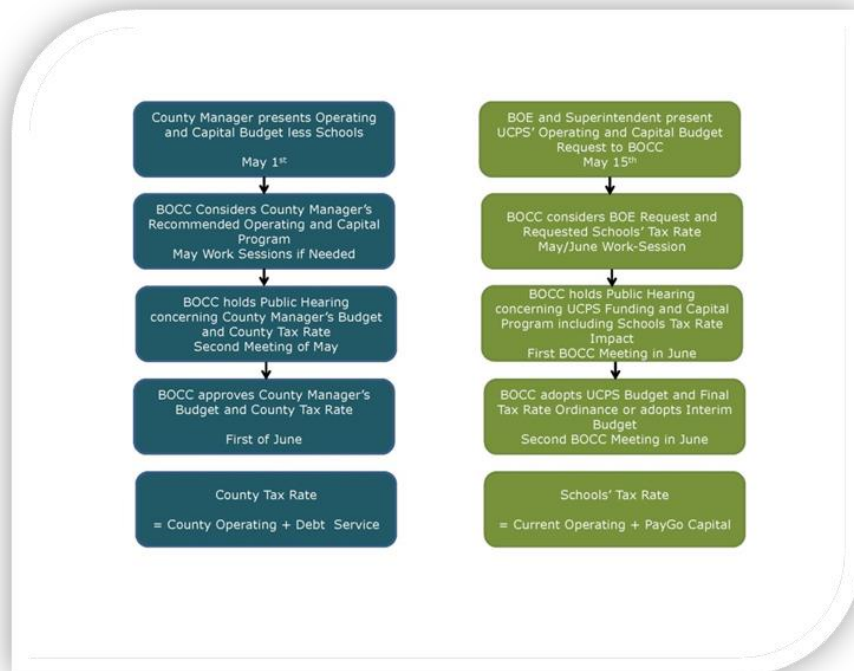


## Union County Public Schools

The budget process for the County deliberation of the Union County Public Schools is separated from the County services, Emergency Medical Services, and Volunteer Fire Departments budget processes.

The adopted countywide tax rate is broken down into four parts for budget and tracking purposes, thereby focusing the budget process on these key principles:

- Foster an Environment of Cooperation
- Foster an Environment of Transparency
- Foster an Environment of Communication and Openness
- Foster an Environment of Trust
- Foster an Environment of Fairness
- Foster a Public Dialogue with the Board of Education Concerning UCPS' Funding
- Foster a Dialogue with the Public Concerning UCPS' Funding



These principles lay a foundation for goals in the process. The process works to:

- Ensure Transparency and Communication
- Ensure Fiscal Sustainability
- Ensure a Public Dialogue Concerning UCPS' Funding
- Ensure County Services' Funding Needs Receive Due Consideration
- Ensure UCPS' Funding Needs Receive Due Consideration
- Ensure the Residents are Heard
- Ensure Adherence to General Statutes
- Ensure Regular Communication Between the Board of Education and the Board of County Commissioners

As the graphic indicates, the process runs parallel to the County's process and meets the goals established for the deliberation process.

Based upon the work sessions and public hearings, the Board of County Commissioners established the tax rate for County Operations, to include EMS and Volunteer Fire Departments. As allowed for in G.S. 153A-149(b)(7), the BOCC also established a separate tax rate "to provide for the County's share of the cost of kindergarten, elementary, secondary, and post-secondary public education."

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## Union County Public Schools' Funding

On May 15, 2015, the Board of County Commissioners received the Board of Education's (BOE) request for FY 2016 UCPS funding.

During the May 18, 2015, Board of County Commissioners meeting the BOCC requested a joint meeting with the BOE to discuss the specific components of the request and to ask questions to better understand the needs of the school system. This meeting did not occur prior to the adoption of the budget on June 29, 2015.

The County Manager and staff reviewed the UCPS request and analyzed specific components based on the County's understanding. In the absence of the public dialogue some assumptions were made and are reflected in the adopted budget for UCPS.

While there are various components to the Board of Education's request, based on "The Uniform and Interim Budget: Summary of Revenues and Expenditures", the BOE's request for local funding was a total of \$293.2 million. It is worth noting however that based on the full document; it appears that the total local funding request could have been as much as \$497.2 million.

In FY 2016, UCPS is anticipating a 1.36 percent increase in ADM or 562 students across the entire system.

Based on staff's understanding, the Board of Education requested \$104,460,942 for current expense. This was a \$17.4 million

	FY 2016 BOE Request
<b>Current Expense</b>	
FY 2014-15 Base Funding	\$ 87,097,884
Estimated Utility Cost Increases	737,863
Increased Payments to Charter Schools	1,115,000
Local Impact of Virtual Charter School	86,373
Local Impact of State Teacher Pay Increases	385,471
Increased Cost of State Benefits	377,970
Tier Increase for Locally Paid Assistant Principals	49,495
General Liability Insurance Increases	45,117
COLA for Non-Certified Personnel ~ 1.6%	868,806
Increase in Teacher Supplements	11,295,486
Increase Principal Supplements	522,579
Increase Assistant Principal Supplements	552,343
Maintenance Increases	327,670
Supplement Adjustments	72,780
Increase in Athletic Supplements	173,245
Loss of State Driver's Education	752,860
<b>Total</b>	<b>\$ 104,460,942</b>

increase or 19.9 percent in current expense funding from FY 2015. The breakdown as follows:

In addition the current expense request, the BOE requested \$19.8 million for capital maintenance, an increase of \$254,442 or about 1.3 percent.

The capital maintenance request covered a number of projects, but primarily broke down as follows:

	FY 2016 BOE Request
Roofing Projects	\$ 9,970,105
Unspecified Maintenance Capital Outlay	2,000,000
Other Projects	2,457,649
Benton Heights Renovations	1,891,623
IP Camera Replacement	1,307,250
IT/Transportation Funding	1,000,000
Benton Heights Roofing Project	543,600
Unspecified Scope/Market Driven Adjustments	615,797
<b>Total</b>	<b>\$ 19,786,024</b>

\*\*Benton Heights Roofing Project was funded through FY 2015 Budget Amendment.

In addition to the capital maintenance portion, the BOE has included estimated "Brick and Mortar" projects to be included in a bond referendum. It is anticipated that the BOE will request a \$158 million general obligation bond referendum no later than December 2015. Assuming the passage of the referendum, there would be an increase of about \$15.8 million annually for debt service.

Assuming all of these to be the case, the eventual tax necessary to fund the request is about 61 cents, an increase of 33.6 percent from FY 2015's schools tax of 45.5 cents. This translates to an additional cost of about \$280 annually for a tax payer with a \$200,000 home and a \$9,500 car.

## Adopted FY 2016 UCPS Local Funding

### Current Expense Funding

When establishing the recommended funding level, several priorities were considered.



- Fiscal sustainability creating a plan that establishes a level of funding sufficient to fund the opportunity for a sound, basic education, while establishing sustainable tax rates.
- Capital maintenance and ensuring a safe and secure environment within the UCPS facilities.
- The County should fund shortfalls in federal or state funding only where necessary to provide a sound, basic education or to secure a safe and secure school environment.
- Prioritizing the various requests while balancing the fiscal constraints.
- Ensuring that all funding is specifically assigned, allowing contingent funding to be reprioritized to higher priority items.

With these goals in mind, following review and consideration of UCPS' needs, the following was adopted for FY 2016 UCPS Local Funding.

The adopted Schools' Ad Valorem Tax Rate for FY 2016 is .4572 per \$100 of taxable value. The recommended tax rate generates \$105,350,422 of total ad valorem funding. In addition to the ongoing funding from the tax rate, a \$3,198,873 use of the smoothing reserve and fund balance was appropriated for one-time capital items.

The adopted current expense funding is \$91,922,668, a \$4,824,784 or 5.54 percent growth from FY 2015. The increase above the FY 2015 funding of \$87,097,884 is for the following.

- \$385,471 to fund the State Teacher Pay Increases.
- \$377,970 to fund State benefit cost increases.
- \$5,000,000 to fund teacher supplements. Funding teachers is a State responsibility. It is hoped that the adopted State budget will provide additional funding for teachers. In addition, based on the "2013-14 Annual Report on Teachers Leaving the Profession G.S. 115C-12(22)" the analysis of the last five years' teacher turnover, Union County is just above the state average and lower than other school systems in the region. Based on the analysis it does not appear that UCPS is losing teachers at a significantly greater rate than other school districts. However, to help find and retain the highest qualified teachers, additional supplement funding is provided.

The \$5.0 million for teacher supplements is comprised of \$2.5 million additional funding provided in the FY 2016 adopted budget and it is recommended that UCPS reprioritize a portion of the FY 2015 adopted budget of \$87,097,884 base funding to provide the remaining \$2.5 million.

- \$868,806 for non-certified employee performance pay increases. It is recommended that UCPS allocate pay increases based on performance and not based on a cost of living adjustment.
- \$692,537 for utility cost increases. This is based on the County's estimate of a 6.57 percent increase.

The Board of County Commissioners appropriates this funding to the function level, with a transfer of up to ten percent between functions allowed.

### **Capital Funding**

In addition to the current expense funding, it appears that the BOE requested \$177,436,024 of capital funding. Based on the representations made it appears the request includes \$19,786,024 of capital maintenance and \$157,650,000 of brick and mortar projects as a possible 2016 bond election.

Concerning the \$157.65 million, it is recommended that the joint working group be reconvened when the latest demographic study is complete concerning school population growth and the specific areas this will occur. It is recommended that the charge to the working group be to evaluate the individual projects and ultimately make project recommendations to the Board of Education and the Board of County Commissioners.

It is not recommended that any funds be expended on the possible bond projects until a referendum is passed.

The adopted FY 2016 capital funding is a total of \$16,626,627. The amount is funded through 5.82 cents or \$13,427,754 of the Schools' Tax and \$3,198,873 of the rate smoothing reserve and fund balance.



The \$16,626,627 of funding is adopted for the following areas:

- \$9,970,105 for roofing projects.
- \$2,457,649 for structural, mechanical and site improvement projects.
- \$1,891,623 for Benton Heights Renovations.
- \$1,307,250 for IP Security Cameras.
- \$1,000,000 for technology and transportation needs.

Included in the request, but not recommended for funding was a \$543,600 request for roofing at Benton Heights, which was funded in FY 2015 through the County's capital project ordinance (CPO) #170.

Also included in the request were two unspecified projects; one for ongoing preventive maintenance capital outlay of \$2,000,000 and scope and/or market adjustments of \$615,797. These two projects were viewed as contingent projects and as such the recommended funding for increased teacher supplements was a higher priority.

In addition these funds have been appropriated by school and separated between roofing projects and other projects as shown in *UCPS Capital Program schedule in Section R - Capital Improvement Programs* of this budget document. For contingent needs that arise during the year, the County Manager is authorized to approve cumulative transfers of up to ten percent between projects. If there is a greater need, the BOE may request the transfers from existing projects be placed on the next Board of County Commissioners meeting agenda.

#### **Session Law 2014-9**

The total recommended funding level is less than the funding that would have been provided in Session Law 2014-9 by only \$225,153. The recommendation provides for increased teacher supplements, performance pay increases for non-certified employees, funding for capital projects, and a process to address contingent capital projects. The adopted funding for UCPS is based on the evaluation of the Board of Education's budget request and the County's interpretation of its needs.

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# Union County Public Schools Service Area Summary Report

Category	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Revised	FY 2016 Adopted	FY 2015 - 16 \$ Change	FY 2015 - 16 % Change
<b>REVENUE</b>								
Ad Valorem Taxes	0	0	0	0	-108,376,464	-105,350,422	3,026,042	-2.79%
Local Option Sales Tax	0	0	0	-6,765,675	-6,994,057	-8,034,628	-1,040,571	14.88%
Restricted Intergovernmental Revenue	-3,296,526	-2,500,290	-2,715,280	-2,100,153	-2,759,336	-2,267,150	492,186	-17.84%
Investment Income	-34	0	0	0	0	0	0	0.00%
Other Revenue	0	-321,318	0	0	0	0	0	0.00%
Interfund Transfers	0	-1,510,656	0	0	-835,000	0	835,000	-100.00%
Other Funding Sources	0	0	0	0	0	-3,198,873	-3,198,873	0.00%
<b>Total REVENUE</b>	<b>-3,296,560</b>	<b>-4,332,264</b>	<b>-2,715,280</b>	<b>-8,865,828</b>	<b>-118,964,857</b>	<b>-118,851,073</b>	<b>113,784</b>	<b>-0.10%</b>
<b>EXPENDITURES</b>								
Employee Compensation	0	0	0	1,079	0	0	0	0.00%
Employee Benefits	0	0	0	248	0	0	0	0.00%
Operating Cost	174,881	165,184	271,043	947,840	599,835	572,316	-27,519	-4.59%
Capital Outlay	0	0	0	0	835,000	0	-835,000	-100.00%
Contracts, Grants, and Subsidies	79,504,155	79,304,155	81,504,155	83,021,859	87,097,884	91,922,668	4,824,784	5.54%
Debt Service	46,474,134	48,870,615	47,050,629	43,953,917	45,021,743	43,990,217	-1,031,526	-2.29%
Interfund Transfers	1,303,552	0	0	17,936,454	19,531,582	16,626,627	-2,904,955	-14.87%
Other Budgetary Accounts	0	0	0	0	1,746,998	0	-1,746,998	-100.00%
<b>Total EXPENDITURES</b>	<b>127,456,722</b>	<b>128,339,954</b>	<b>128,825,827</b>	<b>145,861,397</b>	<b>154,833,042</b>	<b>153,111,828</b>	<b>-1,721,214</b>	<b>-1.11%</b>
<b>Total Service Area Revenue (Over)/Under Expenditures</b>	<b>124,160,162</b>	<b>124,007,690</b>	<b>126,110,547</b>	<b>136,995,569</b>	<b>35,868,185</b>	<b>34,260,755</b>		

