting times only between 4PM and 6PM to accommodate the employment schedules of elected officials. All agreed. The facilitator will limit the options to those times when he solicits for future meetings, until directed otherwise by the Work Group.