

# “what’s the plan?”

“Good management begins with good people”

by Dennis Vicars

The plan is this — we need one! In order for a successful center/school to achieve all it can for its children, staff, and operator, a plan is critical. As you hopefully recall from the last “Management Maxim,” I stated that good planning begins by looking into the future that you want for your center/school. Be as descriptive as possible in writing down the details of what that future looks like. Next, walk backwards from that future to the present, and the stepping stones become obvious.



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Education Alternative Payment Program (PACEAPP). Dennis’ 25 year career in early care and education has included child care corporate executive, preschool company founder, legislative advocate, and political strategist for children’s issues. His unique understanding of the field has provided him opportunities to be a speaker and workshop host for various organizations, including National Association for the Education of Young Children (NAEYC), National Child Care Association (NCCA), and Professional Association for Childhood Education (PACE). Dennis has assisted on numerous advisory boards, including the states of Maryland, Virginia, California, Oregon, and Washington, and was co-chair for Governor Meecham’s Arizona early care regulations overall in the early ‘80s. Dennis served on California’s Master Plan for early childhood education as well.

Budgeting is a way to take that future you want and break it down into achievable, measurable pieces (stepping stones) that act as a tool in your journey. The budgeting tool can be as simple as a ‘checkbook’ type format where you have X amount to spend each month based on revenue or as sophisticated as a spreadsheet with categories, line items, and ‘actual vs. plan’ for each month and year to date. Regardless of what degree of detail you desire, certain elements within any budgeting format are a must.

First, plan annually. For most, the fiscal year and calendar year will coincide. Many state or federal programs are in sync with the governmental fiscal year, i.e., the federal is October through September. Regardless, a 12-month fiscal is a necessity on numerous counts, including taxes and reporting. Begin with looking at your history.

Enrollment picks up in September and October, levels in November, recedes in December, regains in January, etc. . . . Not only should you look at the normal enrollment cycle, but you should consider the unique aspects of your particular location. You might be affected by forces that are not normally associated with a typical preschool calendar. For example, do you have a large public school teacher population? Is your center/school near a

military base? These extraordinary variables will affect you differently than the ‘normal’ budgeted center/school. Next, how will you measure net revenue (top line revenue minus your employee discounts, promotions, multi-child discounts, etc.)? Like any enterprise which exchanges goods or services for cash, there should be a common matrix for measurement. In retail sales it is usually sales per square foot. In our field, there are two measurements: Full Time Equivalent (FTE) and All Day Equivalent (ADE). FTEs are based on the number of children. For example, 1 FTE is equal to one child attending 5 days per week for at least 6 hours per day. ADEs are finance driven. Total net revenue divided by your 3-year-old rate equals ADE. Using both measurements is beneficial with FTEs helpful in teacher scheduling. ADEs, finance driven numbers, are best for controlling costs and concentrating on revenue growth. For example, if my monthly net revenue is \$40,000 and my 3-year-old rate is \$150.00/week in a 4-week month, ADE is 67. ADE tells me at a glance where I stand each and every month and how I compare with actual ADE vs. budgeted ADE. In other words, ADE presents a quick indicator on my weekly, monthly top line success.

I would suggest that your budget and therefore Profit & Loss (P&L) statement be

set up in broad categories with appropriate line items under each category. A simple form can be done on an Excel spreadsheet or even by hand (visit [www.childcareexchange.com/resources/free\\_resources.php](http://www.childcareexchange.com/resources/free_resources.php) to download the sample Excel file). The key is to use something which will guide you toward your goal each month and year. The categories, i.e., Net Revenue, Personnel, Controllables, etc. are broad and allow you to add any appropriate line items you choose. Within each line item, however, are sub-items which will require work on your part and will depend on the depth of detail that you desire. For example, under the Controllables category and within the Lawn & Outdoor line item, you will have to determine what goes within that area, i.e., like 'lawn care', 'parking lot cleaning', 'air conditioner repair', etc. The more detail, the more work on your part; but you will have an extremely good understanding of your center/school and what is required to be successful.

I have always enjoyed budgeting. It made me dig deep into my operation and look at my costs and how I might control certain areas better. Good budgeting defines the path for reaching your revenue goals and creating the necessary action plans when unforeseen variables arise. Budgeting, although a somewhat arduous process, allowed me to see a picture unfold for the upcoming year. As Rod Stewart said, "Every Picture Tells a Story," and allowing the numbers to unfold before you tells a story that gives you a degree of control.

Regardless of the plan you use, simple to complex, use something which will allow you to put a mechanism in place that gauges your progress so that you can make the necessary adjustments to stay on track. The great thing about thoroughly going through the budgeting process line by line and thinking through the process is that after it's done, it's simply a matter of filling in the blanks and having your built-in contingencies in place. The tough part is executing the budget plan every day, being proactive, and making the necessary adjustments quickly and with purpose. The execution of the plan is the challenge that makes leadership fun.