



MAGNOLIA PUBLIC SCHOOLS

Board Of Directors

Board Agenda Item #	III.G.
Date:	04.21.2016
To:	MPS Board of Directors
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



MAGNOLIA PUBLIC SCHOOLS

13950 Milton Ave. 200B Westminster, CA 92683

P: (714) 892-5066 F: (714) 362-9588

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:

CMO Fee allocation comparison table
Expense Allocation Sample Document

Magnolia Public Schools
 CMO Fee Comparisons - FY16-17 Budget

School	Total Budgeted FY16-17 Revenues*	Budgeted FY16-17 Net Income (Working Draft) - Before CMO Fee	Current Fee Structure (includes 5% reserve)			Proposed Fee Structure - add'l Tier 501+ (includes 10% reserve)			Flat Fee Structure (% of revenue)		
			CMO Fee - Current Calculation	Budgeted FY16-17 Net Income (Loss) - Current CMO Fee	CMO Fee as % of Revenue	CMO Fee - Proposed New Fee Structure	Budgeted FY16-17 Net Income (Loss) - Proposed CMO Fee Structure	CMO Fee as % of Revenue	CMO Fee - Flat Fee Structure	Budgeted FY16-17 Net Income (Loss) - Flat Fee Structure	CMO Fee as % of Revenue
MSA-1	7,009,762	1,119,931	1,077,019	42,911	15.4%	1,177,685	(57,755)	16.8%	1,051,464	68,466	15.0%
MSA-2	5,291,960	1,208,802	1,077,019	131,783	20.4%	1,108,410	100,392	20.9%	793,794	415,008	15.0%
MSA-3	5,548,885	1,264,195	1,077,019	187,176	19.4%	1,108,410	155,785	20.0%	832,333	431,862	15.0%
MSA-4	2,188,789	225,379	201,941	23,438	9.2%	207,827	17,552	9.5%	328,318	(102,939)	15.0%
MSA-5	1,919,859	238,626	201,941	36,685	10.5%	207,827	30,799	10.8%	287,979	(49,353)	15.0%
MSA-6	1,954,534	358,151	80,776	277,375	4.1%	83,131	275,021	4.3%	293,180	64,971	15.0%
MSA-7	3,692,817	713,976	673,137	40,839	18.2%	692,756	21,220	18.8%	553,923	160,054	15.0%
MSA-8	5,333,553	1,085,998	1,077,019	8,979	20.2%	1,108,410	(22,412)	20.8%	800,033	285,965	15.0%
MSA-SA	5,475,642	801,514	1,077,019	(275,505)	19.7%	1,177,685	(376,171)	21.5%	821,346	(19,832)	15.0%
MSA-SC	1,558,262	146,142	-	146,142	0.0%	-	146,142	0.0%	-	146,142	0.0%
MSA-SD **	3,890,466	604,406	371,346	233,059	9.5%	371,346	233,059	9.5%	371,346	233,059	9.5%
MERF											
Total	43,864,530	7,767,120	6,914,238	852,882	15.8%	7,243,488	523,633	16.5%	6,133,717	1,633,404	14.0%

* includes all revenues

** CMO fees fixed at 11% of LCFF

Magnolia Educational Research Foundation
Home Office Expense Allocation and Contingency Reserve for Economic Uncertainties
Current Tier Rate

Distribution Calculation									
School Names	2016-17 Projected ADA	Tier Factor	Subtract Factor calculated with different fee structure	Adjusted Tier Factor	Percentage of Redistribution based on ADA	Home Office Expense Allocation	Monthly	Account	
Magnolia Science Academy	522	1.60		1.60	16%	1,077,019.23	89,751.60	203401211	
Magnolia Science Academy 2	472	1.60		1.60	16%	1,077,019.23	89,751.60	202373064	
Magnolia Science Academy 3	461	1.60		1.60	16%	1,077,019.23	89,751.60	202373163	
Magnolia Science Academy 4	213	0.30		0.30	3%	201,941.11	16,828.43	202876769	
Magnolia Science Academy 5	207	0.30		0.30	3%	201,941.11	16,828.43	202876694	
Magnolia Science Academy 6	194	0.12		0.12	1%	80,776.44	6,731.37	204966121	
Magnolia Science Academy 7	291	1.00		1.00	10%	673,137.02	56,094.75	202932703	
Magnolia Science Academy Bell	480	1.60		1.60	16%	1,077,019.23	89,751.60	203705041	
MSA- San Diego	456	1.60	1.60	-	0%	-			
MSA- Santa Clara	147	0.07	0.07	-	0%	-	-		
PTS- Santa Ana	514	1.60		1.60	16%	1,077,019.23	89,751.60		
TOTAL		11.39	1.67	9.72	100%	6,542,891.84	(x)		

Total 2016-17 Allowable Expenses	6,584,988.65
Add: 5% Reserve for Economic Uncertainties	329,249.43
Subtract: Fees based with different CMO fee structure (11%)	371,346.25
Home Office Expense Allocation Base	6,542,891.84

Incl all expenses, less fundraising rev
SD and SC fees combined
(x)

2015-16 ADA Tier Rate Table	
Average Daily Attendance	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 260 students	0.60
261 to 280 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 students and more	1.60

School Names	2016-17 Estimate CMO Fee	Allocation %
Magnolia Science Academy	1,077,019.23	15.58%
Magnolia Science Academy 2	1,077,019.23	15.58%
Magnolia Science Academy 3	1,077,019.23	15.58%
Magnolia Science Academy 4	201,941.11	2.92%
Magnolia Science Academy 5	201,941.11	2.92%
Magnolia Science Academy 6	80,776.44	1.17%
Magnolia Science Academy 7	673,137.02	9.74%
Magnolia Science Academy Bell	1,077,019.23	15.58%
PTS- Santa Ana	1,077,019.23	15.58%
MSA- Santa Clara	-	0.00%
MSA- San Diego	371,346.25	5.37%
Total	6,914,238.09	100.00%

Based on tiers above; Do not cap at \$60k
Do not include anything at this time - need to revisit
Cannot exceed 11% of unrestricted revenues in accordance with charter

Magnolia Educational Research Foundation
Home Office Expense Allocation and Contingency Reserve for Economic Uncertainties
Proposed Tier Rate

Distribution Calculation							
School Names	2016-17 Projected ADA	Tier Factor	Subtract Factor calculated with different fee structure	Adjusted Tier Factor	Percentage of Redistribution based on ADA	Home Office Expense Allocation	Monthly
Magnolia Science Academy	522	1.70		1.70	17%	1,177,685.50	98,140.46
Magnolia Science Academy 2	472	1.60		1.60	16%	1,108,409.88	92,367.49
Magnolia Science Academy 3	461	1.60		1.60	16%	1,108,409.88	92,367.49
Magnolia Science Academy 4	213	0.30		0.30	3%	207,826.85	17,318.90
Magnolia Science Academy 5	207	0.30		0.30	3%	207,826.85	17,318.90
Magnolia Science Academy 6	194	0.12		0.12	1%	83,130.74	6,927.56
Magnolia Science Academy 7	291	1.00		1.00	10%	692,756.18	57,729.68
Magnolia Science Academy Bell	480	1.60		1.60	16%	1,108,409.88	92,367.49
MSA- San Diego	456	1.60	1.60	-	0%	-	
MSA- Santa Clara	147	0.07	0.07	-	0%	-	-
PTS- Santa Ana	514	1.70		1.70	17%	1,177,685.50	98,140.46
TOTAL		11.59	1.67	9.92	100%	6,872,141.27	(x)

Total 2016-17 Allowable Expenses (Preliminary estimates as of April 2016)	6,584,988.65
Add: 10% Reserve for Economic Uncertainties	658,498.87
Subtract: Fees based with different CMO fee structure (11%)	371,346.25
Home Office Expense Allocation Base	6,872,141.27 (x)

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 260 students	0.60
261 to 280 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

School Names	2016-17 Estimate CMO Fee	Allocation %
Magnolia Science Academy	1,177,685.50	16.26%
Magnolia Science Academy 2	1,108,409.88	15.30%
Magnolia Science Academy 3	1,108,409.88	15.30%
Magnolia Science Academy 4	207,826.85	2.87%
Magnolia Science Academy 5	207,826.85	2.87%
Magnolia Science Academy 6	83,130.74	1.15%
Magnolia Science Academy 7	692,756.18	9.56%
Magnolia Science Academy Bell	1,108,409.88	15.30%
PTS- Santa Ana	1,177,685.50	16.26%
MSA- Santa Clara	-	0.00%
MSA- San Diego	371,346.25	5.13%
Total	7,243,487.52	100.00%

11% in accordance with charter petition