

TO: BOARD OF EDUCATION

ACTION/MAJOR

06/29/06

FROM: MICHAEL D. MATTHEWS/WINSTON A. BRAHAM

RE: 2006-07 PROPOSED FINAL BUDGET

RECOMMENDATION NO. A.17

It is recommended that the Board of Education adopt the 2006-07 Final Budget as presented in the accompanying California Department of Education Format, AB1200, documenting (all Funds) approximately \$145.0 million with an operating deficit of approximately <\$621,000>, disclosing the downward trend in the District's deficit spending from <\$4.40 million> in the 2002-03 fiscal year to a Multi-Year 2007-08 Projection of <\$84,000> Operating Deficit.

In compliance with the provision of Education Code §42103, Los Angeles County Office of Education (LACOE) requires that School Districts file their adopted budget for Fiscal Year (FY) 2006-07 with their office on or before July 1, 2006.

This budget was developed using the State-adopted Standards and Criteria. Once the budget is adopted, inclusive of the J-200 series of reports, the Standards and Criteria and Budget Certification, it's then presented to the State Department of Education via LACOE for final Audit and Certification.

The Preliminary 2006-07 General Fund Budget was previously presented for review and discussion at Board Meetings on May 18, June 1, and June 15 Board Meetings, (with important related components in prior sessions), and the Final Budget has been revised to reflect the needs and changes of the Board, Senior Management, School Site Leadership, other Constituents, and all updated information known at the time of preparation of said Document.

In summary, this 2006-07 Final Budget represents the financial management plan, general framework and constraints for the School District. It has been developed with the intent of supporting the various school programs and departments of the District in implementing the vision, initiatives and policies approved by the Board of Education.

## **KEY SELECTED REVENUE ASSUMPTIONS**

- , State Revenue Limit (including Base Revenue Limit) projections are completed using a 5.92% COLA added to the 2005-06 ADA Revenue Limit of \$5,319.84. Thus, the 2006-07 per ADA Revenue Limit is \$5,627.84 less a deficit factor of .892% or a \$308 per ADA increase.
- , The Base Revenue Limit for Santa Monica-Malibu will be \$5,627.84 per ADA (using the 2005-06 P2 ADA), and applying a zero (0)% Deficit Factor, translating to a total Revenue Limit of approximately \$66,553,823 (based on \$5,627.84 x 11582.50) ADA for Revenue Limit Calculation. The above total, \$66,553,823, includes other Base Revenue Limit funds \$, such as Meals for Needy, Remedial Programs, Beginning Teacher Incentives, etc.
- , The projection of 2006-07 District Enrollment is 11,986. The current CBEDs count is 12,191, thus, a potential reduction of <205> (12,191 less 205) students which translates to approximately <\$1.2 million> reduction in our revenue stream and amount requested from our total District's new COLA Revenues.
- , The Lottery allocation will be \$148 per ADA (2005-06 estimated Annual ADA), of which \$123 is for unrestricted expenditures and the remaining \$25 is for Proposition 20 - Mandated for Instructional Materials.
- , The District will participate in the State's Class Size Reduction Program for K-3 and receive \$1,017 per pupil for the K-3 component or a total revenue of \$3.1 million.
- , Supplemental Instructional Programs hourly rate \$3.90.
- , Special Education transfer from the Revenue Limit is \$2,242,440. Special Education Mandate Settlement at \$4.52 per 1999-00 ADA is \$52,328. The Special Education funding for AB602 Base Funding rate is \$540 per ADA, for an estimated \$6,300,000.
- , The Mandated Costs reimbursement as proposed by the Governor has been deferred/postponed again in 2006-07. The cumulative balance due to SMMUSD as of the end of 2004-05 is \$1,315,560. As directed by LACOE, that amount is not included in the Budget, however, in order to preserve our claims, the District will continue to collect and file its Mandated Costs Reimbursement Claims.

, The local Parcel Tax for Measure "Y" at \$116.88 per parcel, which includes an estimated CPI-U adjustment of 4.7%, will generate \$3,788,431, based on 32,413 parcels. Measure "Y" began in 2001 for 10 years and will expire in June, 2011.

, The Measure "S" parcel tax at \$225 per parcel is estimated to generate \$6,573,000, after processing senior exemptions, which are anticipated to number 3,200. Measure "S" began in 2003 for 6 years and will expire in June, 2009.

, The District will receive \$6,365,400 (including 3% prevailing COLA) of financial support from the City of Santa Monica, \$500,000 of which will be designated for multi-cultural education efforts, \$405,000 for the Student Outreach Program at Santa Monica High School and \$80,000 for the Valued Youth Program at John Adams Middle School. In the current Agreement, the City's contribution will run for the next 10 years out from the 2004-05 FY.

, The combined lease revenue is \$2.40 million, which is from the Doubletree Hotel, Madison Site, 9<sup>th</sup> & Colorado and 16<sup>th</sup> Street properties. Of this amount, approximately \$1,000,000 annually is pledged to support outstanding Certificates of Participation (COPs) Series "B" and "C" with a current face value of approximately \$20,000,000.

, The Instructional Materials Funding Realignment Program(IMFRP) is projected to be funded at \$65 per 2005-06 CBEDS enrollment.

, St. John's Hospital will continue to fund the School Nurse Program and have increased the amount to \$135,000. St. John's will also continue to support the Infant-Family Support Program in the amount of \$200,000 (Child Development Services).

, There is \$200,000 estimated interest revenue from funds held in the County Treasury.

**EXPENDITURE ASSUMPTIONS**

Full-Time Equivalent (FTE) Changes:

Certificated: Due to the projection of declining enrollment, the elementary schools will be decreased by 5.00 FTEs. There will be a decrease of 4.40 FTEs teaching positions at middle schools: 2.20 FTEs at John Adams and 2.20 at Lincoln. High school teaching positions will increase by 1.30 FTEs: 1.20 FTE at Santa Monica High and .10 at Olympic High School.

Salary and Benefits:

No projections of salary increases are included, except the 2% step and column increases for Certificated and Classified employees.

Statutory Benefits:

8.25% STRS employer contribution rate (increased from 8.25%)  
6.20% OASDI contribution rate  
1.45% Medicare Contribution  
0.05% SUI contribution  
4.00% Workers' Compensation contribution rate  
9.124% PERS employer contribution rate  
3.896% PERS Reduction

The premium rates for District-paid employee medical and dental benefits are budgeted for a 7% annual increase beginning January 2007. Cal-PERS has not announced the new rates for 2006. We will adjust these rates when receive the official notification.

The budget for the schools' Formula Money allocation for supplies and other operating costs:

K-5 \$37.75 per pupil  
6-8 \$42.66 per pupil  
9-12 \$63.48 per pupil

Lottery Instructional Materials funds (Proposition 20) will be used to partly fund this allocation.

The school site allocations for Extra Duty Units (EDUs) and athletic transportation will be funded at the same level as 2005-06.

Due to our participation in the State's School Facilities Modernization Program, we are currently required to budget 3% of the total General Fund (restricted and unrestricted) budget for the ongoing Maintenance program.

, The retiree benefits will be paid from the General Fund. These benefits include the 2002-03 Service Recognition Program, and health and welfare benefits, for a cost of \$758,116.

, A contribution of \$500,000 to the Deferred Maintenance program has been budgeted, representing the estimated District match.

, A contribution of \$75,000 to Child Development Services has been budgeted for the extra cost incurred by the minimum days of elementary schools.

, A General Fund Budget will be planned to assure that the "Reserve for Economic Uncertainties" is equal to or greater than 3% of General Fund expenditure, according to State Statute.

, Summer School Budgets:

\$216,702 for Elementary Schools (Rogers and Cabrillo)

\$133,108 for Middle Schools (John Adams)

\$321,482 for High Schools (Samohi and Olympic)

Part of this budget is funded by Targeted Instructional Improvement Grant (TIIG)

The following documents include a General Fund - Unrestricted Revenue Summary and a General Fund - Unrestricted Expenditure Summary, as well as individual summaries for each site. The complete series of J-200 Reports is included as Attachment A.

MOTION MADE BY: Mr. de la Torre

SECONDED BY: Ms. Leon-Vazquez

STUDENT ADVISORY VOTE: n/a

AYES: All (7)

NOES: None (0)