



**Preschool Board Report
LFCA Preschool Committee
August 20-30, 2009**

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Preschool Board of Directors' Report

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Overview

The Preschool Committee was formed by the Association Board to:

- Provide guidance to Association and preschool staff relating to
 - Operations
 - Marketing
 - Finance
 - Community Relations
- Develop strategies and plans to address short-term operational and marketing challenges, as well as long-term sustainability.

The Preschool Committee is chaired by Peter Deutschman, member of the Beach and Tennis Club ("Association").

Following The Association Board's decision to keep the Lakeview Learning Center open through June of 2010, parents and association members came together at the first committee meeting. Board members Ron Allen, official Board liaison to the preschool, and David Glick, Chairman of the preschool, were in attendance.

The first order of business was to introduce each member and their interest in joining the committee. Following introductions, Chair Pete Deutschman suggested four sub-committees and explained the importance of each group to the preschool's success.

1. Steering and Operating Committee—responsible for operational, revenue and expense management guidance. This committee will also monitor legal and insurance issues, and be the source of formal communication to the Board and wider community.
2. Marketing and Fundraising—responsible for supporting staff in messaging, marketing, awareness and fundraising events. In addition, this sub-committee is responsible for community outreach and positive Association relations.
3. Renovation and Relocation—responsible for oversight, research and support of staff with regard to the best and most cost-effective means of renovating the preschool facility. In addition, they will handle oversight and research of the temporary relocation of the preschool as well as community relations before and during the renovation/relocation period.
4. Parent Relations—responsible for ongoing communication with parents on behalf of all sub-committees and staff

Following the review of the committees, Richard Forsythe and Pete Deutschman provided a "state-of-the-union" to the committee members as a means of ensuring we are all starting off on the same page.

Financial Review

In presenting the financial position of the preschool, it is important to be clear on the assumptions made when gathering the necessary data. There are fundamentally two approaches that can be taken:

1. As an Amenity
2. As an Independent Entity

Accounting for Amenities

When accounting for an amenity that operates within the Association, only direct and significant costs are incorporated into the financial statement. For example, the swimming pool amenity needs specific cleaning materials, as well as lifeguards that are hired to watch the people in the pool. These costs are recorded against the amenity in the annual accounts.

What are **not** recorded as “costs” of the pool are expenses that are only tangentially related to its operation. For example:

- The cost of legal fees to defend the Association when a “slip-and-fall” lawsuit is filed by a careless swimmer
- The cost of water, electricity and personnel time associated with emptying, cleaning, and refilling the pool (unless the pool represents a significant portion of the overall club usage)
- A charge to the pool relating to the value of the land that it occupies (i.e. rent)
- The incremental cost of Association insurance due to the existence of the pool (again, unless significantly incremental to the overall insurance costs of the Association)

The advantage of amenity accounting is two-fold:

- First, it is simple and leaves little room for argument. After all, legal fees might be close to zero for many years until the accident happens. Similarly, it is very hard to estimate accurately what the value of land might be on the open market, and therefore it is difficult to assess what rent might be appropriate.
- Second, despite the simple approach, it creates a common playing field for comparing amenities. For example, we can see from the Association accounts that the tennis courts cost \$4,869 in 2008 whereas the pools cost \$41,509. In other words, our swimming pools are nearly ten times as expensive to run as our tennis courts.

Accounting as an Independent Entity

This approach involves placing a value on every aspect of the amenities impact on the Association. For example, 20% of people using the Clubhouse bathroom

are tennis players; therefore 20% of the bathroom costs should be allocated to the tennis courts.

Clearly this approach, taken to extremes, is extraordinarily complex. The only situation where the approach may have value is when comparing the cost of an Association amenity to the cost of an outside entity. For example, would it be worth paying LA Fitness some money to allow Association members to use their facilities, instead of providing an on-site gym at the Clubhouse? In this case, it would be appropriate to factor in some of the peripheral costs of the gym.

Preschool Financials

The preschool has been on-site at the Association for approximately 30 years, predating the formation of the City of Lake Forest. Several recent actions by the Board of Directors support the view that the preschool is an amenity of the association:

- On July 16, 2008, the Board voted to increase tuition fees at the preschool only for children that are outside of the Association. The request by the preschool director to raise tuition fees for Association members was declined because the Board regarded the preschool as an amenity.
- Upon being elected to President, Jim Gardner stated in his President's Report in August, 2008, that "we need a global plan to talk about what amenities we want and how we can pay for them. Shall we expand the weight room? Do we want a preschool?"

None of this is to say that the entire Association membership cannot be asked to decide if any amenity, such as the preschool, should remain an amenity. However, for this report, the preschool will be evaluated as an amenity.

Nine Year Financial History

The preschool has operated as an amenity for the nine years prior to 2009 as shown below:

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenue	137,694	134,504	120,160	157,581	160,799	156,217	182,334	200,591	179,938
Total Expenses	116,534	122,872	128,775	142,753	166,524	180,415	177,795	181,197	192,856
Net Surplus/Deficit	21,160	11,632	-8,615	14,828	-5,725	-24,198	4,539	19,394	-12,918

Over the course of these nine years, the **cumulative surplus is \$20,097**. Two years are worth noting specifically:

- For reasons not associated with the preschool, workman's compensation insurance costs increased dramatically in 2005. These high costs have since been reduced through various Association-wide initiatives, including monthly safety meetings.

- In 2008, payroll costs were increased slightly with offsetting tuition increases proposed to the Board. The Board allowed an increase in tuition for children outside the Association, but declined to allow an increase for children living within the Association, since the preschool is an amenity.

Financial Position in 2009

The preschool budget, prepared at the end of 2008, forecast expenses nearing \$200,000 for the year, and assumed revenue of \$241,000. As of July 2009, revenue is significantly below budget and expenses are slightly below budget. It was noted by educators present that several other schools are seeing similar attendance issues.

In recognition of the fact that Lakeview is priced significantly below market for the area, the Board recently approved an across-the-board 10% increase in tuition, effective September 1. This increase, already implemented, will help improve the financial position over the remainder of 2009. However, by itself, this increase will not bring the preschool back into a breakeven position.

Preschool Financial Priorities

The conclusion from the financial data is that to achieve an operating surplus, **the number one priority for the school is to ensure high enrollment.** As a secondary focus, changes to both the price level and enrollment options will also help support the objective of an operating surplus. As described later, the committee will be actively pursuing all priorities simultaneously to ensure a rapid improvement in the financial operation of the school.

Therefore it is believed that given the enthusiastic efforts of the preschool committee, it is possible to achieve a monthly breakeven operation by December 2009. To achieve this goal, monthly preschool revenue will be increased from the current rate of \$13,000 to approximately \$16,000.

Financial Position in 2010 and Beyond

Given the activities of the committee, it is expected that the preschool will again be operating on a break-even basis or better throughout 2010.

The committee acknowledges, however, that the preschool building is in need of significant refurbishment and that the preschool will need to be relocated for some months in order to allow this refurbishment to occur. The costs associated with this refurbishment therefore fall into two categories:

- The costs of refurbishing the building
- The costs of relocating the preschool while the buildings are not usable

The cost of refurbishing the building is considered by the committee to be solely the responsibility of the Association. In support of this view, it is noted that there

are reserves totaling \$153,030 set aside against this building (as reported in the 2009 budget, sent to Association members in November 2008).

The cost of relocating the preschool is something that the committee would like to help support, through the explorations of cost-effective options, and if required, fundraising efforts as discussed below.

The attendees signed up for sub-committees and began scheduling action items and associated timelines.

First	Last	Chair	Committee
Cindy	Cienfuegos		Renovation and Relocation Committee
Pete	Deutschman		Steering and Operations Committee
April	Deutschman	X	Marketing and Fundraising Committee
Richard	Forsythe	X	Steering and Operations Committee
Michelle	Forsythe		Steering and Operations Committee
Rafael	Villasensor		
Maribel	Villasensor		
Heidi	Herington		Marketing and Fundraising Committee
Tanja	Trainer		Marketing and Fundraising Committee
Sasha	Paez		
Sandra	Tovar		
Elizabeth	Kudryk	X	Parent Relations
Julie	Doleman		Marketing and Fundraising Committee
Delores	Wirth	X	Renovation and Relocation Committee
Benjamin	Wirth		Renovation and Relocation Committee
Celine	Rasborn		Renovation and Relocation Committee
Barbara	Crampton		Marketing and Fundraising Committee
Ron	Allen		Steering and Operations Committee
Mark	Irvin		Marketing and Fundraising Committee
Sylvia	Ledesma		Marketing and Fundraising Committee
Amber	Warren		Marketing and Fundraising Committee
David	Glick		None

Preschool Operation Notes

The Steering and Operating Committee is chaired by Richard Forsythe, member of the Association.

The Preschool Steering and Operating Committee is focused on working closely with Preschool Director Cindy Cienfuegos to achieve the following goals:

- Rapid decision-making
- Modeling enhancements to pricing and enrollment

- Act as liaison for the Board
- Streamline other operational aspects of the preschool as appropriate

Additionally, the insurance situation is evolving on a day-to-day basis and updates will be made to the Board directly by the Association General Manager, Cynthia Valdes. Once specific numbers have been presented to the preschool committee, an addendum to this report will be circulated.

Marketing & Fundraising Notes

The Marketing and Fundraising Committee is chaired by April Deutschman, member of the Association.

The Marketing and Fundraising Committee is focused on all aspects of marketing the preschool to prospective parents and raising funds in other ways to support the preschool. The preliminary plans formed by this committee are as follows:

Immediate Enrollment - our goal is 10 new students

- Flyers in homes
- Labor Day Lemonade Stand
- Open House
- Establishing Saturday Story time - Open to community

Marketing Collateral

- Printing full and half sheet flyers for handing out
- Banner for Labor Day
- Banner to replace current sign outside club

Marketing Channels

- Advertising Options - Penny Saver, Sun & Sail Club, local businesses
- Check with Sun & Sail Club about Labor Day promotion
- Circular brochure
- Saturday Story/Play Day
- Mom/Dad's Night Out - team up with local restaurant, parents have dinner - kids have movie night at school - portion of restaurant proceeds to school, or charge for childcare, or both.

Fundraising

- Labor Day Lemonade Stand & Raffle
- Getting Raffle Donations
- Restaurant Nights (percentage back to school)

- Laguna Hills Mall School Outreach

Renovation and Relocation

The Relocation Committee is chaired by Delores Wirth.

A Relocation Committee has been established to investigate options and support the General Manager in her efforts to plan the refurbishment of the preschool building. Some promising ideas have been generated, and the Board and community will be kept fully informed.

- Establish a timeline for the renovation/relocation (see below)
- Discuss options for relocation and assigned members of this committee to options. (see below)
- Discuss the needs for the preschool in terms of relocation: 1470 sq.ft., fenced in yard to play, restrooms.
- Decide that we should actively open up the bidding process [what is being bid? The preschool temporary accommodation?] to members of the community for lowest bids.
- Discuss insurance/liability issues as it pertains to the relocation – Cynthia will follow through on this
- Suggest that the Marketing Committee can use the artist sketch of renovation to promote school

Ideal Timeline- based on conversations with Cynthia

- October 1st – renovation package ready to be submitted to the city
- November 1st – relocation site selected
- Jan 1st – approval by city and start the bidding process
- Feb 1st – contract selected, renovation started
- Feb – April – Preschool relocated
- May 1st – project completed

Relocation Options

- #1 priority is to work with Cynthia to determine feasibility of staying at the Beach and Tennis Club
- Churches – Cindy Cienfuegos and Celine Rasborn
- LFCA II - Sun and Sail – Dolores Wirth and Ben Wirth
- La Tierra Elementary School (or other closed schools) – Cynthia Valdez talk to facilities director

Parent Relations

The Parental Relations Committee is chaired by Elizabeth Kydryk.

The Parental Relations Committee is charged with the mission of keeping parents fully informed on the status of the preschool. This committee is charged with establishing a forum and email newsletter for parent communications.