

EC3 FY-2021 Budget Overview

EC3 Annual Meeting

October 20, 2020

Contact: Elisabeth Tobia, CEO (elisabeth.tobia@ec3kids.org)

Foundational Assumptions

- ▶ EC3 exists to provide high-quality early learning and care to children of families in the Greater Lansing Area. “High-quality” is defined by standards established by NAEYC and the Great Start Initiative, including (but not limited to)
 - ▶ Credentialed, experienced, teaching staff
 - ▶ Low teacher-to-student ratios
 - ▶ Engagement with and support of families

Foundational Assumptions

- ▶ EC3 strives to have its student body, families, and staff reflect the demographic composition of the Greater Lansing Area.
- ▶ EC3 strives to be a model center in every way, including financial sustainability.

Typical Budget Assumptions

- ▶ Revenue and expense estimates are based on actual revenue and expenses incurred over the past year.
- ▶ Variables such as number of enrolled children, availability of qualified staff, and certain costs (food, health care, etc.) are largely outside of management's control.
- ▶ Planning for a “positive net revenue” is an appropriate way to reduce the risk of this variability.

This Year's Budget Assumptions

- ▶ The actual revenue and expense incurred over the past year—and previous years—are not valid predictors of revenue and expense for the upcoming year.
- ▶ Not only are certain variables outside of management's control, but they are impossible to forecast due to the unprecedented circumstance of pandemic disease.
- ▶ Because there is no way to reduce the risk of these uncertain variables, allowing for the possibility of a “negative net revenue” is an appropriate way to move forward with budget and operational planning.

Process for Constructing the Budget: Expense

- ▶ What will it cost to operate a center meeting the foundational assumptions?
 - ▶ Begin with the fixed costs—those that would be incurred regardless of how many families are served and how the staff is structured (e.g., mortgage payments, utilities).
 - ▶ Add program costs—those that have some dependency on the number of children and staff, but still meet the foundational assumptions (e.g., classroom equipment and supplies).
 - ▶ Add cash reserve savings—those costs that may or may not be dependent on enrollment or staffing, but that support the foundational assumptions (e.g., savings for capital improvements).
 - ▶ Add people costs—those that are highly dependent on the foundational assumptions (e.g., wages, benefits).

Process for Constructing the Budget: Revenue

- ▶ How much will it take to cover the expenses and still have a positive net revenue (while being willing to accept a loss)?
 - ▶ Begin with estimating enrollment—how many children do we reasonably expect to (hope to) serve in the coming year? (*Note: we use estimates that are a percentage of our total capacity, which helps account for lapses between enrollments and unfilled slots during the year.*)
 - ▶ Add estimates of credits—how much revenue will we forego to honor certain policies or incentivize enrollment?
 - ▶ Add known (hoped for) sources of non-tuition revenue—government reimbursements, donations, grants.
 - ▶ Adjust tuition rates until the budget reaches the target equilibrium.

EC3 FY-2021 Budget: Expense

Administrative Expense (Low dependence on enrollment or staffing)	
Building (Mortgage, Utilities, Maintenance, Cleaning)	\$87,725
Insurance	\$24,000
Technology, Professional, and Banking Fees	\$52,885
Marketing/Advertising, and Office Supplies	\$15,186
Regulatory Fees	\$1,450
TOTAL ADMINISTRATIVE EXPENSE	\$181,246

EC3 FY-2021 Budget: Expense

Program Expense (High dependence on enrollment and staffing)	
Program equipment, supplies, and activities	\$37,671
Program food	\$31,939
TOTAL PROGRAM EXPENSE	\$69,611

EC3 FY-2021 Budget: Expense

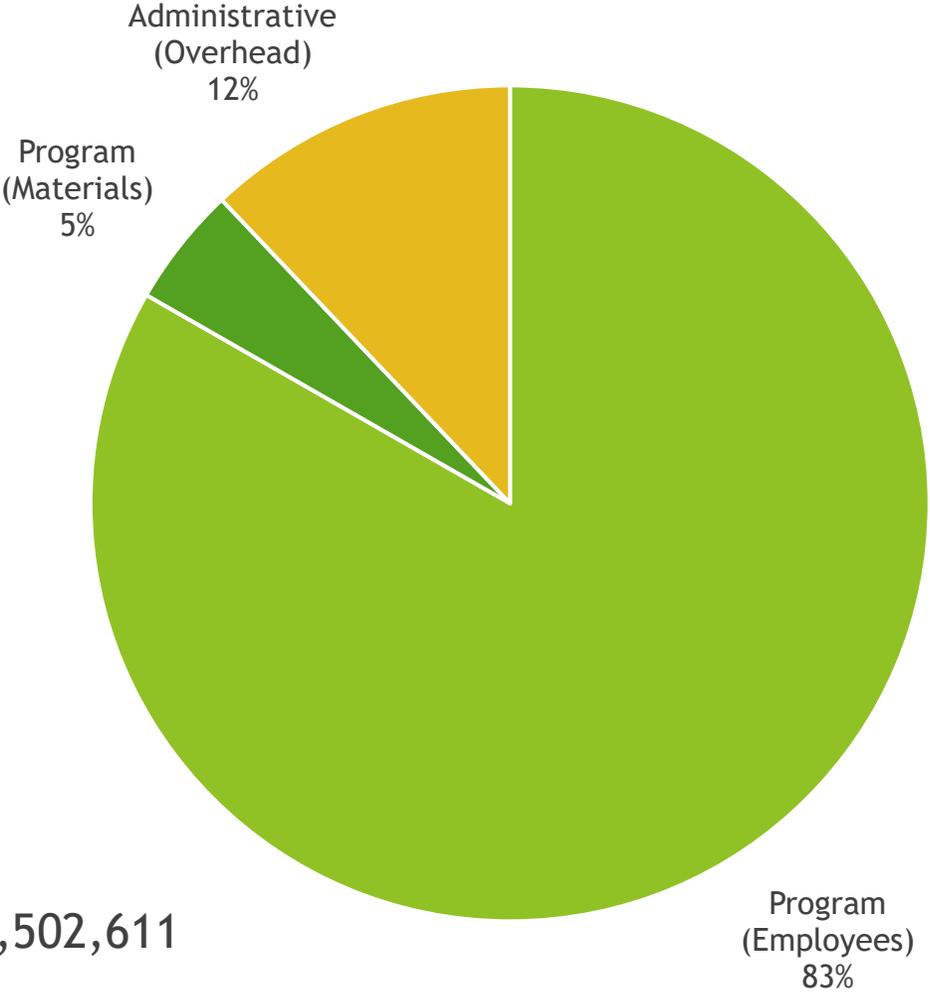
Cash Reserve Savings (Low dependence on enrollment and staffing)	
Payroll liabilities reserve	\$0
Loan payments beyond minimum	\$0
Building upgrade reserves	\$0
TOTAL CASH RESERVE SAVINGS	\$0

- ▶ Both the payroll liabilities savings account and the building upgrade savings account are sufficiently funded; additional contributions are on hold until overall budget risk is reduced.
- ▶ Accelerated loan payments will not be made.

EC3 FY-2021 Budget: Expense

Employee Expense (Largely dependent on enrollment and staffing)	
Teaching/classroom staff	\$807,050
Administrative/custodial staff	\$221,507
Payroll taxes/expenses	\$109,233
Benefits	\$104,832
Staff development & training	\$7,714
Staff recruitment	\$1,419
TOTAL EMPLOYEE EXPENSE	\$1,251,755

EC3 FY-2021 Budget: Expense



► Total expense: \$1,502,611

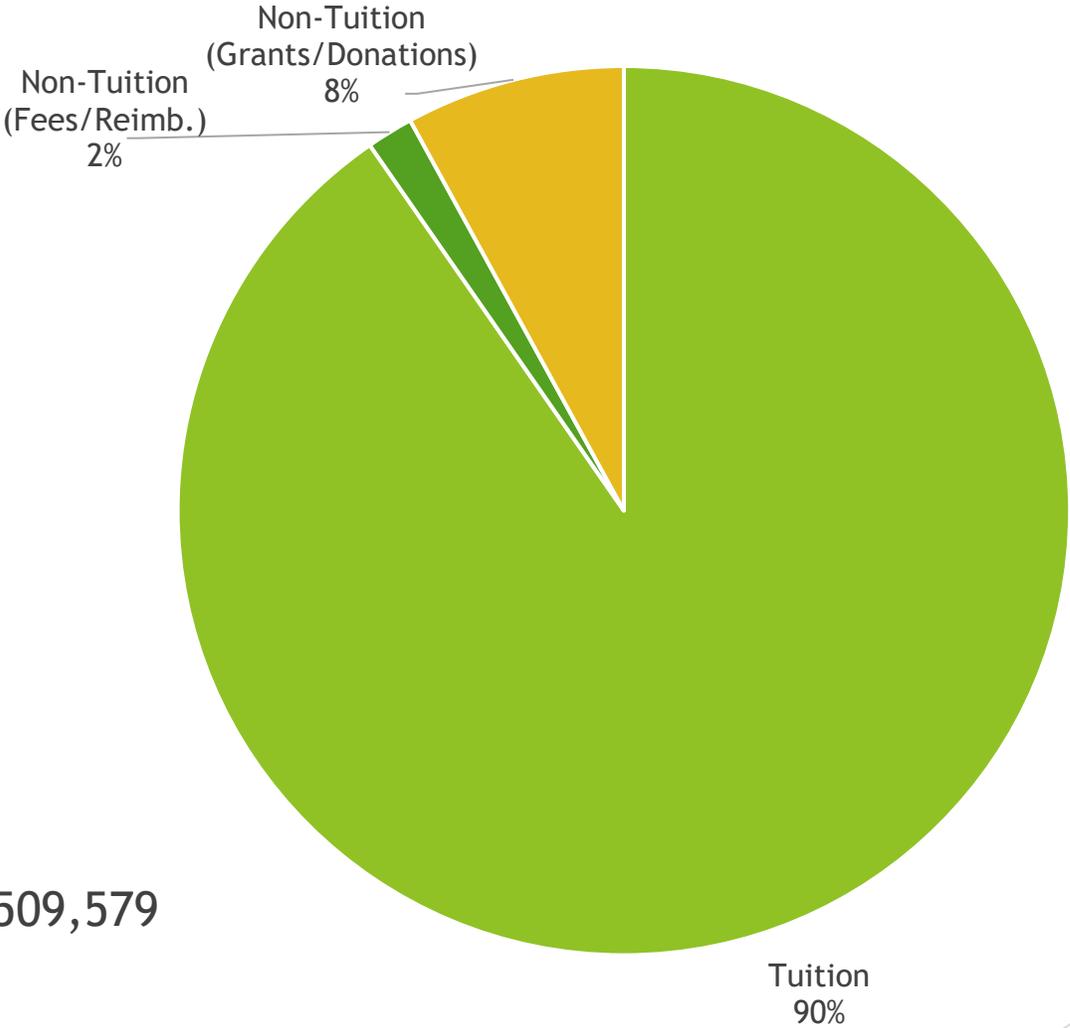
EC3 FY-2021 Budget: Non-Tuition Revenue

Non-Tuition Revenue	
Grants	\$60,000
Fundraising	\$50,000
Donations	\$10,000
Fees and Interest	\$12,429
Food Program Reimbursement	\$11,211
Volunteer Contribution Residual	\$1,904
TOTAL NON-TUITION REVENUE	\$145,544

EC3 FY-2021 Budget: Tuition Revenue

Tuition Revenue	Previous Weekly Rate (FT)	New Weekly Rate (FT)	Previous Daily Rate (PT)	New Daily Rate (PT)	Projected Annual Revenue
Infants	\$297	\$287	n/a	\$66	\$203,212
Toddlers	\$297	\$287	\$68	\$66	\$609,636
Preschoolers	\$253	\$245	\$58	\$56	\$519,320
Summer Camp	\$230	\$200	\$46	\$40	\$51,866
Employee Tuition Discount (est.)					\$(20,000)
TOTAL TUITION REVENUE					\$1,364,034

EC3 FY-2021 Budget: Revenue



► Total revenue: \$1,509,579

EC3 FY-2021 Budget

Budget Overview	
Operating Revenue	\$1,509,579
Operating Expense	\$1,502,611
NET REVENUE	\$6,967

What does tuition actually pay for?

Expense	Infant-Toddler	Preschool	Summer Camp
Administrative Expenses	\$35	\$30	\$24
Program Expenses	\$13	\$11	\$9
People Expenses	\$239	\$204	\$167
New Tuition Rate	\$287	\$245	\$200

Question and Answers

- ▶ What is the annual cost savings for EC3 families?
 - ▶ Between \$416/year and \$520/year per FT child
 - ▶ Between \$208/year and \$312/year per PT child
- ▶ How does this compare to last year's tuition rates?
 - ▶ Last fall, tuition *increased* by 3.8%
 - ▶ This fall, tuition *decreased* by 3.3%
- ▶ Why is tuition decreasing?
 - ▶ To make EC3 more affordable for Lansing families
 - ▶ To make EC3 more competitive among high-quality centers in the area
 - ▶ To increase enrollment
- ▶ When will this decrease take effect?
 - ▶ New rates began on the billing of September 21, 2020