



MAGNOLIA PUBLIC SCHOOLS

Board Of Directors

Board Agenda Item #	II C
Date:	April 18, 2016
To:	MPS Finance Committee
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Oswaldo Diaz, Chief Financial Officer
RE:	Approval of Revised CMO Cost Allocation Table and 10% Contingency Reserve for Economic Uncertainties

Proposed Board Recommendation

I move that the Finance Committee recommends approval of the revised CMO Cost Allocation Table and 10% Contingency Reserve for Economic Uncertainties.

Background

The current Home Office Expense Allocation structure has been designed to be in accordance with Code of Federal Regulations 2-CFR-230 Cost Principles for Non-Profit Organizations (OMB Circular A-122), and California Education Code § 47600 applicable to approval, operation, and accountability of charter schools. The Home Office Expense Allocation is a dynamic model that takes into consideration the annual budget of MERF, potential reduction of fees due to limited school reserves, and is based on an attendance tier-model that considers each school’s operational thresholds and breakeven costs.

In accordance with the information presented by the CFO during the Board meeting held on January 9, 2015, the allocation model will be revised on an annual basis in order to be representative of the most current operational thresholds and breakeven points of Magnolia Public Schools.

Taking into consideration the current industry practices, the ADA Tier Rate table has been adapted to remain fair and equitable for all schools. The CMO Fee allocation for fiscal year 2016-17 will ensure a 10.00% contingency reserve for economic uncertainties in addition to the home office budget expenses.

Based on current enrollment projection estimates, it is recommended that the ADA Tier Rate Table is revised as follows:

2016-17 ADA Tier Rate Table

Average Daily Attendance (in students)	Factor
100 students or less	0.03
101 to 150 students	0.07
151 to 200 students	0.12
201 to 250 students	0.30
251 to 300 students	0.60
301 to 350 students	0.80
281 to 300 students	1.00
301 to 350 students	1.15
351 to 400 students	1.30
401 to 450 students	1.45
451 to 500 Students	1.60
501 students and more	1.70



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The revised ADA Tier Rate Table will allow all costs to be allocated to each of the schools and will be capped in accordance to the board approved Expense Allocation and Contingency Reserve for Economic Uncertainties Structure.

Budget Implications:

The revised allocation model will allow a more equitable and fair distribution of costs among the different schools. The amounts allocated will be determined by the actual ADA of each of the schools.

Name of Staff Originator:

Oswaldo Diaz, Chief Financial Officer

Attachments:

Expense Allocation Sample Document