



Board of Education Agenda Abstract

Meeting Date: March 6, 2025
Agenda Type: Work Session

Subject: Introduction of the FY 2025-2035 Capital Investment Plan (CIP)

Division:	Operations	Department:	Operations and Facilities
Person Responsible:	Al Ciarochi, Deputy Superintendent of Operations, Andre Stewart, Chief Operating Officer, David Contreras, Executive Director of Capital and School Facilities	Feedback Requested From:	Orange County Budget, CHCCS Finance, CHCCS Facilities

Strategic Plan Alignment: Equitable and Transparent Fiscal Stewardship and Operations

Previous Work Session (Y/N):	No	Date:	
Previous Discussion and Action (Y/N):	No	Date:	

Attachment(s):
[03.06.2025 2025-35 Proposed CIP BOE Presentation \(1\).pptx.pdf](#)
[03.06.2025 County CIP Category Sheets.pdf](#)

PURPOSE:

To provide the Board with an overview of the proposed FY 2025-2035 Capital Investment Plan and obtain approval at the April 17, 2025 Board meeting.

BACKGROUND:

The Board of Education will receive a recommendation of the 10-year Capital Investment Plan (CIP) annually. The Chapel Hill-Carrboro City Schools (CHCCS) and Orange County Schools collaborated with Orange County to develop a 10-year Capital Investment Plan (CIP) to address school facility needs. Based on North Carolina law § 115C-408(b), it is the policy of the State of North Carolina that the facilities requirements for a public education system be met by county governments. In March 2023, the County hired Woolpert, a consulting firm, to assess school conditions and propose long-term capital improvements. Woolpert recommended a \$1 billion investment over 10 years. The Board of County Commissioners (BoCC) proceeded with a \$300 million bond referendum and an additional \$100 million in “pay-go” funding. Voters approved the bond on November 5, 2025, enabling critical school infrastructure projects.

Bond Implementation & School Priorities

Based upon the direction of the BoCC, the 2024 bond funds will primarily focus on:

- Replacing aging school facilities with modern structures.
- Addressing high-priority facility needs, such as infrastructure repairs and safety improvements.
- Enhancing educational adequacy to support evolving instructional needs.

The bond plan includes replacing Carrboro Elementary, Estes Hills Elementary, and Frank Porter Graham Elementary Schools based on their age and infrastructure concerns. The bond plan also supports long-term planning efforts to optimize school capacity and minimize disruption.

Project Funding & Phases

CHCCS has initially submitted two primary financing/sequencing scenarios:

1. Proposal 1:
 - Carrboro ES, Estes Hills ES, & Frank Porter Graham ES
 - FY26: Design (10%)
 - FY27: Construction (40%)
 - FY28: Construction (40%)
2. Proposal 2:
 - Carrboro ES & Estes Hills ES:
 - FY26: Design (10%)
 - FY27: Construction (40%)
 - FY28: Construction (40%)
 - Frank Porter Graham ES:
 - FY28: Design (10%)
 - FY29: Construction (40%)
 - FY30: Construction (40%)

District staff believe that these two prioritized scenarios are the initial best options for Chapel Hill-Carrboro City Schools to submit to County staff for consideration as they strive to balance the needs between our District and the needs of Orange County Public Schools. The Board of Education approved the staff's recommendation to authorize District administration to begin prioritized financial sequencing discussions with Orange County staff at its February 6, 2025 meeting.

District administration subsequently met with County staff on February 21, 2025 to learn the outcome of the bond project order submission. The County took into account the following in determining the timing for each of our replacement schools: equitable allocation between school districts, maintaining a stable tax rate, ratio of debt versus revenue, and the triple-A credit rating (Aaa/AAA/AAA) from Moody's, Standard & Poor's, and Fitch ratings. Based upon these factors, the County has determined that the sequencing/financing will be as follow:

- Carrboro ES:
 - FY26: Design (year 1)
 - FY27: Construction (year 2)
- Estes Hills ES:
 - FY27: Design (year 2)
 - FY28: Construction (year 3)
- Frank Porter Graham ES:
 - FY31: Design (year 6)

- FY32: Construction (year 7)

The 10-year (FY 2025-35) financing plan includes \$174,700,00 in bonds and \$53,873,999 in pay-go, totaling \$228,573,999.

Capital Spending Categories as Defined by the BoCC

Major Projects: The BoCC has adopted the framework for new Major Projects and asked that both school districts submit bond plans based on their approved funding levels, prioritizing replacing old facilities with new facilities and improving the educational adequacy of school buildings. These plans are to be based on the framework of the Woolpert Plan. This framework The Bond and Supplemental Pay-Go funds would be used to fund these major projects.

High Priority Needs: The BoCC has adopted a framework for identifying and prioritizing High Priority Needs. The Woolpert Plan identified a priority list of all major component replacements for each campus for both districts. While Woolpert provided a specific replacement schedule, both districts may identify alternative replacement schedules. Woolpert categorized the needs using a categorization of levels of 1-5. The BoCC's intent for specific high priority needs (Priority Level 1-3) is that they will be formally determined on an annual basis and will be consistent with the Woolpert high priority definitions below:

- Priority Level 1 - Critical: Failure of components impact the facility's ability to remain open
- Priority Level 2 - Essential: Failure of components impact the health of major systems (i. e. leaking roofs)
- Priority Level 3 - Necessary: Failure of components could impact the facility' s efficiency and usefulness
- Priority Level 4 - Suggested: Systems or components that may be considered improvements to the environment
- Priority Level 5 - Improvements: Items are aesthetic in nature and include repainting, re-carpeting, or signage

High Priority Needs will be funded using Annual County Debt Financing, Lottery Proceeds, as well as any remaining Bond or Supplemental Pay-Go funds (as available once the Major Projects are completed).

Annual County Debt Financing: Orange County currently borrows funds on an annual basis to fund both districts' annual capital projects. These funds are currently estimated to increase by 2% annually. These funds will be used to support High Priority Needs.

Lottery Proceeds: Lottery proceeds represent the state of North Carolina' s contribution towards funding school construction. The state currently manages three lottery programs for school capital to include Public School Building Capital Fund, Public School Repair and Renovation Fund, and Needs-Based Public School Capital Fund. These funds are allocated by the state to specific school districts, but the county is responsible for applying for and drawing down the state funds. These funds will be used to

support the districts' High Priority Needs.

The BoCC recognizes that there are expenses that may not be consistent with the Woolpert definitions of priority, nor can be covered in the current expense budget. These could include athletic upgrades, component replacements, capital leases, technology purchases. Other Capital Uses will be funded by Recurring Capital and Article 46 Sales Tax Proceeds.

Article 46 Proceeds: In FY 2012, Orange County authorized the use of Article 46 proceeds and set a policy of allocating 50% to school capital and 50% to economic development initiatives. The Article 46 funds are solely dedicated to fund technology needs. However, the County does not restrict for that purpose and can be used for any Other Capital Uses as needed.

Recurring Capital: The county also provides a recurring stream of funding for all minor capital expenses, such as equipment purchases, component replacement, athletic and field repairs. CHCCS has historically used these funds for bus and vehicle replacements, school equipment and furniture allotments, athletic facility upgrades, component replacements, capital leases, technology purchases, and small-scale maintenance projects to support school operations and student needs. This funding is currently estimated to increase by 2% annually and will be used to support Other Capital Uses.

Public School Capital Fund. These funds are allocated by the state to specific school districts, but Orange County is responsible for applying for and drawing down the state funds.

BoCC Allocation

For the 10-year period from FY 2025-26 through FY 2034-35, the county aims to allocate all funds towards the combined Major Project and High Priority Needs categories on the basis of approximately 59.86% to Chapel Hill Carrboro City Schools and 40.14% to Orange County Schools. This allocation is based on the Woolpert Inc. School Optimization Report.

After the expiration of this ten-year period, future BoCC boards can choose either to commission a new school optimization report to determine future allocation, revert to budgeted Average Daily Membership or use another allocation method as desired. For Other Capital Uses, Article 46 proceeds will be allocated annually based on the budgeted Average Daily Membership for both school districts, excluding charter students. Recurring Capital will be allocated annually based on budgeted Average Daily Membership. All funds allocated to capital projects are to be accounted for in the School Capital Fund as authorized by a BoCC approved Capital Project Ordinance. Capital Ordinances can be authorized and amended by the BoCC either annually through the CIP or through budget amendments. Major Projects will be authorized on a project basis, restricting funds to the specific purpose identified by the BoCC. Funds for the sequencing of Major Projects will be allocated in two tranches, design and construction. First, the county will authorize the funds to begin designing the major project through the annual Capital Investment Plan. The county will anticipate authorizing the construction funds in the following fiscal year for debt management purposes. However, the BoCC could choose to delay construction funding in the second year if project timing or other circumstances dictate. High Priority Needs will be authorized on a project basis, restricting funds to the specific purpose identified by the BoCC. These projects will be identified by the school districts each year through the ten-year annual Capital Investment Plan. CHCCS staff will work with County staff to present projects for the CIP that comply with the Woolpert definitions and are within county funding parameters. Other Capital Uses

will be authorized by function or purpose, which group similar expenses into broad categories like "technology" or "athletic improvements". These will be allocated by CHCCS staff each year through the Capital Investment Plan.

BoCC Oversight and Amendments

Per Statute § 115C-433 (b) school districts may increase or decrease specific project budgets by a specified percentage as adopted by the BoCC. This policy specifies that CHCCS must seek prior approval to amend the county allocations for any allocations approved by purpose, function or project by a cumulative amount of 15% or more. CHCCS will be expected to submit budget amendments to County staff to rectify all changes throughout the year and reconcile both district's general ledgers to meet the statutory pre audit requirements. In addition, for all Major Projects, a working group of CHCCS and County staff will meet monthly (or as needed) to review progress on these major construction projects and their cost projections. This working group will include county budget staff and management, as well as school district operations and construction personnel. This working group will ensure that the county staff can advise the board on any change orders, delays or cost overruns. The construction allocation for Major Projects should be inclusive of all costs required to complete the construction of the facility, including project contingency, furniture, fixtures, and equipment. If any major projects require additional budget, above what can be resolved within the initial construction budget, the project budget will need to be amended by the BoCC. CHCCS will be required to identify funds within its share of bond and CIP funds to offset the increase. CHCCS will also need to identify the cause of the budget overage and detail the potential impact on the reallocation of their funding on other major projects and high priority needs.

Emergencies

The BoCC recognizes that adopting a project-based allocation method for High Priority Needs could restrict CHCCS's ability to react to sudden failures or emergency situations. Therefore, when emergencies or sudden failures occur, CHCCS should provide a written request for immediate reallocation to the county manager and the budget director. The county will then reallocate funds at the next available board meeting.

Enrollment and Capacity

The county will annually review student growth and enrollment as it relates to school capacity. The county is committed to provide adequate educational space for all levels of education in both districts. However, due to the significant investment already allocated towards school construction during the bond timeline, the County will likely not be able to finance another significant expansion. CHCCS should propose funding any expansion in capacity by redirecting Major Project or High Priority Needs funds prior to requesting additional funding.

FINANCIAL IMPACT:

The impact is for County capital investment plan funding for FY 2025-2035.

PERSONNEL IMPACT:

None.

SUGGESTED ACTION: i. Public Comments | Introduction of the FY 2025-2035 Capital Investment Plan (CIP)

RESOLUTION: Be it, therefore, resolved that the Board of Education approves the FY 2025-2035 Capital Investment Plan at its April 17, 2025 Board meeting.