

EC3 FY-2022 Budget Overview

EC3 Stakeholder Town Hall Meeting

September 15, 2021

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1

Meeting Etiquette

- ▶ This meeting will be recorded and will be available on EC3's website
- ▶ Attendees should mute their audio unless they are speaking
 - ▶ If you dialed in to the meeting, press *6 to mute or unmute
- ▶ Use the Chat feature at any time to ask a question or provide a comment
- ▶ Use the Raise Hand feature to indicate that you wish to speak

2

2

Topics Covered

- ▶ EC3's mission-focused approach to budgeting
- ▶ What we expect, what we don't know
- ▶ Overview of expense in the new budget
 - ▶ Technology improvements, including website
 - ▶ Overhaul of wage/salary schedule
- ▶ Overview of revenue in the new budget
 - ▶ Expectations for government grant funds
 - ▶ Change in tuition rates
- ▶ Q&A

3

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

4

Foundational Assumptions

- ▶ EC3 strives to be known as a preferred employer, providing a great place to work and advance in one's profession
- ▶ 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

5

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

6

Pandemic Recovery Budget Assumptions

- ▶ The actual revenue and expense incurred over the past two years—and previous years—may not be reliable predictors of revenue and expense for the upcoming year
- ▶ Certain variables, such as non-tuition revenue, are especially difficult to forecast due to the unprecedented nature of government funding since the pandemic began
- ▶ 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

7

7

Process for Constructing the Budget: Expense

- ▶ Administrative costs—incurred regardless of how many families are served and how the staff is structured (e.g., mortgage, utilities, insurance)
- ▶ 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)
- ▶ Program costs:
 - ▶ Employee costs—highly dependent on foundational assumptions (e.g., wages, benefits)
 - ▶ Other program costs—some dependency on the number of children and staff, but still meet the foundational assumptions (e.g., classroom equipment and supplies)

8

8

EC3 FY-2022 Budget: Expense

Administrative Expense (Low dependence on enrollment or staffing)	Rounded to nearest thousand
Building (Mortgage, Utilities, Maintenance, Cleaning)	\$97,000
Insurance	\$24,000
Technology, Professional, and Banking Fees	\$55,000
Marketing/Advertising, and Office Supplies	\$38,000
Regulatory Fees	\$1,000
TOTAL ADMINISTRATIVE EXPENSE	\$181,000

- ▶ Marketing budget includes \$5,000 for renewal of CRM software, and \$15,000 for website upgrade planning
- ▶ Banking fees include mortgage interest

9

EC3 FY-2022 Budget: Expense

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

- ▶ Both the payroll liabilities savings account and the building upgrade savings account are sufficiently funded for current needs; additional contributions are on hold until overall budget risk is reduced

10

EC3 FY-2022 Budget: Expense

Program Expense (High dependence on enrollment and staffing)	Rounded to nearest thousand
Program equipment, supplies, and activities	\$42,000
Program food	\$49,000
TOTAL PROGRAM EXPENSE	\$91,000

11

11

EC3 FY-2022 Budget: Expense

Employee Expense (Largely dependent on enrollment and staffing)	Rounded to nearest thousand
Teaching/classroom staff wages	\$963,000
Administrative/custodial staff wages	\$260,000
Payroll taxes/expenses	\$137,000
Benefits	\$133,000
Staff development & training	\$10,000
Staff recruitment	\$2,000
TOTAL EMPLOYEE EXPENSE	\$1,506,000

- ▶ Wage expenses are projected to be 18% higher than the current year, due to the overhaul in EC3's wage/salary schedule

12

12

Wage Schedule Overhaul

- ▶ EC3's wage/salary schedule was last changed in 2016, with poverty-level starting rates
 - ▶ Teacher with BA: \$30,000 (\$14.42/hour)
 - ▶ Teacher with AA: \$27,500 (\$13.22/hour)
 - ▶ Teacher with CDA: \$25,000 (\$12.02/hour)
 - ▶ Support staff: \$10.75/hour
- ▶ Average starting rate of a Lansing Schools teacher is \$40,000 (\$19.23/hour)
- ▶ To attract qualified teachers, and retain good employees, EC3 must compete on wages

13

13

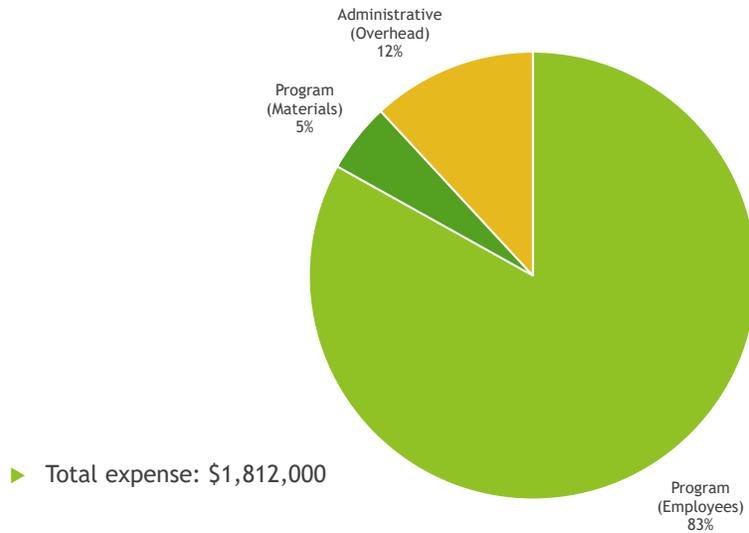
Wage Schedule Overhaul

- ▶ New wage/salary schedule pays for credentials and experience
- ▶ Full-time employees won't earn *less* than \$15.00/hour
 - ▶ Teacher with BA: \$35,880 minimum (\$17.25/hour)
 - ▶ Teacher with AA: \$34,320 minimum (\$16.50/hour)
 - ▶ Teacher with CDA: \$33,280 minimum (\$16.00/hour)
 - ▶ Support staff: \$12.50/hour minimum
- ▶ Current employee wages will be increased (by 1/1/22) to levels corresponding with the new scale
- ▶ Net increase in wages/taxes for FY-2022 is approx. \$63,000

14

14

EC3 FY-2022 Budget: Expense



15

Process for Constructing the Budget: Revenue

- ▶ Enrollment estimate—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.*)
- ▶ Credits estimate—how much revenue will we forego to honor certain policies or incentivize enrollment? (e.g., employee tuition discount)
- ▶ Non-tuition revenue estimates—government reimbursements, private donations, and grants from many sources
- ▶ Tuition rates are established to reach the target equilibrium

16

EC3 FY-2022 Budget: Non-Tuition Revenue

Non-Tuition Revenue	Rounded to nearest thousand
Grants	\$300,000
Fundraising	\$25,000
Donations	\$25,000
Fees and Interest	\$17,000
Food Program Reimbursement	\$16,000
Service Contribution Residual	\$18,000
TOTAL NON-TUITION REVENUE	\$401,000

- ▶ Significant grant funding is assured from the federal American Rescue Plan Act, but the Michigan legislature has not authorized it yet
 - ▶ CARES Act: MDE had \$200M to spend, EC3 received \$91,200
 - ▶ ARPA: MDE has \$700M to spend, which is 3.5x and much

17

17

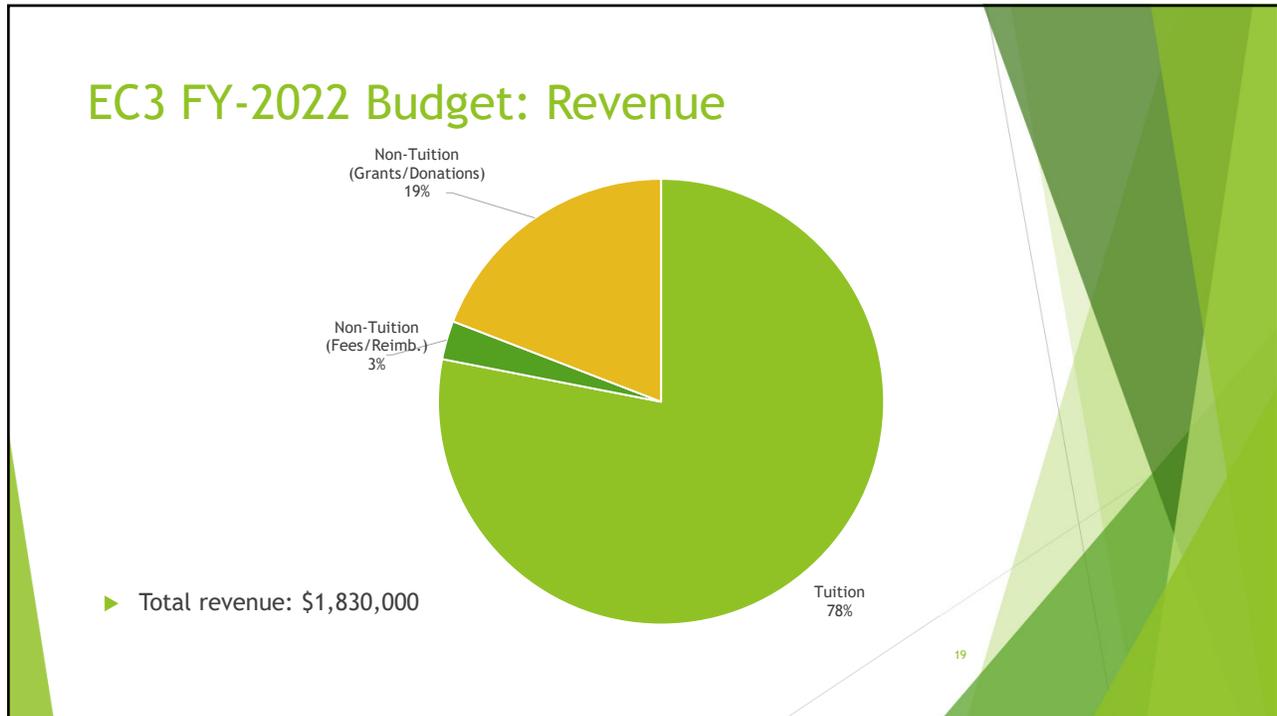
EC3 FY-2022 Budget: Tuition Revenue

Tuition Revenue	Current Weekly Rate	New Weekly Rate	Current Daily Rate	New Daily Rate	Projected Annual Rev.
Infants	\$287	\$308	n/a	n/a	\$218,000
Toddlers	\$287	\$308	\$66	\$70	\$653,000
Preschoolers	\$245	\$265	\$56	\$61	\$562,000
Summer Camp	\$200	\$220	\$40	\$44	\$30,000
Employee Tuition Discount (est.)					\$(35,000)
TOTAL TUITION REVENUE					\$1,428,000

- ▶ Pre-pandemic tuition rates:
 - ▶ Infants/toddlers: \$297
 - ▶ Preschool: \$253
- ▶ Tuition increase goes into effect starting the week of 10/4/21; billing statements will change 9/20/21

18

18



19

EC3 FY-2022 Budget

Budget Overview	
Operating Revenue	\$1,830,000
Operating Expense	\$1,819,000
NET REVENUE	\$11,000

20

What does tuition actually pay for?

Expense	Infant-Toddler	Preschool	Summer Camp
Administrative Expenses	\$37	\$31	\$26
Program Expenses	\$15	\$13	\$11
People Expenses	\$256	\$220	\$183
New Tuition Rate	\$308	\$265	\$220

21

21

Questions?

22

22