



New Hampshire
COMMUNITY
LOAN FUND

UNDERSTANDING PER-CHILD COSTS OF AN ECE CENTER

Exploring Different Scenarios

Before exploring scenarios, it is important you spend time reviewing the **Cost Analysis per Unit Spreadsheet** and the **Breakeven Spreadsheet**. Become comfortable with the columns, the rows, the formulas, and what the numbers represent. Once, you've entered your own staff costs, tuition rates, and monthly expenses, you should be able to comfortably answer the following questions from the **Cost Analysis per Unit Spreadsheet**:

- ▶ What is the current group revenue per week?
- ▶ What is the current group expense per week?
- ▶ What is the annual profit/loss per classroom? Per Week? Per Year?
- ▶ What is the average tuition received per week? Per month?
- ▶ What is the **Utilization Rate** (Capacity in each room divided by enrollment in each room)? What do you want this to be?

And the following questions from the **Quick and Dirty Breakeven – Before and After Box**:

- ▶ What is the share of total enrollment per classroom based on **preferred** capacity?
- ▶ What are the full-time equivalent children enrolled per classroom?
- ▶ What number of kids are needed to breakeven in each classroom (**monthly** expenses divided by the **monthly** tuition per child)?
- ▶ Items of Note:
 - Childcare Wages and Benefits and All Other Expenses are allocated to each classroom based on the share of total enrollment.
 - Occupancy is segregated because it is often a substantial cost item and changes in occupancy can significantly impact bottom line

And the following questions from the **Annualized Income and Expense Box**:

- ▶ What is the annualized income and expense for the school year? For the summer months?
- ▶ Is **net income** for the year negative or positive? If applicable, are school age programs subsidizing other programs?

Exploring Scenarios

Before moving onto a scenario, save the Master Spreadsheet. Select “File”, “Save As” and add an extension to the file name, such as the scenario name. For example: “Per Cost Child Analysis.Add A Classroom”. **Do a “Save As” from the Master File, each time you want to start a new scenario.**

After each scenario, you should review the *Cost Analysis per Unit* worksheet and the *Breakeven* worksheet. Ask ‘**What has changed?**’ Each time you run through a scenario answer the following:

- ▶ What happened to annual profit/loss per classroom? Per Year?
- ▶ What happened to the utilization rate?
- ▶ What happened to the break-even number per classroom? Are more or less children needed?
- ▶ What happened to expenses? To Income?

Scenario 1 - Add a Classroom

You decide – add an infant room, a second toddler room.

- ▶ Determine how many staff will be needed and what they will be paid.
- ▶ Determine how a second classroom will impact your expenses? What new or increased expenses will you incur? Expenses that are likely to increase are food, program supplies, cleaning supplies, staff development. What else?
- ▶ Determine the tuition for the new classroom? Add the tuition to the Child Care Tuition Spreadsheet

Questions/Other considerations: Are there up-front costs to adding a classroom, such as new equipment or program supplies? Does the physical space need to be expanded or renovated? You want to know these numbers for planning and assessment – you may not necessarily enter them into this spreadsheet but you need to know up front cost in order to move forward.

Scenario 2 - Adjusting Enrollment

Do you have a classroom that is not breaking even? Do you have a classroom where you can add more children and not increase staff? If so work with those. Or you can simply adjust enrollment in a classroom with a higher tuition rate and reduce it in one with a lower tuition rate by the same number of children.

- ▶ Do the adjustments in enrollment impact staffing? Expenses? Make appropriate changes.

Questions/Other Considerations: Do the enrollment changes improve or weaken financial performance? Do enrollment changes impact program quality?

Scenario 3 - Adding Program Services

Add a new service, perhaps a family night offered three times per year or a new music program.

- ▶ What new expenses will be incurred – add those.
- ▶ Will staff time be needed? If so, adjust hours for staff accordingly?

How much is needed to cover the cost of the new service? Can the center afford it? Can the funds be found in the budget? Play with your budget – are there cost savings? Are there income opportunities? Are there other options?

Scenario 4 - Staff Raises

Increase staff salaries, across the board, by a set percentage. Try a different percentage? Make note of what changed. Make salaries what you wish they could be. Can some classrooms support raises and not others? Play with the budget – are there cost savings or income opportunities that can support staff raises?

Scenario 5 - Room Staffing

Are there any inefficiencies in room staffing? Can you reduce staff? Can you move staff around? Make some adjustments? What happens?

Look at your Scenario Background Questions (the Homework) – Pick a planned or wished for change. Work with it.

- ▶ What questions do you need to answer – about staffing, expense, tuition?
- ▶ Is the impact long-term or short-term?