Pros and Cons of a Potential Merger

Presented to ELCIRMO Board of Directors 1/26/17

Pros and Cons of the Merged Entity

PROS

- ✓ Geography.
- ✓ Pool of skilled employees.
- ✓ Net savings from vacant CEO salary.
- ✓ CEO community involvement.
- ✓ Greater focus due to minimization of wearing multiple hats.

CONS

- ❑ Organization doubling in size, resulting in:
  - > Loss of community identity.
  - > Diminished wants, needs and goals of providers and community.
- ❑ Reduced Board representation in all counties due to increased geography.
- ❑ CEO bias.
- ❑ Systems integration.
- ❑ Potential for voluntary loss of staff.
- ❑ Start-up costs.
- ❑ Maintaining cohesiveness.
- ❑ Lack of multi-county experience.
- ❑ Provider favoritism.
- ❑ Integration of two distinctly different cultures.

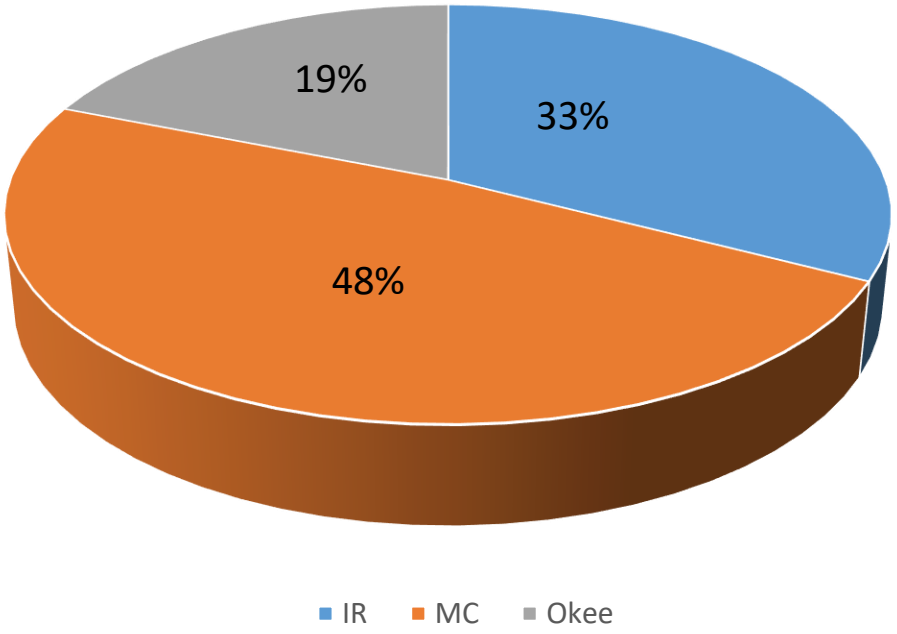**Organization Culture differences are the #1 reason for failed mergers.**
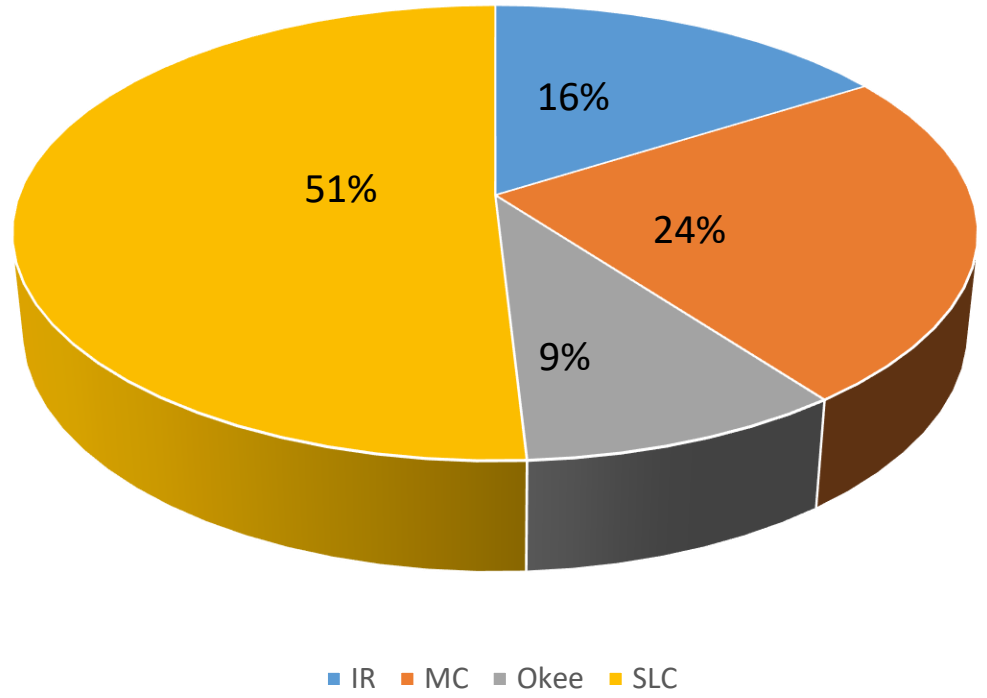
Comparison of Organizations

2015-16 School Readiness Children Served

3-County - ELCIRMO

33%
48%
19%

Legend: ■ IR ■ MC ■ Okee

Merged Entity

16%
24%
9%
51%

Legend: ■ IR ■ MC ■ Okee ■ SLC

Comparison of Organizations

Organization Efficiencies

✓ School Readiness redeterminations done electronically and by mail.
   > Convenient/Efficient for clients/providers/staff.
   > Client travel to office not necessary.

✓ Client paperless system.
   > Online accessibility.
   > Cost savings in supplies/postage.
   > Cost savings on administrative office space.

✓ Provider contracts done electronically.
   > Convenient/Efficient for providers/staff.

❑ Electronic purchase orders.

❑ Wi-fi cards for Program and Leadership Staff.

❑ Perfected Fraud process.

❑ Kiosks available for client use.

Comparison of Organizations (cont'd)

Organization Efficiencies

✓ Segregation of duties for internal controls.
> Eliminates risk of potential fraud.

✓ Updated technology.

✓ Electronic purchase orders.

✓ Kiosks available at all offices for client use.

✓ Integrated phone system.

Comparison of Organizations

Program Design

✓ Quality Indicator: Annual Program Assessment comprised of CLASS or ERS.
> CLASS Assessment on all contracted childcare School Readiness providers.
> Measures quality of instruction.

✓ Comprehensive Curriculum Monitoring on all contracted childcare School Readiness providers.

✓ Focus on provider technical assistance and support. Instruction is tailored to the individual child's needs.

✓ Oversee Developmental Assessments.
> Measures quality of instruction.

❑ Quality Indicator: Annual Program Assessments – not currently performed. (Not including PFP's).

❑ Curriculum Monitoring performed as part of the School Readiness Contract Monitoring Tool.

❑ Focus on provider compliance and monitoring.

❑ Developmental Assessments – not currently performed.

CLASS = Classroom Assessment Scoring System
ERS = Environmental Rating Scale
PFP = Performance Funding Project

Impact on Children: Quality classroom practices improve child outcomes for School Readiness.
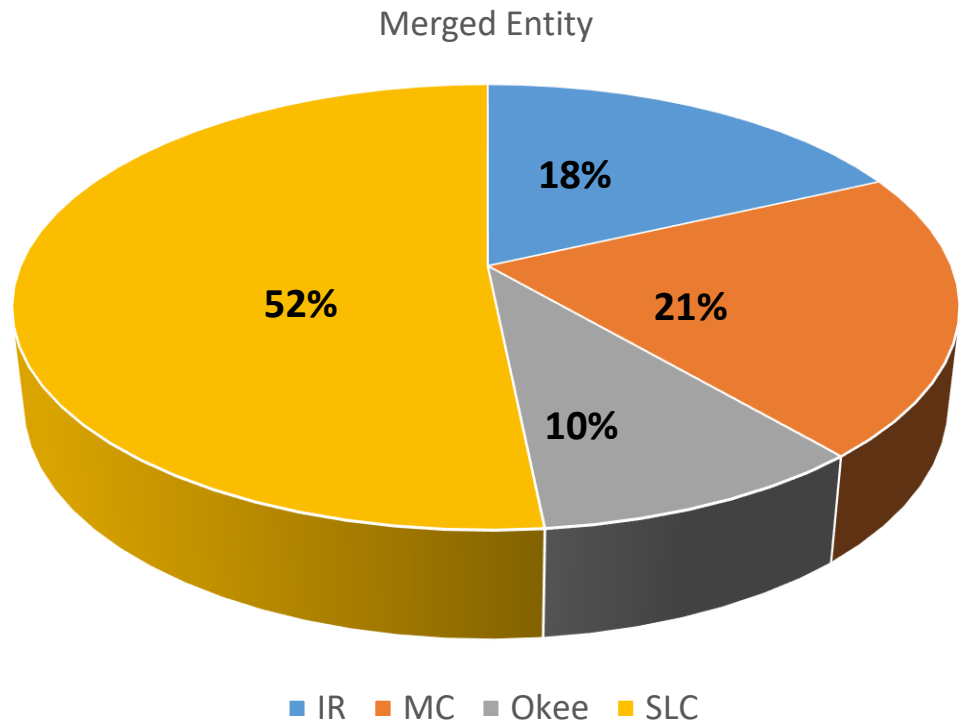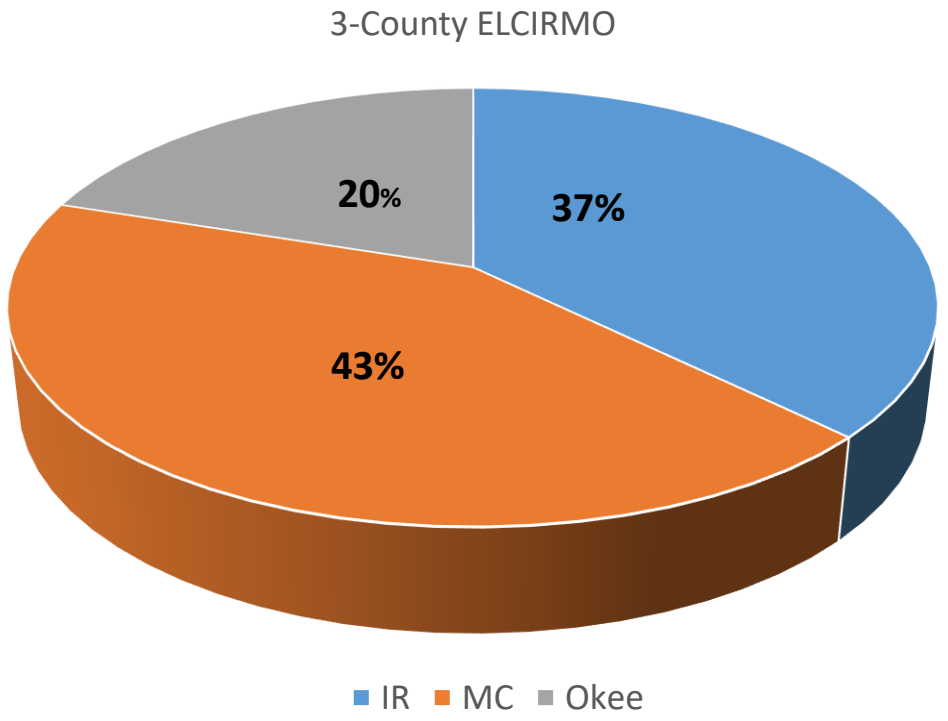
Comparison of Organizations

Financial Impacts

2016-17 Budget

3-County ELCIRMO

- 37% IR
- 43% MC
- 20% Okee

IR   MC   Okee

Merged Entity

- 18% IR
- 21% MC
- 10% Okee
- 52% SLC

IR   MC   Okee   SLC

Comparison of Organizations

Financial Impacts

✓ Childcare Slot Management Process
> Consistency in enrollment of children.
> Maintaining continuity of care for children, as mandated 7/1/16.

✓ Gold Seal – 18%.
> Potential for decrease = negative impact on providers.

✓ Provider Reimbursement Rates
> Potential for decrease = higher out-of-pocket costs for parents. Parents unable afford higher fees may choose to leave children at home.

As evidenced by information provided:

❑ Childcare Slot Management Process
* Lack of consistent process resulting in:
> Over-enrollment of children.
> Disenrollment of children, impacting continuity of care.
> Potential closures of childcare centers.
> Family instability.
> Potential for provider staff loss.

❑ Gold Seal – 15%.
> Potential for increase = decrease in number of children served.

❑ Provider Reimbursement Rates
> Potential for increase to all care levels except school age = decrease in number of children served.

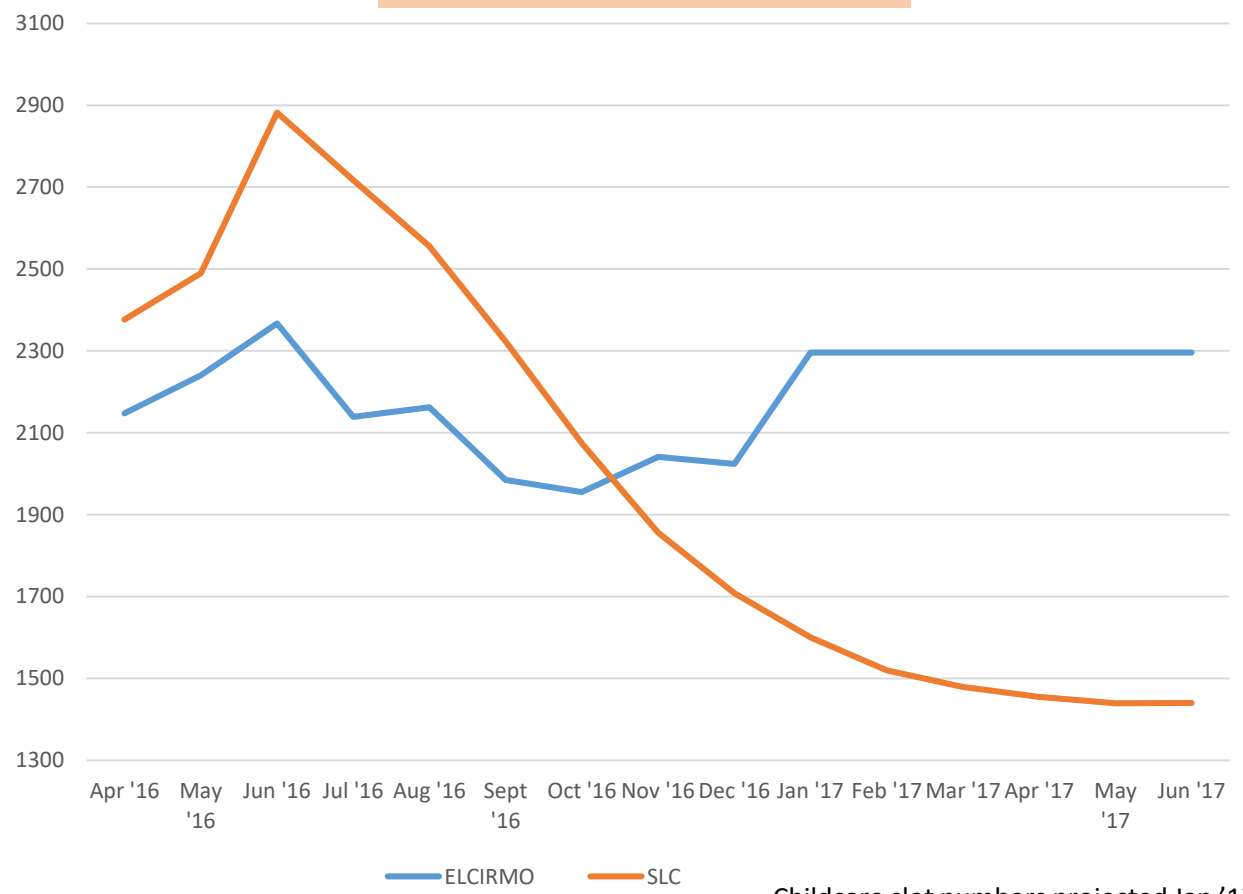# Comparison of Organizations

Financial Impacts

Childcare Slot Management

Childcare slot numbers projected Jan '17 through year end.

Thank you