

## DAY CARE IN PUBLIC HOUSING

William T. Geary, Associate Professor  
The College of William and Mary, Williamsburg, Virginia

Thomas D. Turnbull, Associate Vice President  
Volunteers of America, Metairie, Louisiana

Dan Schaefer, Executive Director of the Petersburg, Virginia office of the Volunteers of America (VOA), has carefully followed the progress and problems of Alta Vista Gardens — a low income residential community located in a nearby suburb. Dan's interest is due in part to VOA's early involvement with the concept and design of the community. The complex of approximately 200 single family units was developed by VOA in 1971 under a program funded by the Department of Housing and Urban Development (section 236). In recent years, Alta Vista Gardens has had its share of unexpected problems stemming primarily from drug abuse and drug related criminal activity.

As a consequence of criminal activity, community life in Alta Vista Gardens was severely undermined. Early in 1990, a small group of residents organized for the purpose of improving the quality of life and establishing community support systems. Because Alta Vista's reputation suffered greatly during its decline, rebuilding would not be an easy task and community leaders were receptive to suggestions from Dan and the VOA staff.

Volunteers of America, Inc. has been active in the United States since 1896, providing quality human care in a Christian atmosphere. VOA, Inc. is a national, nonprofit, Christian human service organization. Succinctly stated, VOA's mission as originally expressed is "reaching and uplifting all people and bringing them to the immediate knowledge and active service of God." Local VOA corporations are highly autonomous operating within the guidelines established by the national board. VOA is also an interdenominational church with the president of the national organization serving as the chief officer of the corporation as well as the head of the church. In 1990, VOA provided services to almost 1 million people in 200 communities throughout the United States.

Social programs initiated by a local office of VOA are developed in response to community needs. A high degree of autonomy allows VOA offices to work in close partnership with local government, civic groups, religious organizations, and human care providers. VOA provides services and programs for many groups including: the elderly, families, youth, the prison population, the homeless, alcoholics, drug abusers, and persons with mental or physical disabilities.

Community leaders from Alta Vista met often with Dan and other VOA staff members in the Petersburg office. Together they came up with what they thought would be an excellent initiative: a first-rate day care center located in an available community building in the heart of the Alta Vista complex to be staffed by Alta Vista residents. In many ways this was an ideal initiative. Day care and the added employment opportunities would contribute substantially to the lives of the families in Alta Vista and provide excellent support for rebuilding the

community. In addition, new directives at the state level required welfare recipients with children to seek employment or receive training — either way, the demand for child care would increase.

After several staff meetings to discuss the idea, Dan decided to take the project to his board for preliminary approval. In preparation, he worked with Peggy Kressen, the office controller, to develop financial projections. Peggy, working through the national office of VOA, was able to gather information from other VOA offices that had experience with day care (See Attachment A).

Prior to the board meeting, Dan summarized the advantages associated with the project. The major points are listed below.

- Day care would meet a critical need for the families of the Alta Vista Community. While it is hard to overstate the importance of high quality child care for any community, the argument is even more compelling in the case of low income families where there are few or no alternatives available. It is exceedingly difficult for members of this group to lift themselves and their families out of poverty without some assistance. Lack of transportation, job skills and affordable child care are principal obstacles.
- An on-site day care program located within the heart of the Alta Vista complex would be an important factor in the rebuilding of community life. An increase in the number of homeless families in the Petersburg area argues strongly for the importance of low cost housing that is suitable for family life. Day care might be just what community leaders need to turn around living conditions in Alta Vista. Instead of viewing this community as a choice of last resort, families might be attracted to Alta Vista because of its high quality, year round, child care facility (while enrollment will not be limited to Alta Vista residents, they will have first priority).
- VOA staff members are confident they can organize a day care program that will truly reach the children of the community. They have already identified an ideal candidate who lives in Alta Vista to serve as program director. The curriculum will consist of planned activities that are designed to foster a positive self concept, develop social skills, extend and encourage language and cognitive development, and promote an appreciation for the creative arts. A balance of indoor and outdoor activities will include physical development, art, music, and dramatic play. Enthusiasm for the project is very high and the staff feels that this program is "a good example of what VOA is all about."
- The recent directives requiring welfare recipients to seek employment or training will create additional demand for child care. Effective October 1, 1990, recipients of Aid to Dependent Children (ADC) whose children reach age three are required by the Family Support Act of 1988 to seek employment and/or education, or lose ADC benefits. Under the provisions of this program, the Department of Social Services (DSS) will pay between \$80 and \$85 per-week for each child enrolled in day care. Because VOA can operate a center on premises without incurring transportation and rent costs, the state stipend should be adequate to cover costs.
- The Petersburg office has been looking for new programs. Having been a director for almost ten years in several locations, Dan has come to understand the "business side" of his operation. Programs, like everything else, have life cycles. An office that is not creating new initiatives will find its influence on the decline. To win the trust of local funding agencies, it is important to be known by the work that you do and the services you provide. Also, though the Petersburg office does operate programs for youths it does not presently sponsor any services for young children. The day care center would help raise public awareness of VOA within the community and this could translate into increased financial support for additional services for children and other VOA programs.
- The day care proposal is especially interesting from the business perspective because it has many characteristics of an enterprise activity. A day care facility requires a "user fee" that can be validated in the market place by comparison with other providers. In the future, day care (for children and the elderly) will be in even greater demand. The Alta Vista program could provide valuable experience in this area. If day

care can be run as an enterprise, Dan will be able to generate badly needed funds. These discretionary funds could be returned to the community in many ways including tuition assistance and program enhancements for the students in the day care program at Alta Vista. The Petersburg Office had previously relied upon a franchised thrift shop for discretionary funds. Since the closing of the shop several years ago (because of mismanagement by the franchisee), the Petersburg office has not been able to generate adequate discretionary funds.

- The proposal would have a good chance of qualifying for start up funding by the national organization of VOA. Funds generated by the VOA endowment are sometimes made available to local offices to cover start-up costs and initial expenditures such as equipment purchases. If the proposal is approved, the most that Petersburg could hope for is a grant of \$50,000. Dan's best guess is that about half of the grant would be needed for furniture and equipment and the other \$25,000 would be required to finance operating deficits during the start up period.
- The space that is available has not been used for many years and it has been offered without charge by the National Housing Partnership, the firm responsible for the residential management of Alta Vista Gardens. The center was originally intended for use as a pre-school and will accommodate up to 37 children. The main area is 1,250 square feet with an adjoining office, kitchen, and two bathrooms. Initial research indicates a large unmet need and there is no reason to think that private providers will locate in or near the Alta Vista complex.

Dan's board responded very positively to his presentation. Peggy was also present to explain the details of her analysis and answer questions. She pointed out that her revenue projections assumed only 80% of the potential revenue because the Department of Social Services only pays for the actual days that an enrolled student attends. The daily reimbursement rates established by DSS are based on age and the expectation that children who are five will be enrolled in a public school kindergarten and will attend day care for only a half day. Except for one question about the director's benefit package, board members were not much interested in pouring over the numbers.

At the close of the meeting, it was "full steam ahead." Dan will complete the papers for the grant proposal to be sent to the national organization of VOA, and the board will discuss the timetable for bringing the center into operation at their next meeting.

What is the mission of the Petersburg office? Is financial planning important to Peterburg's success in achieving his mission?

Develop a cost-volume-profit model to describe the financial implications of the proposal (see Attachment A—Financial Projections). Using monthly data, prepare an analysis that includes projected revenue, variable costs, and fixed costs for enrollment levels of 20, 25, 30, and 37 students. Salary costs should be treated as fixed costs that "step-up" when increased enrollment requires an additional teacher or teacher's aide. Also, compute the break-even points for the various levels of operation.

Describe the financial risks associated with the proposal.

**ATTACHMENT A**  
**VOLUNTEERS OF AMERICA**  
**ALTA VISTA CHILD DEVELOPMENT CENTER**  
**FINANCIAL PROJECTION**

	MONTHLY PROJECTIONS BASED ON ENROLLMENT				
	20	25	30	37	
<b>INCOME (assume all DSS with 80% attendance)</b>					
Nineteen (19) DSS 2-3 year olds \$17/day x 250 days x 80%	\$2,550 (9)	\$3,400 (12)	\$4,250 (15)	\$5,383 (19)	
Twelve (12) DSS 4-5 year olds \$16/day x 250 days x 80%	\$1,333 (5)	\$1,867 (7)	\$2,400 (9)	\$3,200 (12)	
Six (6) DSS 5 year olds \$7/day x 250 days x 80%	\$ 700 (6)	\$ 700 (6)	\$ 700 (6)	\$ 700 (6)	
	\$4,583	\$5,967	\$7,350	\$9,283	

	20	25	30	37
<b>EXPENSES</b>				
<b>ACCT. #</b>				
7000				
Salaries (see Note 1)	\$1,458	\$1,458	\$1,458	\$1,458
Program Director	644 (27 hrs/wk)	953 (40 hrs/wk)	953	953
Teacher 1 (\$5.50/hr. x 2,080 hrs.)	527 (27 hrs/wk)	780 (40 hrs/wk)	780	780
Teacher 2 (\$4.50/hr. x 2,080 hrs.)	497 (27 hrs/wk)	737 (40 hrs/wk)	737	737
Cook (\$4.25/hr. x 2,080 hrs.)				
Teacher's aide (2) (\$4.25/hr. x 2,080 hrs.)				
	\$3,126	\$3,928	\$4,665	\$5,462

**ATTACHMENT A**

<u>ACCT. #</u>	<u>ACCOUNT NAME</u>	<u>ANNUAL</u>	<u>20</u>	<u>25</u>	<u>30</u>	<u>37</u>
7100	Employee Benefits	\$12,600	\$175	\$700	\$875	\$1,050
(7103)	\$175/full-time employee					
7200	Payroll Taxes	4,956	239	300	357	413
(7201)	Required FICA Taxes (\$7.65)					
8000	Professional Fees					
(8001)	Employee Fees Paid	132	11	11	11	11
	First Aid/CPR Class	60	0	0	5	5
	Criminal records check (\$5.20 x 2)					
(8004)	Staff Development Training	396	33	33	33	33
(8005)	Help Wanted Ads	108	9	9	9	9
(8010)	Membership in other Organizations NAEYC	48	4	4	4	4
8100	Supplies and Expenses	36	3	3	3	3
(8101)	Medical/First Aid Kit Supplies					
(8102)	Educational Supplies (restock) (\$3/student)	1,332	60	75	90	111
(8103)	Recreational Supplies (restock) (\$2/student)	888	40	50	60	74
(8104)	Food and Beverage supplied by USDA	0	0	0	0	0
(8105)	Housekeeping Supplies/Cleaning Items (\$2/student)	888	40	50	60	74
(8106)	Office Supplies	120	5	5	10	10
(8111)	Telephone Expense	1,680	140	140	140	140
(8112)	Postage	360	25	25	30	30

**ATTACHMENT A**

ACCT. #	ACCOUNT NAME	ANNUAL					37
		20	25	30			
8200	(8201) Administrative (see Note 2) Administrative Expense (14%)	\$642	\$835	\$1,029	\$15,600	\$1,300	
8400	(8401) Occupancy Rent of Space (Donated)	0	0	0	0	0	
	(8402) Equipment Maintenance/Security Monitor	22	22	22	264	22	
	(8404) Mortgage/Note/Loan Interest	0	0	0	0	0	
	(8406) Utilities Water and Sewage Electric (Heat and Air Conditioning)	40 200	40 200	40 200	480 2,400	40 200	
8500	Insurance	92	92	92	1,104	92	
	(8501) General/Liability/Accident						
	(8502) Workmen's Compensation	10	13	15	228	19	
8600	Printing and Publications						
	(8601) Outside Printing — Flyers, Newsletters, etc. (\$25/month)	25	25	25	300	25	
	(8606) Subscriptions and Publications	2	2	2	24	2	
8700	Vehicle Expense						
	(8702) Van Maintenance/Insurance/Gas (Field Trips, Misc., Emergencies)	45	45	45	540	45	
	(8706) Staff Mileage Director and Cook (100 mi./month x .24 x 2 = \$48.00)	48	48	48	576	48	

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<u>ACCT. #</u>	<u>ACCOUNT NAME</u>	<u>ANNUAL</u>	<u>20</u>	<u>25</u>	<u>30</u>	<u>37</u>
9400	Other Expenses					
(9402)	Miscellaneous Expenses (\$10/month)	\$120	\$10	\$10	\$10	\$10
9500	Depreciation		0	0	0	0
	<b>TOTAL EXPENSES</b>	<u>\$110,056</u>	<u>\$5,046</u>	<u>\$6,665</u>	<u>\$7,880</u>	<u>\$9,172</u>
	<b>NET INCOME (NET LOSS)</b>	\$1,344	(\$463)	(\$698)	(\$530)	\$111

**NOTES:**

- STAFFING.** Staffing needs are dictated by licensing requirements. Additional staff are required when enrollment exceeds 25, 30, and 35 students. At full capacity, the center can enroll 37 students.
- ADMINISTRATION.** The VOA office in Petersburg must provide the funds to cover the cost of operating the Petersburg Office including the salaries of the director and all staff. Sources of funding include revenue provided from programs directed by the VOA (typically 14% of the program revenue, see account 8201), grants, and contributions. For a VOA office to be a strong and vital force in the local community, it is essential that the office generate sufficient revenue to be self-supporting. An office that is not financially viable is a candidate to be merged with another office and in some cases it has been necessary to close offices.  
During the start-up phase of the day care center, the demands on the VOA staff in Petersburg will be intense. In addition to extensive staff support, the office will provide the initial capital and financial support. Once established, the director must participate in personnel decisions, meet regularly with the program director, and ensure compliance with complex and ever-changing state and local regulations. The VOA office will also provide full accounting support for the center including budgets, payroll, and accounts receivable and payable.