



MAGNOLIA PUBLIC SCHOOLS

Board Of Directors

Board Agenda Item #	III A
Date:	December 12, 2016
To:	MPS Finance Committee
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Kristin Dietz, EdTec
RE:	Revision of the 2016-17 Budget, including September Financials, Educator Effectiveness Funding revision/update, and CMO fee allocation

Proposed Board Recommendation

I move that MPS Finance Committee recommend approval to adopt the revised 2016-17 budget, including the adoption of the revised, updated Teacher Effectiveness expenditure plans and the CMO fee allocation.

Background

In May of each year, the board begins review of the annual budget for June adoption. Because those dates precede the adoption of the state budget and the confirmation of our official enrollment and staffing levels, our practice is to right size the budget officially in November based on the current circumstances. At the direction of the Finance Committee and the Board Chair, we have consolidated into this action the closely related items. Therefore, this board report includes presentation of the September actuals, the revised and updated Educator Effectiveness expenditure plans, and the CMO fee allocation analysis and approval.

The attached EdTec report showing the first quarter actuals includes the revised budget figures as the 2016-17 forecast following deep staff analysis of the August actuals, enrollment and staffing figures, and changes in anticipated revenue. That report identifies each line item change in detail. We are experimenting with a new format that we believe will better address questions as you are reading the document real-time. You also will see that we have highlighted in blue, at the bottom of each school summary page, the ending net operating income less the extra July payroll so that we can view the budgets on a normalized basis.

The primary changes in the budget relate to:

College Readiness Funding: Another form of new revenue included in this update is the \$75,000 per high school (\$450,000) provided on a one-time basis by the state to support work to increase the success of students to prepare for and succeed in college. We are planning to allocate a significant portion of these funds based on the recommendation by the Academic Committee to improve coordination of the college advisory process and to hire a math coach to

ensure that high school students are sufficiently prepared for college level math in STEAM fields. A more detailed board report is included as a separate item because it requires a hearing at one board meeting and then a vote at the next. We are planning to allocate a significant portion of these funds based on the recommendation by the Academic Committee to improve coordination of the college advisory process and to hire a math coach to ensure that high school students are sufficiently prepared for college level math in STEAM fields.

Enrollment changes on individual school sites: Some came in higher or lower than anticipated; however, the overall change is positive, rising from 3,679.80 ADA (enrollment * attendance rate) to from 3,744.30 ADA as shown below. These ADA shifts bring greater revenue.

	June 2016	Oct 2016	Change
MSA 1	518.20	522.10	3.90
MSA 2	470.00	442.00	(28.00)
MSA 3	434.30	443.90	9.60
MSA 4	180.50	186.20	5.70
MSA 5	168.90	177.70	8.80
MSA 6	173.70	167.90	(5.80)
MSA 7	291.40	291.40	-
MSA 8	477.70	477.70	-
MSA Santa Ana	511.50	606.00	94.50
MSA San Diego	453.60	413.00	(40.60)
Total	3,679.80	3,727.90	48.10

Home Office staffing to support audits, investigations and renewals: With the LAUSD board choosing not to renew MSA 1, 2 and 3, we took a self-critical look at our capacity to fully staff the ongoing, and likely continuing, non-routine audits and investigations. Our 2016-17 budget initially made more conservative estimates in the areas of personnel, legal and communications with the hope that the conclusion of the State Audit review and full implementation would lead to reduced requirements to produce voluminous responses to information requests. For example, the actual expenditures in legal last year were about \$300,000. After the Home Office legal budget of \$215,000 was proposed in June, the California Department of Education chose to investigate the Amsterdam Uniform Complaint (August), the OIG returned their attention to Magnolia intensively (September), and LAUSD chose to non-renew our charter (October). Fortunately, CCSA's Legal Defense Fund has agreed to offset some of our legal costs (up to \$50,000); however, it is inevitable that our legal expenses will be greater than anticipated as we address this stepped up activity. Some of those cost increases are borne by MSA 1, 2 and 3, but most of it will hit the Home Office. No new positions are included; however, the revised budget includes filling some vacancies earlier than we otherwise would have following departures. Relatedly, the Home Office budget includes the full cost of extending STRS and PERS to the employees who were part of these retirement systems when they were on school sites and the expenses related to many Home Office staff using tuition reimbursement to get relevant advance

degrees (Ed.D.s mainly). By offering benefits in the Home Office that are equivalent to those on the school sites, we have been able to convince staff to join the Home team and to plan on long careers at Magnolia. Given the stresses lately, these are extremely important incentives.

CMO Fees and decreased reserve: The Home Office budget increases from \$6.1 million to \$6.7 million, and the change in Operating Income is (\$240,930). The primary reason the change in Operating Income is not higher is the preference to cut into the board created five percent reserve in order to minimize the impact on the school sites. Overall, the CMO fees allocated according to the existing board formula is:

CMO fees as a percentage of all non-capital revenue: 13.86%

CMO fees as a percentage of LCFF non-capital revenue: 17.96%

CMO fees plus shared staff expenses as a percentage of all non-capital revenue: 14.56%

CMO fees plus shared staff expenses as a percentage of LCFF non-capital revenue: 18.88%

An attachment is being prepared that breaks down these calculations and describes the CMO fee calculation.

This agenda item also includes the revised and updated Educator Effectiveness Funds (EEF) expenditure plan. For a variety of reasons, the 2015-16 EEF were not spent and have been carried over into the 2016-17 and 2017-18 fiscal years. The Excel files by school are attached and their substance is integrated into the revenues and expenses of the budget document attached.

Budget Impact

The budget impact is addressed in this report.

Attachments:

September Financials/Revised Budget
Educator Effectiveness Worksheets
CMO Fee Calculation Attachment

CMO Fee Reconciliation

	MSA-1	MSA-2	MSA-3	MSA-4	MSA-5	MSA-6	MSA-7	MSA-8	MSA-SA	MSA-SD	Total
Proposed											
CMO Fee	949,506	893,653	860,141	134,048	134,048	134,048	670,240	1,027,701	1,027,701	337,197	6,168,283
Direct CMO Fee	41,484	35,119	35,273	14,799	14,116	13,341	23,157	37,956	61,090	41,636	317,971
Approved Budget											
CMO Fee	972,192	972,192	881,049	72,914	72,914	72,914	607,620	972,192	972,192	370,217	5,966,395
Direct CMO Fee	38,472	34,890	33,176	13,260	11,683	12,485	21,260	35,258	33,233	42,738	276,455
Variance											
CMO Fee	(22,685)	(78,539)	(20,908)	61,134	61,134	61,134	62,620	55,509	55,509	(33,020)	201,888
Direct CMO Fee	3,011	229	2,097	1,539	2,433	856	1,897	2,698	27,857	(1,102)	41,515
Total	(19,674)	(78,310)	(18,811)	62,672	63,567	61,990	64,517	58,208	83,366	(34,122)	243,404