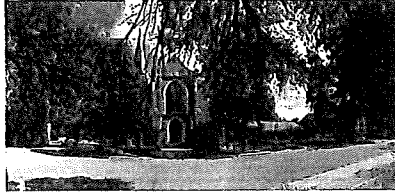


Peace Lutheran Church



CHILD CARE MINISTRY

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Congregational Profile Report September 10, 2023

**Feedback from 176 participants**  
**Important Goal "reopening child care center"**

"There is a consensus that early childhood youth programs and active young families are vital to our congregation and our community"

Four Core Missions include "Outreach to youth and young families"

Opportunity for "Early Childhood Education and Child Care"

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Ad Hoc Committee

**Team** - 6 Member non commissioned team - January 2023

- John Korngiebel
- Lee Uldbjerg
- Dick Higgins
- John Kalenberg
- Chuck Jones
- Pastor Glenn Meyer

**Purpose** - Review Peace Lutheran Church Child Care Situation

**Process** - Detailed Industry Review with Consultant Assistance

**Deliverable** - Objective, unbiased Feasibility Study and Report

- Determine options for PLC
- No recommendations - only transparent detail support
- Presentation to PLC Council - October 10, 2023
- Presentation to Congregation - December 3, 2023

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### Child Care

#### Ad Hoc Committee Conclusions:

Child Care Decision Is a PLC Congregation Decision

Child Care Is a Ministry for Children/Families and Outreach

Child Care Is a PLC "We" effort, not a "They" effort

"We" = PLC Congregation and our Individual Members

"They" = Someone else

Child Care Center Operations aren't currently \$\$ self sustaining

"We" would have to provide financial support and commitment

"We" have to support the Child Care Option "We" select

"We" have to move forward together

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### Child Care Options

#### Child Care Center

1) Establish Child Care Center within the existing PLC legal entity (LLCC Model)

2) Establish Child Care Center with a new legal entity (POPRL Model)

#### Lease

3) Secure a tenant and lease the PLC Child Care facility

Note - Do nothing is not an option – the PLC Child Care facility should be utilized

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### Little Lambs Christian Center

#### Focus on Future but understand the Past issues:

#### 1) Child Care Ministry as a Business

Operated within restraints and constraints of PLC  
No executive management – only operational management  
No business management - sales, marketing, human resource, finance, etc

#### 2) Structure

Excellent Operations manager – limited authority reporting to LLCC volunteer board – with no authority reporting to PLC Council – final authority but lack of understanding

#### 3) Financial

Financial accounting, reporting and disclosure was inaccurate, untimely, inconsistent and incomplete

#### 4) Island

LLCC was an Island within the PLC structure and out of synch with Day Care Industry practices and opportunities

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LLCC 2022 Closure

2021 Adjusted operating loss \$(49,602)  
 2022 Budgeted operating loss \$(69,675)  
 Including \$109,238 PLC – Concordia Benefits

January 2022  
 Council voted to close LLCC effective April 2022  
 Community - adverse and hostile reaction  
 PLC engaged First Children's Finance (FCF)  
 FCF presented to Council, Elders and Pastors  
 Council voted to eliminate most Concordia Benefits  
 Council voted to reopen LLCC

May 2022  
 Council voted to close LLCC – Too little, too late – teachers left and parents moved to other Centers

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U. S. Child Care Industry

- Child Care industry is in a national crisis  
 Industry is highly regulated  
 Industry workforce (staff) earns too little pay  
 Parents pay too much tuition  
 Working parents removed from U.S. workforce
- Federal Government - 2021 American Rescue Plan  
 Federal subsidies to states  
 Minnesota Department of Human Services  
 MNDHS regulates Child Care Industry  
 Grants (no repayment) to Child Care Centers  
 70% required to pay *Additional Compensation*

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Local Child Care Industry

Hutchinson area is no different than U.S.  
 Rural Child Care Innovation Program – RCCIP  
 Purpose: Address the local child care situation  
 Chamber of Commerce initiative  
 With First Children's Finance (FCF)  
 Community engagement process  
 24 members - at large community cross section  
 First Children's Finance local survey results:  
 414 open spots zip code 55350  
 847 open spots in McLeod County  
 445 open spots in School District #423  
 open spots – children not in day care  
 4 Licensed child care *centers*  
 31 Licensed family child *home care*  
 Market exists for additional local Child Care facilities

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Financial Model Projections

- **First Children's Finance-PLC Industry Model:**  
Cash Flow Loss - \$(43,289) Includes:  
"Me too" staff compensation and tuition  
\$30,000 rent to PLC is included (\$13,289 without PLC rent)  
85% practical capacity tuition  
In synch with the local Child Care industry
- **Ad Hoc Committee Model – adjusted FCF model:**  
Cash Flow Loss - \$(57,609) Includes:  
"Me too" (industry norms) increases in compensation  
Reduction in tuition from 85%  
\$24,000 rent to PLC is included (\$33,609 without PLC rent)  
Note: PLC did not charge LLCC rent
- **Financial Model Current Projection:**  
Reopening Child Care Center will require financial support
  - Start Up ~ \$150,000+ range
  - Annual Operations ~\$25,000-\$50,000 range
- Projections to be updated with then current industry information

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Option 1) Establish Child Care Center within existing PLC legal entity

- Little Lambs Christian Center Model  
PLC legally obligated
- The LLCC issues would have to be eliminated:  
Ministry with business functional support  
Structure to allow the ministry to succeed  
Adequate financial reporting and disclosure  
Integral part PLC – not an island  
Take advantage of industry standards
- Establish PLC commissioned team – AHC hand-off
- PLC would be legally and financially obligated
- Select Child Care Name
- Hire Executive Director (and staff) – key challenge
- Implement marketing plan
- Secure Funding Commitment
- Obtain MN DHS Child Care License

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Option 2) Establish Child Care Center with new legal entity

- Prince of Peace Retirement Living Model  
PLC isn't legally obligated (moral and ethical commitment)  
POPRL established by PLC over 25 years ago:  
Separate Bylaws – with PLC mandates  
Separate Board of Directors:  
Majority of PLC members required  
One member PLC liaison  
Policy based governance – Executive Director
- Establish PLC commissioned team – AHC Hand-off
- Establish Minnesota corporation
- Establish IRS 501 (c) 3 entity
- Secure MN DHS license
- Select Child Care Name
- Hire Executive Director (and staff) – key challenge
- Secure Funding Commitment

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Potential Funding Sources Options 1) and 2)

Minnesota Department of Human (DHS)  
DHS grants already included in the Financial Models  
70% Additional Compensation & 30% bottom line

Primary Funding - Peace Lutheran Church  
Member Fund Raiser - Start Up  
General Fund - Continued Annual Operations  
Congregational Fund  
Start Up Matching Funds?  
Continued Annual Operations?

Other Possibilities:  
RCCIP/SWIF Grants - limited \$\$ and no repayment  
Bank Line of Credit - Unsecured Loan  
First Children Finance - Unsecured Loan (up to 20% forgivable)  
Lutheran Church Extension Fund - Unsecured Loan  
Other - To Be Determined?  
Note: PLC is legally responsible for debt in Option 1)

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Option 3) Secure a Tenant and Lease the PLC Child Care facility

- PLC commissioned team – AHC Hand-off  
PLC Commissioned Team Assistance from:  
First Children's Finance  
Hutchinson Chamber of Commerce  
Southwest Initiative Foundation
  - Christian based ministry required? Preferred?
  - PLC Lease required? Preferred? Flexible?  
PLC controls terms of negotiated lease with tenant  
More restrictive lease terms = fewer prospects  
Approximate Fair Market Value lease less PLC  
expense = \$20,000 - 25,000 net cash to PLC
- Prospects:  
Local? Outstate? Metro?  
Expand existing child care center  
Establish new child care center

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Selected Option

PLC Congregation will vote (December 10<sup>th</sup>) on the Option to be pursued

- PLC Council will establish a Commissioned Team:  
To report to the Council  
To perform a detailed review of the selected option  
To prepare a detailed report and recommendation:  
To move forward with the selected option  
To abandon the selected option  
To present to the PLC congregation for final approval

Notes:  
First Children's Finance - consultation agreement through June 2024 and can be extended; no cost to PLC

Ad Hoc Committee - coordinate a detailed hand-off to the commissioned team and will be available for future consultation

Team Considerations:  
Number of members?  
Composition of members?  
Younger families? Child Care familiarity? Business background?  
Financial background? PLC members only?

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### PLC Tax Implication

PLC should get an opinion from a Tax Attorney or a Tax CPA to determine if there are any tax implications once an option is selected

The Ad Hoc Committee does not include tax expertise; the preliminary AHC review is that no tax implications are expected:

Option 1) Day Care Center – LLC Model

Option 2) Day Care Center – POPRL Model with PLC Lease

Option 3) PLC Lease Only – to external entity

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### Next Step

• PLC Members – One week time for prayerful consideration, review and discussion to determine which Option to pursue:

• Child Care Center:

Option 1) Establish Child Care Center within the existing PLC legal entity

• Option 2) Establish Child Care Center with a new legal entity Lease

Option 3) Secure a tenant and lease the PLC Child Care facility

All three options are a "We" effort - Congregation and individual members - Time, effort and energy support. Options 1) and 2) – Congregation and individual members financial support

December 10 - Congregation majority vote to select an option

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### Ad Hoc Committee Contacts

Please feel free to contact any member of the Ad Hoc Committee:

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John Kalenberg - 612-840-2701 / jcklmk22@nutelecom.net

Chuck Jones - 320-583-1411 / cjones@broadband-mn.com

Pastor Glenn Meyer - 402-580-2929 / gmeyerilm@gmail.com

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