

EC3 FY-2020 Budget Overview

EC3 Annual Meeting

October 15, 2019

Contact: Elisabeth Weston, Executive Director (eweston@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 teaching staff
 - ▶ Low teacher-to-student ratios
 - ▶ Engagement with and support of families

Foundational Assumptions

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

3

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.

4

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.
 - ▶ Add program costs—those that have some dependency on the number of children and staff, but still meet the foundational assumptions.
 - ▶ Add cash needs—those costs that may or may not be dependent on enrollment or staffing, but that support the foundational assumptions.
 - ▶ Add people costs—those that are highly dependent on the foundational assumptions.

5

Process for Constructing the Budget: Revenue

- ▶ How much will it take to cover the expenses and still have a positive net revenue?
 - ▶ Begin with estimating enrollment—how many children do we reasonably expect 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 sources of non-tuition revenue—government reimbursements, donations, grants.
 - ▶ Adjust tuition rates until the budget reaches the target equilibrium.

6

EC3 FY-2020 Budget: Expense

Administrative Expense (Fixed costs: moderate dependence on enrollment or staffing)	
Building (Mortgage, Utilities, Maintenance, Cleaning)	\$93,050
Insurance	\$19,000
Technology, Professional, and Banking Fees	\$34,200
Marketing/Advertising, and Office Supplies	\$17,300
Regulatory Fees	\$925
TOTAL ADMINISTRATIVE EXPENSE	\$164,475

7

EC3 FY-2020 Budget: Expense

Program Expense (Program costs: dependent on enrollment and staffing)	
Program equipment, supplies, and activities	\$38,600
Staff development	\$5,364
Staff recruitment	\$2,000
Program food	\$38,000
TOTAL PROGRAM EXPENSE	\$83,964

8

EC3 FY-2020 Budget: Expense

Cash Needs (Cash needs: somewhat dependent on enrollment and staffing)	
Payroll liabilities reserve	\$6,000
Term loan payments	\$12,000
Building upgrade reserves	\$6,000
TOTAL CASH NEEDS	\$24,000

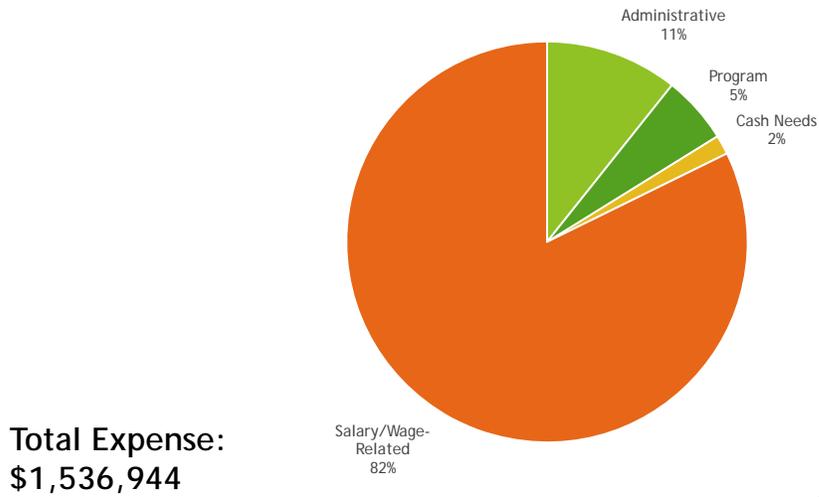
9

EC3 FY-2020 Budget: Expense

Salary/Wage Expense (People costs: largely dependent on enrollment and staffing)	
Teaching/classroom staff	\$856,732
Administrative staff	\$195,080
Teaching Staff Raises (2%)	\$21,036
Payroll taxes/expenses	\$96,556
Fringe benefits	\$95,100
TOTAL SALARY/WAGE EXPENSE	\$1,264,505

10

EC3 FY-2020 Budget: Expense



11

EC3 FY-2020 Budget: Non-Tuition Revenue

Non-Tuition Revenue	
CACFP Reimbursement	\$15,000
Fundraising	\$40,000
Donations	\$15,000
Other Income (Strategic Planning Grant) & Interest	\$26,510
TOTAL	\$105,010

12

EC3 FY-2020 Budget: Fee Revenue

Fees and Discounts	
Sibling Discount (phasing out since 2015)	\$(7,500)
Employee Tuition Discount	\$(35,000)
Application/Late Payment/Late Pickup Fees/Referral Discount	\$6,200
TOTAL	\$(36,300)

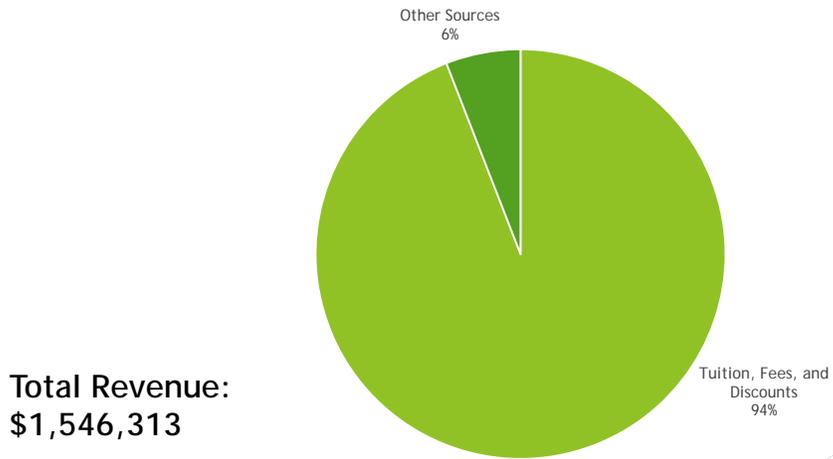
13

EC3 FY-2020 Budget: Tuition Revenue

Tuition Revenue	Current Weekly Tuition	New Weekly Tuition (begin. 11/18/19)	Annual Revenue
Infants	\$287	\$297	\$234,749
Toddlers	\$287	\$297	\$630,115
Preschoolers	\$243	\$253	\$581,495
Summer Camp	\$210	\$230	\$39,744
TOTAL			\$1,486,103

14

EC3 FY-2020 Budget: Revenue



EC3 FY-2020 Budget

Budget Overview	
Operating Expenses and Cash Needs	\$1,536,944
Operating Revenue and Other Income	\$1,546,313
NET REVENUE	\$9,369

So what does my tuition actually pay for?

Expense	Infant-Toddler	Preschool	Summer Camp
Administrative Expenses	\$33	\$28	\$25
Program Expenses	\$15	\$13	\$12
Salary and Wage Expenses	\$244	\$207	\$189
Other Expenses	\$5	\$5	\$4
New Tuition Rate	\$297	\$253	\$230

Question and Answers

- ▶ Why is tuition increasing?
 - ▶ Increased wage and salary levels
 - ▶ Increased cost of employee benefits
- ▶ How does this compare to last year's tuition increase
 - ▶ Last fall, tuition increased by 3.5%
 - ▶ This fall, tuition is increasing by 3.8%

Question and Answers

- ▶ When will this increase take effect?
 - ▶ Beginning on November 18, 2019
- ▶ Are part-time rates increasing?
 - ▶ Yes
 - ▶ Toddlers: from \$65/day to \$68/day
 - ▶ Preschoolers: from \$55/day to \$58/day
 - ▶ Summer campers: from \$45/day to \$46/day