

**Subject: Q&A: SPS financial forecasting, budgeting and tracking.**  
**By: Neil Bernstein**  
**Date: 2007-06-01**  
**Mod date: 2007-06-04**

Q-01: Why bother?..... 1  
 Q-01: What benefits can we expect?..... 1  
 Q-02: Won't the changes cause too much overhead (time, effort, etc.)?..... 1  
 Q-03: Can such long-range projections be accurate enough to add value? ..... 1  
 Q-04: What about a Town-wide Financial Planning Committee? ..... 2

**Q-01: Why bother?**

Advance planning, in the form of forecasting, can significantly reduce the risk of disruptive surprises. Aligning SPS financial planning processes with the town processes should yield a smoother process. Quarterly tracking should give the School Committee a better sense of how things are going. Jointly, the process should, in particular, provide early notice of opportunities and early warning of problems.

**Q-01: What benefits can we expect?**

The proposed changes in process will not, on its own, create additional funding or change costs. This is not a panacea for problems on either side. The process should provide a much earlier warning about changes, allowing adequate time to plan, minimizing the need for the type of traumatic upheaval that is caused by surprises.

On the positive side, it is likely that the process will lead to a more effective prioritization and focus on actions with the highest potential advantage, in terms of both funding and costs.

**Q-02: Won't the changes cause too much overhead (time, effort, etc.)?**

Although the changes will require some up front work, once the process is in place, the ongoing overhead should be minimal. Therefore, it may be appropriate to relax the schedule in the first year.

**Q-03: Can such long-range projections be accurate enough to add value?**

Oh, yes! Many people and groups claim that the “unknowns” are so great that it is too difficult to arrive at meaningful and useful projections. Let’s look at the “knowns” vs the “unknowns.”

Knowns:

1. The large funding numbers:
  - a. Town budget ~\$50M
  - b. SPS budget: ~\$20M (40% of town budget)
  - c. Additional money available each year to town, as a whole: Currently \$500K-\$800K (1%-1.6% of town budget)

- d. Portion usually allocated to SPS: ~2/3 of additional money available (most years in recent history)
  - e. Expected additional money available each year from town to SPS: \$300K-\$533K (0.67%-1.07% of town budget)
  - f. Other funding: Nahant, SPED, Chapter 70: The **range** of available money can be reasonably projected.
2. Large expense numbers:
- a. Salaries: ~80% of the budget
  - b. Automatic pay changes (STEPS, advance degrees, etc.): These numbers can be reasonably projected into the future.
  - c. Negotiated pay increases: Range can be reasonably projected.
  - d. Standard operating expenses (heating, services, etc.): These numbers can be reasonably projected into the future.
  - e.

Unknowns:

- 1. Large funding numbers:
  - a. In general, unknowns warrant presenting also a conservative funding scenario.
  - b. Town budget surprises: Worth checking historical data for actual vs projections.
  - c. Portion allocated to SPS: Should be included in “range” estimates.
  - d. Other funding: Warrants study and report on options to increase funding.
- 2. Large expense numbers:
  - a. Salaries +: Warrants analysis of salary+ growth rates.
  - b. Standard operating expenses: Warrants study of creative ways to control costs, including alternative energy, energy saving opportunities, etc.

In summary, the range of funding and range of expenses both lend themselves to reasonably useful projections.

#### **Q-04: What about a Town-wide Financial Planning Committee?**

Although efforts to establish such a group have been attempted, it is not clear exactly what would be the purpose of such a group, nor what it might do. It is probably worth brainstorming on this topic.

The make-up of such a committee might be:

- (1) Swampscott School Committee member
- (1) Swampscott Public Schools (to be appointed by the Superintendent)
- (1) Selectman or designee
- (1) Financial Committee member
- (1) Capital Improvements or designee
- (1) Town Administrator or designee
- (1) Town Treasurer