

SPS Financial Forecasting, Budgeting and Tracking – Q&A (Swampscott Public Schools)

Neil Bernstein
Swampscott School Committee
www.schoolcommittee.nsbernstein.com
June 22, 2007

Agenda

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

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 their 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.

Unknowns:

1. The 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.

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

- Answer:
 - In summary, 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