Excel Industries, Inc.

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DATE: February 14, 2012

TO: James J. Lohman, chairman, president, CEO

COPY: Potential Options Regarding Changes for Current On-Site Child Care Facility

FROM: Kristin M. Brown, Manager (Phone 256.339.5346)

SUBJECT: **CHILD CARE POTENTIAL FACILITY CHANGES**

**Background**

Child care assistance has become a family issue employers are facing after a Hudson Institute study revealing over two-thirds of working-age women have entered the workforce since 2002. Providing child care facilities for employees is often seen as social responsibility, but U.S. government funding does not exist for this sector.

After purchasing Nyloncraft, Inc. in 1988, Excel Industries, Inc. also became owners of the innovative Learning Center daycare facility. With a large number of female workers and family men, the twenty-four hour daycare was intended to reduce turnover, absenteeism, and tardiness of parent workers.

The Learning Center’s annual budget was in excess of $400,000 for the original 162 employee children. In July 1988, enrollment to the child care facility was extended to the community with substantial tuition discounts offered to all employed parents. Employee and community approval of the company grew because of this expansion, as did financial strain. With no buyer for the Learning Center, a decision must be made on how to cut or eliminate expenses burdened by the facility.

**Discussion**

The Learning Center provides exceptional educational activities and meals for enrolled children and the twenty-four hour availability increases flexibility of work hours for parents. The practicality of the facility justified excessive cost when a large percentage of children in the facility, 162 enrolled at one point. However, once the percentage of employees’ children dropped to seven percent of the center as a whole, the excessive company cost for little corporate financial gain began to make less sense. With all working parents, regardless of their employer, receiving substantial tuition discounts, Excel Industries was spending large budget portions and gaining little to no profit from the investment.

Options for adjustment to eliminate debt are thinning unless the company decides to eradicate the facility altogether. With such a small portion of the daycare facility being utilized by company employees, the option of a buyout was presented. The operation of finding a management firm to take over facility operations failed, making potential facility changes for the daycare inevitable. Finding or creating exceptional care for the few children of employees could be simple and inexpensive, but dropping childcare for external clients could potentially cause a decline in community approval and shareholder investments. With a lack of suitable childcare facilities in the area, there lacked an option of simply moving non-employee children to another daycare.

Those with money invested in the company, as well as parents with children invested in the daycare need answers to potential changes in a timely manner. Other than completely closing the Learning Center, changes to the facility could be made to cut current costs. Modifications could be made to activities and amenities offered at the facility, as well as costs of enrollments increased, but the changes would need to make an economical difference in the company’s profit. In essence, all affected publics need to be considered in handling the changes in the Learning Center’s facilities in reaching the most suitable option.

**Recommendations**

Completely shutting down the facility is a viable financial option, but could potentially cause damage to reputation with stakeholders and within the community. Therefore, the four following options are recommended in conjunction. After a significant period of time, financial situations and budgets should be revisited to monitor progress and check for significant positive change.

1. **Cut the total number of operation hours for the facilities from twenty-four hours to ten hours, five days per week**. The seventy percent decrease in operation hours for the facility should cut down many overhead costs including electricity, equipment depreciation, and quantity as well as salary for child care workers. This still allows for a potential ten-hour workday of employees needing child care.
2. **Eliminate free meals provided for children in the daycare**. Parents can be encouraged to pack a lunch for their child or pay for the meal provided each day at the child care center. Removing free meals to each child daily should yield a significant amount of savings over time.
3. **Increase enrollment costs of the facilities**. Costs for the daycare could be slightly less expensive for Excel Industries employees and could vary in increase by proration of how long the child has been enrolled in the daycare for non Excel Industries members.
4. **Sign the Attached Information Letter of New Changes**. The letter not only explains why changes had to be made, but what the new changes will be. The letter explains the budget and finances will be revisited after a period of time to see if the modifications will remain and determine next steps from that point.

**Other Issues**

In order to inform the public, instead of just parents and stakeholders of the company, of the financial strain caused by the Learning Center, a press conference could be held and made available to the community at large. Being transparent with financial issues caused by continued use of the current facility can build credibility and support within the community, as well as express explicit facts and reasoning behind changes made in the facility policy.