

**Finance Subcommittee  
of the  
Swampscott School Committee  
Regular Session Minutes  
September 6, 2007**

A regular meeting of the Finance Subcommittee of the Swampscott School Committee was held in the meeting room of the Superintendent of Swampscott Public Schools, 207 Forest Ave, commencing at 1:30 pm, with the following members present: Mr. David Whelan, Chairman Presiding and Mr. Neil Bernstein. Also Present: Matthew Malone, Ph.D., SPS Superintendent of Schools, and Ed Cronin, SPS Budget Director.

At ~2:30 pm, Dr. Malone left to monitor the crossing guards. He returned at ~2:55 pm.

**I. Status June 30, 2007-Year End Closing of Books**

Mr. Cronin asked to preface the FY07 Year End Closing of Books with some comments about the FY'06 Year End Closing of Books, because it has a bearing on the former topic.

Mr. Cronin noted that the 2006 numbers don't make sense. The "edits tab" on the spreadsheet collects problems, which are all supposed to be solved. However, 12 items are still open from FY06 report. Those open items may impact FY07 numbers. Mr. Cronin is attempting to reconcile those numbers.

Mr. Cronin also noted that Michael Tarlow, previously the SPS Business Manager, had fired the Town's auditing firm, Sullivan and Rogers.

Mr. Whelan asked if Mr. Cronin knew what is source of the problem with the FY06 numbers. Mr. Cronin replied that it was probably just a problem of wrong classifying, but that it had already consumed a lot of time and effort and could likely take a lot more time and effort to unravel the problem. This distraction has already delayed work on FY07, FY08, and FY09.

Dr. Malone stated that Mr. Cronin has been spending most of his time trying to reconcile 2007, and that Mr. Cronin continues to discover problems with FY06, as well as with FY07. This represents a huge time sink.

Mr. Cronin's comments regarding FY07:

- Mr. Cronin expects to close FY07 books in October.
- School Deposits estimate: \$276,000 in expenses were initially not reconciled. We identified ~\$163,000 for food services, leaving ~\$113,500 not yet reconciled. It is highly probable that the remainder will be identified as belonging to various revolving accounts.

Mr. Bernstein asked for a brief explanation of how the revolving accounts work. Mr. Cronin stated that money gets deposited into the Town's account, and those amounts are supposed to be tagged for the purpose of the revolving account. Each revolving account is separate from both the main SPS account and from each other.

Mr. Whelan asked if we were comfortable with the gate fee collection and deposit process. Mr. Cronin replied that the collections and deposits seem to be working OK; it is the tagging that does not consistently work well.

Mr. Cronin reported that there have been problems reconciling the school lunch revolving fund and that he was still trying to identify the source of the problem. FY07 includes invoices of ~\$15,000. The town treasurer requested that it be taken from the School Rental Fund.

Mr. Cronin reported that there is approximately \$122,000 available to cover all of the non-reconciled FY07 expenses. Beyond the previously stated issues, late bills are still being submitted against the FY07 budget. He noted, for example, that the North Shore consortium discovered that they did not send out some bills, so we are expecting more bills from them. No other problems were identified. He reported that he expects FY07 to be finalized in October or November.

Mr. Bernstein asked whether any money left over in the budget could be applied to the shortfall in the Athletic Fund. Mr. Cronin replied that it is not permitted – different types of accounts that are non-transferable, as explained above.

Mr. Whelan requested that Mr. Cronin keep the Finance Subcommittee informed of the progress.

## **II. Status June 30, 2008 Budget**

Mr. Cronin reported that although ~\$90,000 had been budgeted for Athletics, \$260,000 was actually required to run athletics. The rest was supposed to be covered by user fees. That leaves a shortfall of ~\$157,000 which now appears as part of the -\$232,000 in FY08.

Mr. Whelan asked if non-payment of user fees was a problem, and he asked whether Mr. Cronin had seen the audit that was conducted several years ago, that reported that user fee payments were not consistent. Dr. Malone replied that fee payments seemed to be working well, but that the district is keeping an eye on them. He suggested that the Athletic Director, Frank Kowalski, may need some help on this matter.

Mr. Whelan remarked that the Boston Globe reported that the Athletic Director's is the hardest job in the school system. He added that we may need to consider increasing gate fees.

Mr. Cronin reported on the numbers in the FY08 Tracking Report.

### **15C: Summer Custodial Staff**

(Budgeted: \$25,000. Available: -\$42,103. Expended: 268.41%)

Mr. Cronin reported that the % Expended was not a cause for concern, since it is only a temporary number, acting as a place holder. Over time, lots of this money will be assigned elsewhere.

### **16D: Retirement/sick leave/403**

(Budgeted: \$260,000. Available: \$228,339. Expended: 12.18)

Mr. Cronin reported that although 66% has been expended, it appears that a substantial number of teachers who were let go and who qualify for unemployment insurance (UI) are finding jobs. Therefore, we may save some money on this item.

**17B: Textbooks**

(Budgeted: \$113,328. Available: \$82,144. Expended: 27%)

Mr. Cronin reported that SPS expects to capitalize the cost of textbooks, which may free up a good portion, potentially all of this line item.

**19A: Athletic expenses**

(Budgeted: \$82,929. Available: \$51,456. Expended: 37.95%)

Mr. Cronin reported that the problems mentioned above, from the FY07 budget, are not reflected in this document

**School bus:**

Mr. Cronin reported that the cost of for a school bus, ~\$33,000 is not explicitly covered by the budget.

**Additional teachers:**

Mr. Cronin reported that these are not accounted for.

**Crossing guards:**

Mr. Cronin reported that these are not accounted for.

**Grants:**

Mr. Cronin reported that numerous grants are not accounted for, and they should counterbalance the expenses that are not yet accounted for.

**III. Status June 30, 2009 Projections**

**Progress on the 2009 projections:**

Mr. Cronin stated that the 2009 Projections will tie into the same financial model.

Mr. Whelan stated that he expected that the committee and the broader public would be pleased to see the advances in the forecasting and budgeting process for 2009. Mr. Bernstein concurred.

Mr. Whelan asked whether Mr. Cronin would be able to make a report on FY09 financial projections, at the September 25th School Committee meeting. Mr. Cronin replied that he would be able to report, at the level of detail presented at this meeting.

Dr. Malone reinforced that he plans to be able to report on the FY09 needs and expectations of SPS.

Mr. Whelan asked how accurate such projections can be, this far in advance. He stated that the town projections, provided last fall, did not seem to be particularly accurate. Dr. Malone replied

that SPS has the “big” numbers and should, therefore, be able to construct a reasonably accurate projection. SPS plans to present the Superintendent's Recommended Budget (SRB).

Mr. Cronin presented the “big” numbers:

- 3% on collective bargaining agreements, which will come from the salary spreadsheets.
- 2.5% increase in operating costs, at the expected rate of inflation.
- Increase from \$156,000 to \$170,000, for full day Kindergarten
- 4 additional elementary school teachers, to reduce class size
  - ~\$51,000 x4 => ~\$204,000
  - This is less than originally anticipated, because we got managed to add 3 back this year.

Mr. Bernstein requested that the financial forecasts for, FY09, and subsequently, include the following 4 scenarios:

- Per the pessimistic forecast from the town.
- Per the optimistic forecast from the town.
- Per level services.
- Per the Superintendent's Recommended Budget (SRB).

Mr. Whelan expressed pleasure with the much more comprehensive financial forecasting and stressed the importance of a clear and professional presentation of the information.

Dr. Malone stated that the September 25th financial forecast report would include also capital investment items. Dr. Malone noted that the report should include also the FY08 budget tracking report.

Mr. Cronin reported that the FY09 salary spreadsheet, as it stands, includes teacher increases, but does not yet include custodian and secretary increases, which still have to be rolled into it. Those changes should add ~\$120,000.

#### **Chapter 70 Update:**

Mr. Whelan stated that Swampscott’s Chapter 70 funding rate is 14.3%, which is ~\$500,000 less than the town would receive at 17.5%. The state currently plans to transition communities like Swampscott from the current rate to 17.5% over three years, which should yield an additional \$230,000 in FY09. He reminded everyone that those funds go through the town, not directly to SPS.

Dr. Malone noted that he expects SPS to have to pay more to the charter schools.

Mr. Bernstein asked Mr. Cronin if he could itemize the most significant unknowns in the FY09 forecast. Mr. Cronin said that it is difficult to accurately forecast SPED expenses, which can change dramatically one way or the other. The deficit currently stands at ~\$650,000. Overall, he expects that to be ~\$750,000, after everything is added in.

Mr. Whelan asked when the Financial Subcommittee can expect the FY09 budget, in preparation for the town budget approval process. Mr. Cronin stated that he expected to have it ready in January.

**IV. Status 5 year projection**

Mr. Whelan stated that he is less concerned about the further years. He suggested that this could be considered in the spring, after the FY09 budget decisions. He further stated that he prefers 3 year projections.

Mr. Bernstein stated that he would like to see long term forecasts, but not at the expense of sufficient preparation of the FY09 budget. He asked Dr. Malone and Mr. Cronin to provide the Financial Subcommittee with a timeline for the long term forecast. Mr. Bernstein still prefers a 5 year forecast, in spite of the larger unknowns beyond the first three years.

**V. Miscellaneous**

**V.a. Status of SPED Audit**

Mr. Cronin reported that work on the SPED audit is ongoing, and that he did not have an expected date of delivery of the report, from the auditing firm. He added that SPS staff are providing information, as requested.

Mr. Whelan stated that he recalled that a report was to be delivered within 60 days of the start of the project.

**V.b. Status of responses to May 2007 Financial Operations Review**

Discussion was postponed until the return of Dr. Malone.

**V.c. Summary of previously allocated capital funds unspent as of August 23, 2007**

**Design Conversion of SHS:**

Mr. Cronin stated that it is not clear what this is for.

**Security:**

Mr. Whelan felt that the funding seems to cover SPS immediate needs, but that additional funding might be needed for subsequent needs. He reported that Kevin Kaczynski expressed interest in using some of the security funding for elementary school projects.

**V.d. Other**

**Journal entry issue:**

Mr. Cronin stated that fact that no one from the SPS Business Office has access rights to input journal entry information into MUNIS continues to constitute a significant process problem. The

current process, in which SPS submits information to the town, and the town personnel manually type the information into the journal entry results in three problems. First, there are significant delays in data entry. Second, as always happens with manual copying, errors are introduced into the data, and it is very time consuming and difficult to find those errors. Additionally, tracking the MUNIS numbers against the SPS numbers is time consuming, difficult and error prone.

Mr. Cronin reported that he recently identified approximately 615 accounts that require attention.

Mr. Bernstein asked whether it is possible to arrive at some mechanism by which SPS would prepare data in a spreadsheet, then the town would review the information and import it into the town accounting software, MUNIS. Mr. Cronin replied that he did not think that the town would be open to such a proposal. Mr. Bernstein said that he would follow up on this topic, with the town.

**Business Office Roles:**

Joanne Vanderberg's responsibilities have been expanded to include revolving accounts and personnel. Also, Janet Hebert is now handling grants and some additional topics.

**V.b. Status of responses to May 2007 Financial Operations Review**

(After Dr. Malone returned.)

Dr. Malone stated that SPS prepared a draft reply over the summer, which was shared with the School Committee. The draft reply is going through final editing, and will be reissued. SPS plans to provide an update on progress, in October.

Respectfully submitted,  
Neil Bernstein