

**UNIT 8:**

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# Maintaining Your Budget







Too many schools have seen their computer systems eventually unravel because they were unable to afford the ongoing costs required to maintain and upgrade them.

This unit will help you develop realistic income generating strategies to ensure the long-term health of your computer system's budget.

**How can we determine whether our income-generating activities are creating a surplus and whether the net income is covering the cost to sustain our computer system?**

Carrying out activities to generate revenue to sustain the school's computer system is only part of the process of sustaining the system. If you do not know how much money the school spends to operate the computer system and to carry out revenue-generating strategies, and how much total income is being generated, then you cannot determine whether the school is covering all costs or generating a surplus. Determining whether the school's computer system is operating at a profit or a loss requires that both total costs and total revenue be tracked carefully over time. It can take two or more years of tracking costs and revenue before you can draw any solid conclusions.

Carefully tracking total costs and total revenue from fee-based uses of the computer system will enable the SPT to determine whether the rates charged are sufficient to cover costs and produce a surplus. The school should not, over the long term, subsidize the cost of using its computer system to generate revenue. Only those strategies that quickly generate a surplus (that is, a **profit**) should be continued.

Schools that do not track actual costs and total revenue carefully often feel that if there is money flowing into the school from an activity, it is generating a surplus. Unfortunately, there are many examples where the activities were actually operating at a net loss. In other words, it was costing the school more to carry out the income-generating activity than the school was earning from the activity. Eventually, these schools discovered their mistake, but by the time they learned what they were doing, they had usually lost significant amounts of money. At the same time, they had lost the opportunity to carry out a different activity that could have generated a profit.

As with estimating the costs and potential revenue for different activities in Unit 7, the school's accountant or finance officer probably can help set up a system to track actual costs and income, and then to calculate total net revenue. The SPT can then use this information to evaluate each activity over time and make decisions about adjusting the fees charged, not continuing an activity, or replicating other activities.

The accountant can use the information gathered to estimate costs and income in Unit 7 to create the school's cost and revenue tracking system. The Toolkit's CD includes a draft **Cost and Revenue Tracking Template**

in the form of a Microsoft Excel spreadsheet you can use to create your school’s tracking system. This template includes example cost categories and income sources for a few possible revenue-generating ideas. You and your team will need to edit the categories and enter the estimates, and then over time record actual costs and revenue. The template will then calculate total costs and revenue and reveal whether the activity is generating a surplus. The template does not include a way to estimate the non-financial value of carrying out an activity; this will have to be done through discussions among SPT members.

In Unit 6, you calculated what the school was spending to operate its computer system without any income-generating activities. You can now use this information to enable the SPT to determine whether the total net revenue from all income-generating



### Jing “How to!” Videos

The CD at the end of the Toolkit also includes a step-by-step instructional video for using the **Cost and Revenue Tracking Template**.

activities plus all fees charged to students for the school’s computer system is sufficient to sustain the computer system.

This involves a two-step process. First, use your **Cost and Revenue Tracking** system to add the net revenue from all income-generating activities together to calculate the school’s total net revenue. Add this figure to the total amount of money collected from student fees for using the computer system. Then compare this figure to the total cost to maintain the computer system and pay for all computer system-related services such as Internet access. If these costs are less than

<b>COMPUTER EXPENSES</b>	
Total Personnel Costs	\$12,980.40
Total Equipment Costs	\$3,520.00
Total Connectivity Costs	\$5,400.00
Total Cost for Maintenance and Repair	\$2,318.00
Total Cost of Electricity	\$2,400.00
Total Cost for Training Services and Materials	\$1,450.00
Total Cost for Fund raising and Income Generating Activities	\$2,120.00
<b>TOTAL OPERATIONAL COST FOR THE COMPUTER SYSTEM</b>	<b>\$30,188.40</b>
<b>COMPUTER SYSTEM INCOME</b>	
Total Income from Student Fees	\$14,000.00
Total Income from Government Grants	\$5,320.00
Total Income from Fundraising Events	\$155.00
Total Income from Income Generating Activity	\$2,500.00
Total Income from Donor Funded Activity	\$150.00
<b>TOTAL INCOME AND REVENUE</b>	<b>\$22,125.00</b>
<b>TOTAL NET REVENUE</b>	<b>\$(8,063.40)</b>

total income, your school is generating a surplus. The table on the previous page illustrates this process. In this example, however, the cost to operate the school's computer system exceeded revenue and therefore the school was operating at a deficit. This school needed to reduce costs and increase revenue so that there was no deficit and a surplus was eventually created.

Depending on the size of the surplus, you can use it to replace aging computers, buy additional computers to increase access at the school, buy new software, provide teachers with opportunities to receive computer training, and pay for other additions to the system.

Alternatively, if the school is spending more to maintain its system than it is earning from fees and income-generating activities, the SPT must reevaluate the Sustainability Plan and make adjustments.

As explained earlier in the Toolkit, it is critical to maintain all records of income and expenditures in a transparent way so students, parents, teachers, and other community members will be certain that all of the income the school generates to sustain the computer system is used efficiently and only for this purpose. If members of the community start to believe that funds are not being used properly, they will soon stop using fee-based services and probably will protest any special fees the school charges. To avoid this problem, we advise the SPT to make all records of income and costs related to sustaining the school's computer system public. We realize this can be a sensitive issue, but not being able to sustain and grow your computer system is a much more serious issue.

### **How can we promote and diversify our revenue-generating strategies?**

After you have gained some experience in planning and running a few income-generating activities and have collected data on actual costs and net revenue, you will have a sense of which ideas are winners. At this point, the SPT probably will need to explore diversifying the number and type of income-generating activities. Also, for those activities that are generating a good surplus and creating a positive relationship with the community, the SPT may want to explore ways to increase the number of "customers" buying these high-value services. In combination, diversifying your income-generating services and increasing the returns from the most successful activities is the best way to achieve the long-term sustainability of your school's computer system.

A first possible step in diversifying your revenue-generating activities is to return to the list of possible activities you ranked to see whether your judgment about one or more of them that you did not try has changed since you have gained experience running income-generating activities. The experience you have gained from your initial income-generating activities, from tracking actual costs of maintaining the school's computer system, and from calculating the net revenue earned from activities, probably will influence your views about other income-generating ideas.

With this experience in mind, we suggest you repeat the activities you carried out in Unit 7 to identify new potential revenue-generating ideas and to reevaluate the initial ideas. This process should go more quickly and result in identifying one or a few additional activities the school and community can carry out that will likely be more successful.

In addition to increasing total net revenue, diversifying the income-generating activities the school carries out will reduce risk and ensure that revenue earned over time will remain stable. If your school only has a few very similar ways of generating income to support your computer system, a small change in the local, national, or global situation can quickly change positive revenue to negative. The greater the diversity in income-generating activities, the more stability and fewer risks you will experience. There is no way to eliminate risks, but diversity will reduce them.

**How can we increase the number of “customers” who buy our services or participate in our fundraising activities?**

One main answer to this question can be found on TV, radio, and most signs you see around the community—**advertise**. Another way to increase customers is to ensure that those who have *bought* your services in the past are happy with them. Experience shows that “word of mouth” marketing and personal recommendations from satisfied customers are two of the most effective ways to increase business and expand your customer base.

There are many ways to market the different income-generating strategies you decide to implement. The most basic is simply to use announcements and advertisements. Sharing information about the activity with the greatest number of people possible in your community and neighboring ones is key. One way for the SPT to identify the best ways to communicate your message is to carry out a brainstorming and ranking activity similar to the one you used in Unit 7 for marketing and communication ideas. Once you have selected the best ways to market and communicate, you have to come

up with what you will communicate—the message, or the content of the advertisement being shared via different media.

Successful advertising requires creative thinking and clearly understanding your customers. One way for a school to develop creative and effective advertising messages for different activities and customers is to get the help of teachers and students. Below is an idea for holding a contest that both generates creative ideas and creates an enjoyable educational opportunity.

**An Advertising Contest:** Similar to the contest discussed in Unit 7 to identify good income earning-generating ideas, this contest asks teams of students to come up with creative, realistic, and low-cost marketing ideas that might include messages, diagrams, pictures, movies, slogans, skits or songs, and that would both communicate about a specific activity and encourage people to participate. The contest’s guidelines must include:

- clearly stated objectives and descriptions of each income earning-generating activity, especially any fees, locations, dates, requirements, and benefits;
- the criteria that will be used to judge the advertisements;
- the minimum requirements for each advertisement;
- the time frame for the contest;
- the structure and size of the teams that are to compete, including age levels;
- the prizes that will be awarded to winning advertisements;
- how the contest will be judged; and
- the materials and mediums that can and/or cannot be used.



Radio, TV, ads



Ad space in newsletters



Flyers

# Ideas for Promoting Activities and Services



Word of mouth and personal recommendation



Social Media like Facebook and Twitter



SMS Texting

Participants should be encouraged to use the school's computers to create their advertisements. The SPT may want to hold a drawing for the different activities so two or more teams will compete in each activity. Finally, the contest will need prizes. Judging the contest could be a public activity (which would also be a form of advertising), where each team would present its advertisement to the audience and judges. To make the judging exciting and participatory, the audience could be asked to score each presented advertise-

ment for each activity, and then the audiences' scores would be added to the judges' scores to select the best advertisements for each activity. In addition to being fun and providing the school with free advertising, this process would be educational since students would practice and gain important skills and knowledge. To enhance the project's educational value, the SPT could require each team of students to recruit a teacher or someone from the school or community to function as the team's sponsor and advisor.

