

St. Paul's Early Childhood Center (ECC) Loan Forgiveness Proposal

At the St. Paul's voters meeting in December 2023, the Church Council presented a proposal to forgive a Loan to the Early Childhood Center approved in 2019 and made in 2020. This issue was tabled at the December 2023 voters meeting, with a request to provide more detail. Church Council will present this proposal at the May 2024 voters' meeting.

Background

As part of the plan to move our K-8 school all to the north campus in 2017, we planned to expand the capacity of the early childhood center. This included converting the newer building at the south campus from a school for pre-school through second grade to being able to accommodate toddlers. The work related primarily to bathrooms, doors, lowering countertop heights, and laundry facilities.

While the plans for expansion of the ECC were part of the Tell the Next Generation Campaign in 2017-2018, we did not allocate funds toward the property work that needed to be done there. The current east building at the south campus housed our K-2 grade students from the time it was built in 2001 until we opened the new K-8 school at the North campus in 2020.

When it came time to remodel the ECC to accommodate the increase in students, the church agreed at a voters meeting in 2019 for the church to lend funds to the ECC to do the construction work. This is not a loan on any financial statement. The ECC is of course not a separate legal entity from St. Paul's Lutheran church. It is more like a department. The ECC used cash from St. Paul's, with the intent to pay it back over five years.

Loan on St. Paul's Financial Statements

A loan of up to \$300,000 from the church to the ECC was approved by the St. Paul's Voters Assembly in November 2019. \$286,000 was spent in 2020 to upgrade both ECC buildings to accommodate the needs of new students in the ECC program. As of April 2024, the ECC has paid back \$95,000 of this loan

The \$191,000 Loan is not recorded on St. Paul's financial statements. This was meant as an internal loan. Forgiving this loan would not affect St. Paul's financial statements. If this loan is not forgiven, the ECC would pay back to St. Paul's the remaining \$191,000 through its annual operations over the next several years. This is how the \$95,000 has been paid back so far. St. Paul's cash levels are of course in a strong position, excluding cash from gifts earmarked for the Tell the Wonders he has Done campaign.

ECC Operations

St. Paul's ECC is a large operation, and the ECC is in good shape financially. The ECC has operated close to breakeven in the past two years. The annual budget for fiscal 2024 was \$2.42 million, roughly a third of St. Paul's \$7.1 million annual budget.

The ECC has done its own fundraising in recent years. This includes the annual Strikes for Tykes bowling event in the spring. Funds from these events have been used to improve the campus, including new fencing and playground areas.

We do review the tuition charged by other Early Childhood centers in our area for comparison. Our tuition rates are competitive with others in the area. We have increased our tuition annually in recent years to cover increasing costs. Tuition and Fee income was increased 7% in fiscal year 2023 and 10% in fiscal year 2024. In comparison, ECC salaries and benefits increased 8.3% in 2023 and 11.6% in 2024.

ECC is a Ministry

St. Paul's ECC is a vibrant ministry that has experienced an enrollment expansion of 50% in the past three years and currently has an enrollment of 155 children. It is also helping our K-8 school to grow.

19 of our 52 employees at the ECC are St. Paul's church members. 7 of these employees are called LCMS church workers. Additionally, ECC holds a weekly chapel service. Each of our pastors leads this chapel service 5 times a year.

Each week, we are able to teach 160 children about Jesus every day. In addition, their families come on campus, and see our pastors. In recent

years, we have had numerous students and families from our ECC join the church. We have had numerous baptisms of students and family members of our ECC, and many families from the ECC have joined our church.

The ECC also serves as a key feeder for students for our school. In the past two years, we have had 45 ECC students enroll in our K-8 school. This is 54% of our kindergarten class enrollments.

With this Loan forgiveness, we would like to better compensate our ECC workers. Finding child care workers has been a challenge across the country in recent years, and we have seen a high amount of staff turnover at the ECC for many years.

For the reasons listed above, St. Paul's church council recommends that St. Paul's voters approve forgiving the remaining \$191,000 of this Loan. A proposed motion to the voters is included as a separate document.