

Child Care and Daycare Financial Model

Developed by First Children's Financial of Iowa

Background:

Belmond is in a crisis of a shortage of daycare providers. However, we are in the enviable position of having a wealthy benefactor who has committed toward helping our community solve our problem. The Richard O. Jacobson Foundation last year pledged our community \$500,000 in seed money to help solve the issue of daycare in town. The Foundation required first a comprehensive study of needs and possible long-term solutions to our childcare crisis. Next, they require a very specific plan and business model. The Board contracted the expertise of First Children's Finance of Iowa to conduct our study and then to develop our business plan for \$22,000, the study to be funded by the Jacobson Foundation.

The final business plan is ready for school board approval.

The business plan is available for review on the BoardBook website under the category of *EXTRAS*.

Executive Summary

Colts Corner Daycare was established in 2019 as a nonprofit organization, with a mission to provide high quality, reliable care for the children of Belmond. In doing so, we hope to positively affect our community by providing support to families with before and after school programs along with daycare for infant through toddler and preschool age children. Our goal as an organization is to strengthen the network between families, their work, the schools, and the community at large by providing a safe and educational environment for our youngest members.

There are 644 children in the Belmond-Klemme Community School District that have all parents in the labor force, and it is estimated 485 of those come from families that are likely to seek outside child care. In a 2019 child care needs survey conducted within the district, 75% of parents indicated their preferred child care arrangement is either a Registered Child Development Home or a licensed child care center. As of June 2020, there were 3 Registered Child Care Development Homes in Belmond, offering full-time, year-round child care. These providers have a combined total capacity of 36. In addition, there is one Iowa DHS licensed preschool program in Belmond. This program is licensed for 14 spaces, but only offers part-time preschool during the school year. With only 50 child care spaces and potentially 485 children that would like use outside care, there is a deficit of 435 child care spaces within the school district.

Colts Corner will provide full-time year-round child care, along with before and after care for children in preschool or elementary school. The center will be located at 503 4th Street NE in Belmond, Iowa. This facility was originally built as an elementary school, and will undergo significant renovations. The existing 13,433 square-foot building will be remodeled to accommodate Colts Corner's business model of 8 classrooms. Preliminary plans for the interior space consist of 1 infant room, 1 infant/toddler room, 1 toddler room, 2 two-year-old rooms, 1 three-year-old room, 1 four-year-old room, 1 school age room, a multi-purpose space, a

commercial kitchen, office/reception area, restrooms and storage. The lot provides plenty of space for segregated play areas for the different age groups. The playgrounds will be accessible from a hallway door.

The total cost of getting the building renovated and ready to open is \$2,105,803. To date, \$570,000 has been secured and another \$500,000 is pending. This leaves an additional \$1,035,803 to be secured. Fundraising and applying for grants for the remaining costs will be a joint effort between Colts Corner, Build a Better Belmond, and the City of Belmond.

The expected opening of Colts Corner Daycare is August 2021. Once remodeled, the facility will be able to be licensed for 150 children, however to provide a high quality environment, Colts Corner will observe National Association for the Education of Young Children (NAEYC) standards, and limit the group size in some rooms. As a result, Colts Corner will set their own operational capacity of 126. It is assumed that upon opening, the enrollments will be equal to 50% of the operational capacity. This will require approximately 24 employees, including a Center Director, Classroom Leads, Classroom Assistants, and a Cook. As enrollments increase over the first few years, an additional 8 staff positions will be created, for a total of 32.

Financial projections for the first 3 years of operations, while enrollments are ramping up, show that it will be necessary for Colts Corner to fundraise to have enough cash on hand to cover all operational expenses. Annual budget projections show a surplus of \$52,074 in FY2021, then deficits of -\$47,740 and -\$33,160 in FY2022 and FY2023, respectfully. However, once depreciation is subtracted, the net cash flow projections show a surplus of \$73,512 in FY2021, a deficit of \$8,064 in FY2022 (this can be off-set by the surplus in the prior year), and a surplus of \$3,316. To achieve these results, assuming no other assumptions are changed, it will be necessary to fundraise \$100,000 (in addition to start-up costs) in FY2021, and \$55,000 per year in FY2022 and FY2023.

As part of the business planning process, the Colts Corner Board of Directors, identified the following goals and projects to guide their decisions over the next five years:

GOAL: Colts Corner will open a licensed child care facility in Belmond by September 1, 2021.

GOAL: Colts Corner will achieve an enrollment level equal to 75% of the Board's self-imposed capacity of 126 by September 2024.

GOAL: Colts Corner will achieve a Quality Rating System (QRS) rating of Level 3

Recommended Action:

I recommend the board move to accept and enter into its record the Business Plan for Child Care for Colt's Corner Daycare prepared by First Children's Finance.