

TO: BOARD OF EDUCATION

DISCUSSION

06/15/06

FROM: MICHAEL D. MATTHEWS/WINSTON A. BRAHAM

RE: UPDATE ON 2006-07 BUDGET

DISCUSSION NO. D.2

Staff recommends that the Board of Education continue review and discussion of the 2006-07 District Budget proposals offered to the Board on 5/18/06 and 6/1/06 so Fiscal staff might meet the State-imposed submissions and timelines. The following information, attached accounting worksheets and school site teacher/student ratio and all other previously submitted proposals, are attached to assist with Board discussions. Thus, following discussion and consensus, we're seeking the Board's consideration and approval of the following new/revised proposals, so that staff might then prepare the 2006-07 Final Budget for adoption on June 29, 2006 while at the same time meeting the public notice and Los Angeles County Office of Education (LACOE) upload deadline, as follows:

Under/in compliance of the Brown Act Provisions, the 2006-07 Final Budget must be printed and published by June 26, 2006. Working backwards then and as required in LACOE Bulletin No. 367, Fiscal staff must prepare the final numbers and distribute them to Information Systems for upload to LACOE Financial Systems by June 16, 2006.

**Therefore, between the meeting and discussion of June 15, 2006 and the required LACOE submittal and upload deadlines, staff will have ONLY (1) DAY to process your consensus of changes, etc. Any and all subsequent changes will be made post-Adoption.**

Total Operating Deficit as presented with the first 2006-07 Proposed Budget on May 18 and June 1, 2006 is <\$3,159,150>. The following represents our proposed changes/increases/reductions for reducing the above-listed Operating Deficit which in its totality will bring this 2006-07 Operating Deficit to a more palatable amount of <\$621,508>.

INCREASE REVENUES/REVERSALS/REDUCTIONS

- Total projected Unrestricted General Fund revenue:\$75,412,381.
- Total projected Unrestricted General Fund expenditures: \$78,571,531 or the resulting projected 2006-07 Operating Deficit presented on 05/18/06 & 06/01/06: <\$3,159,150>.
- Total projected new personnel salary costs presented on 05/18/06 & 06/01/06 (excluding Special Education) was \$349,587. Of this amount, we are now proposing to reverse \$281,183 to bring the OD to <\$2,877,967>.

- Total projected non-personnel costs presented on 05/18/06 & 06/01/06 was \$50,000. Of this amount we are reversing \$30,000, bringing the Operating Deficit to <\$2,847,967>.
- Other projected personnel cost reductions - Substitute Pool Fund by \$200,000 (from \$1.0 million to \$800,000), bringing the Operating Deficit to <\$2,647,967>.
- Total proposed Special Education Local General Fund Contribution (LGFC) amount to be reversed from the 5/18/06 and 6/1/06 proposals (including 10.0 FTE new positions) to match 2005-06 Adopted Budget \$1,393,512, bringing the Operating Deficit to <\$1,254,455>.
- Total Educational Enhancement Through Technology (EETT) LGFC amount reversed from 05/18/06 and 06/01/06 proposal \$200,000, bringing the Operating Deficit to <\$1,054,455>.
- Total projected Cost of Living Adjustment (COLA) May Revise is \$4,092,145 vs. total projected COLA pre-May Revise of \$3,659,876 or a total projected increase in COLA revenues due to May Revise \$432,269, bringing the Operating Deficit to <\$622,186>.
- Total projected Lottery post-May Revise \$1,481,443 vs. the total projected Lottery pre-May Revise of \$1,480,765 or a total projected increase in Lottery due to May Revise of \$678 bringing the new **Total projected Operating Deficit as of 06/15/06, after all the above credits/increases & reversals, to \$621,508.**

ADDITIONAL KEY BUDGET INFORMATION:

- Total projected decrease in District Revenue Limit Base (computation includes increase in COLA and decrease in ADA) <\$1,175,735> already reflected in overall Budget figures.
- Projected major personnel related expenditures - Health Benefits \$8,887,038 annually.
- Total projected restricted revenues (such as Special Education, Categorical, Transportation, including LGFC) \$31,753,169
- Total projected restricted expenditures (such as Special Education, Categorical, Transportation) \$31,753,169 or break-even.
- Total projected Certificated Salaries \$43,114,087.  
Total projected Classified Salaries \$12,133,746.
- Total FTEs added after 2005-06 Budget adoption: 19.70 FTEs or total actual vs. adopted salaries of approximately \$1,250,000.

## **BACKGROUND**

The 2006-07 Preliminary General Fund Budget represents the District's initial financial management plan for the Fiscal Year. It has been developed with the intent of supporting the various schools and departments of the District in implementing the vision, initiatives and policies approved by the Board of Education.

Of note, this 2006-07 Preliminary Budget was developed prior to the Governor's May Revise Budget. Therefore, the assumptions used to develop the budget are based on the Governor's original Proposals for the 2006-07 State Budget. We will further update our budget assumptions when all relevant details of the May Revise Budget become available. We will include information from the District's leadership, and additional information, currently unknown, which will be a component of our final Budget adoption to be presented at the Special Board Meeting June 29, 2006.

## **KEY SELECTED REVENUE ASSUMPTIONS**

- , State Revenue Limit (including Base Revenue Limit) projections are completed using a 5.18% COLA.
- , The Base Revenue Limit for Santa Monica-Malibu will be \$5,588.84 per ADA (2005-06 P2 ADA), after applying a .299% Deficit Factor, translating to a total Revenue Limit of approximately \$66,121,552 based on 11,582.50 ADA for Revenue Limit Calculation. The above total, \$66,121,552, 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> students which translates to approximately <\$1.2 million> reduction in our revenue stream.
- , The Lottery allocation will be \$141 per ADA (2005-06 estimated Annual ADA), of which \$118.50 is for unrestricted expenditures and the remaining \$22.50 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 \$967 per pupil for the K-3 component.
- , Supplemental Instructional Programs hourly rate \$3.87.
- , Special Education transfer from the Revenue Limit is \$2,645,516. Special Education Mandate Settlement at \$4.52 per 1999-00 ADA is \$52,328. The Special Education funding for AB602 Base Funding rate is \$590.80 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 \$114.98 per parcel, which includes an estimated CPI-U adjustment of 3%, will generate \$3,726,000, 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.

, The combined lease revenue is \$2.2 million, which is from the Doubletree Hotel, Madison Site, 9<sup>th</sup> & Colorado and 16<sup>th</sup> Street properties. Of this amount, \$1,000,000 annually is pledged to support current Certificates of Participation (COPs) with a face value of approximately \$20,000,000.

, The Instructional Materials Funding Realignment Program (IMFRP) is projected to be funded at \$59 per 2005-06 CBEDS enrollment.

, St. John's Hospital will continue to fund the School Nurse Program and have increased the amount to \$132,388. St. John's will also continue to support the Infant-Family Support Program and have increased the amount to \$327,160 (Child Development Services).

, There is an anticipated reduction in Federal revenue for Categorical Programs for 2006-07.

, 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.
  - Classified: There will be an increase of 2.00 full-time custodian positions and 1.00 FTE full-time electrician.
  
- , Salary and Benefits:

No salary increases except the 2% and 2% step and column increases for Certificated and Classified employees, respectively.
  
- , 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
  - 9.00% PERS employer contribution rate
  - 4.02% PERS Reduction
  
- , The premium rates for District-paid employee medical and dental benefits are budgeted for a 7% annual increase. 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 pupilLottery 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 buy 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 projected General Fund's revenue over and above the Base Revenue Limit is \$12,536,344, after we've accounted for all anticipated (at current levels) Local General Fund Contributions (LGFCs), which is now approximately <\$11,878,190>.

### GENERAL FUND - UNRESTRICTED REVENUE SUMMARY

	<b>2005-06 BUDGET</b>	<b>2006-07 BUDGET</b>	<b>DIFFERENCE</b>
REVENUE LIMIT	\$64,205,048	\$65,577,370	\$1,372,322
SPECIAL ED ADA TRANSFER	<2,503,341>	<2,645,516>	<142,175>
PERS REDUCTION	598,595	544,183	<54,412>
OTHER FEDERAL REVENUE	185,423	120,000	<65,423>
K-3 CLASS SIZE REDUCTION	3,118,575	3,118,575	0
LOTTERY - UNRESTRICTED	1,515,250	1,480,765	<34,485>
OTHER STATE REVENUE	77,029	76,329	<700>
PARCEL TAX -MEASURE "Y"	3,618,263	3,726,811	108,548
PARCEL TAX -MEASURE "S"	6,573,000	6,573,000	0
LEASES AND RENTALS	2,414,977	1,414,947	<1,000,030>
CITY OF SANTA MONICA	6,180,000	6,365,400	185,400
CITY OF MALIBU	290,105	135,105	<155,000>
SAINT JOHN'S - NURSES	132,388	132,388	0
OTHER LOCAL INCOME	378,000	371,214	<6,786>
TRANSFER FROM OTHER FUNDS	700,000	700,000	0
LOCAL GENERAL FUND CONTRIBUTION (LGFC)	<10,741,131>	<12,478,190>	<1,737,059>
INTEREST	150,000	200,000	50,000
<b>TOTAL REVENUES:</b>	<b>\$76,892,181</b>	<b>\$75,412,381</b>	<b>&lt;\$1,479,800&gt;</b>

## GENERAL FUND - UNRESTRICTED EXPENDITURE SUMMARY

	2005-06 BUDGET	2006-07 BUDGET	DIFFERENCE
CERTIFICATED SALARIES	\$42,388,066	\$43,379,587	\$991,521
CLASSIFIED SALARIES	12,053,815	12,372,021	318,206
BENEFITS	15,569,684	15,899,432	329,748
BOOKS/SUPPLIES	1,313,508	1,156,243	<157,265>
SERVICES AND OTHER OPERATING EXPENSES	5,330,433	5,488,276	157,843
EQUIPMENT	137,060	7,500	<129,560>
OTHER OUTGOING	1,192,022	268,472	<923,550>
<b>TOTAL EXPENDITURES:</b>	<b>\$77,984,588</b>	<b>\$78,571,531</b>	<b>\$586,943</b>

<b>FUND BALANCE</b> (Revenue - Expenditures)	<\$1,092,407>	<\$3,159,150>	<\$2,066,743>
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## LOCAL GENERAL FUND CONTRIBUTION (LGFC)

	2005-06 BUDGET	2006-07 BUDGET	DIFFERENCE
SPECIAL EDUCATION	\$9,355,252	\$10,622,063	\$1,266,811
COMMUNITY DAY SCHOOL	90,787	70,249	<20,538>
SPECIAL ED. TRANSPORTATION	436,428	603,362	166,934
NATIONAL BOARD CERTIFICATION	60,000	60,000	0
MULTI-CULTURAL PROGRAM	500,000	500,000	0
VALUED YOUTH PROGRAM (Adams)	79,739	80,000	261
STUDENT OUTREACH (Samohi)	433,131	404,065	<29,066>
EDUC. ENHANCEMENT TECH.	215,360	200,000	<15,360>
REGIONAL OCCUPATIONAL PROG.	8,700	8,700	0
<b>TOTAL EXPENDITURES:</b>	<b>\$11,179,397</b>	<b>\$12,548,439</b>	<b>\$1,369,042</b>

**SMMUSD MAJOR CHANGES FOR 2006-07 FISCAL YEAR BUDGET**

<b>Expense Category</b>	<b>Description</b>	<b>Location/Program</b>	<b># FTEs/Units</b>	<b>Amount</b>
Certificated Salary	Teacher	Santa Monica High	1.20	\$72,000
Certificated Salary	Teacher	Olympic High	.10	6,000
Certificated Salary	Teacher	Special Education	3.00	188,000
Certificated Salary	Stipends-Salary Advance	Various	66.00	176,903
Certificated Salary	Stipends-Master	Various	4.00	6,400
Certificated Salary	Asst. Principal	McKinley Elem.	.40	34,483
Certificated Salary	Psychologist-Temporary	Special Education		70,922
Certificated Salary	Teacher-Declining Enroll	Various	<8.10>	<443,303>
Certificated Salary	Home Assignment		1.00	106,488
Certificated Salary	Est. 2.0% Step/Col. Incr.	Districtwide	All Eligible	641,328
Classified Salary	Custodians	District Office	2.00	62,936
Classified Salary	Electrician	District Office	1.00	33,840
Classified Salary	Utility Worker	Malibu High	1.00	33,840
Classified Salary	Instructional Aides	Special Education	5.00	99,325
Classified Salary	Occupational Therapist	Special Education	1.00	66,342
Classified Salary	Physical Therapist	Special Education	1.00	75,000
Classified Salary	Psych. Intern - Incr. Cost	Special Education		35,000
Classified Salary	Est. 2.0% Step/Col. Incr.	Districtwide	All Eligible	188,933
Employee Benefits	Est. TSA Contribution		1,000	200,000
Employee Benefits	Related to FTA Changes			124,781
Employee Benefits	Related to Step/Col. Inc.			134,902
Employee Benefits	Est. 10% Incr. (H & W)			550,000
Supplies	Testing	Educational Services		50,000
Supplies	General/Instructional	Special Education		65,600
Other Svcs/Oper.	Election	Board of Education		100,000
Other Svcs/Oper.	Consultant Data Warehs	Educational Services		100,000
Other Svcs/Oper.	Maint Agmt-Data Warehs	Educational Services		45,000
Contribution				\$989,875

**Total Major Expenditure Increase over 2005-06** **\$3,814,556**  
**Increase in Revenue Limit (Computation includes increase in COLA and decrease in ADA)** **\$1,175,735**  
**Est. Difference between Total 2006-07 Revenues vs. Expenditures** **\*<\$2,638,821>**  
*\*Based on Selected Categories, therefore, will not match the Projected Deficit.*