



Financial Analysis of the Proposed Early Learning and Care Parcel Tax Initiative

Prepared for
City of South San Francisco

Prepared by
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About Brion Economics, Inc.

- Urban Economics Consulting Firm founded in 2000
- Independent woman-owned
- Expertise includes:
 - Child Care Planning, Early Learning, and Public Policy
 - Demographic Forecasting
 - Financial and Fiscal Analysis
 - Economic Impact Analysis and Projections
 - Strategic Planning, Visioning, and Implementation
- Relevant Projects:
 - South San Francisco Child Care Developer Impact Fee – 2002
 - San Mateo County Child Care Needs Assessment – 2022 (current)
 - San Mateo County Child Care Facilities Study – 2017
 - Dozens of child care planning and policy studies



BEI Analysis Components

1. Define Approach and Assumptions
2. Gather Data and Relevant Information
3. Potential Revenue and Adm Costs
4. Resident Child Care Tuition Costs
5. Child Care Workforce Wage Enhancements
6. Non-Resident Worker Child Care Costs
7. Total Initiative Cost
8. Estimate Surplus or Shortfall

Key Findings

- Currently, there is not enough parcel tax revenue to fund all Initiative Objectives.
- The estimated shortfall is \$10.7M annually under current conditions.
- Some form of prioritization, lottery, or means testing will be necessary.
- Over time, the parcel tax revenue will not keep up with inflation, as there is no cost increase or index included in the Initiative's language.
- Minimum wage and tuition costs will increase over time.
- Demand for free preschool spaces from Residents and Workers will also increase over time, putting pressure on funds.



Key Assumptions and Issues

- The analysis:
 - is presented in constant 2022 dollars for current and future conditions.
 - Analysis uses the most currently available data; not all data is 2022.
 - Assumes license or license-exempt care and does not include Friends, Family, and Neighbor (FFN) care.
 - Does not prioritize residents, wage enhancements, or worker costs – treats equally.
- Not all 2.5 to 5-year-olds are assumed to need licensed child care.
- Estimate of non-resident worker demand is based on std. method.
- Issues of pay equity amongst different levels of staff will need to be sorted out.

Estimated Parcels and Sqft of Land*

Item	Current or Base Estimate	Future Estimate w New Dev.
Parcels Subject to Tax	109	144
Land Sq. Ft.	22,358,978	27,280,859
Parcel Tax Per Land Sq. Ft.	\$2.50	\$2.50

*Prepared by Strategic Economics - 2022



Estimated Annual Revenue and Admin. Costs

Item	Current or Base Estimate	Future Estimate w New Dev.
(rounded)		

Total Annual Revenue

\$55,900,000

\$68,200,000

Funding for Admin. at 10%

(\$5,590,000)

(\$6,820,000)

Min. Remaining Revenue

\$50,310,000

\$61,380,000

Estimated Eligible Resident Children

Estimate of Preschool Age Children	2022 Estimate (1)	Percent Distribution	Percent Served	Total Served 2022
2.5 years old	438	18%	90%	394
3 years old	1,040	43%	95%	988
4 years old	380	16%	58%	222
5 years old	581	24%	25%	145
Total Children	2,440	100%	72%	1,750

Estimated Preschool Spaces Available

Supply of Preschool Spaces in SSF

Family Child Care Home Spaces	272
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Center Based Child Care Spaces	2,210
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Total Preschool Spaces Available	2,482
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Wt. Average Monthly Preschool Fees

Item	Amount
Average Center Preschool FT Monthly Fee	\$1,359
Average FCCH Preschool FT Monthly Fee	\$1,195
Current Center Based Preschool Spaces	2,210
Wt. Average FT Monthly Fee	\$1,341

Resident Preschool Tuition Costs

Total Children Eligible *

1,462

Average cost of Preschool Per Month

\$1,341

Total Monthly Preschool Tuition Remission Cost

\$1,960,000

Annual Tuition Remission Cost

\$23,520,000

Family Fees for Subsidized Care Remission

\$396,000

Total Tuition Remission Cost

\$23,916,000

**Minus subsidized spaces and plus San Bruno/Daly City children*



Teacher and Staff Estimate

Item	Small FCCHs Spaces	Large FCCHs Spaces	Preschool Spaces	Subsidized Preschool Spaces	Totals
Teachers Required	21	64	144	60	289
Estimated Directors	na	na	17	13	30
Aides and Support Staff	na	na	34	26	60
Total Staff	21	64	195	99	379

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MNO I replaced this table because the "S" in FCCHS was capital and not lower case.
Michelle Nilsson, 2022-08-05T18:26:08.480

Estimated Changes in Wages by Staff Role*

Item	Current Avg. Wage / Hr.	230% of Min. Wage / Hr.	Estimated Wage Increase	Percent Increase
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Preschool Workforce

Teacher Aides & Support Staff	\$15.80	\$36.34	\$20.54	130%
Assist./Assoc. Teacher	\$17.35	\$39.97	\$22.62	130%
Lead Teachers/Asst. Directors	\$20.07	\$43.97	\$23.90	119%
FCCH Owners	\$27.11	\$48.37	\$21.26	78%
Directors	\$31.77	\$53.21	\$21.44	67%

*Based on current min. wage in SSF; 10% pay increase by level

Estimated Wage Enhancement Costs

<u>CHILD CARE STAFF WAGE ENHANCEMENT ANALYSIS</u>	<u>Current</u>	<u>Future</u>
Estimated Preschool Staff (1)	379	379
Average Currently Hourly Wage	\$20.21	\$20.21
Proposed Wage at 230% of Min. Wage	\$36.34	\$36.34
Current Estimated Wages	\$15,942,000	15,942,000
Child Care Wage Enhancements	\$17,493,000	\$17,493,000
Total Child Care Wages w Enhancements	\$33,435,000	\$33,435,000

Non-Resident Worker Demand

Item	Amount
Employment Estimate - 2022	47,849
Percent Non-Resident (1)	85.0%
Non Resident Workers - 2022	40,672
Estimated Demand for Infant/Preschool Care from Non-Resident Workers 0 to 5 year olds	5%
Estimated 0-5 Demand from Non-Resident Workers	2,034

Costs of Non-Resident Worker Child Care

Estimated Preschool Spaces Needed*

1,220

Average Cost of Preschool per Month

\$1,341

Yearly Tuition Remission Cost per Preschooler

\$16,089

Total Annual Tuition Remission Cost for Non-Resident Employees' Children

\$19,631,000


**60% of total is preschool demand*

Summary of Costs and Revenue

Item	Current Estimates	Future Estimates
Net Parcel Tax Revenues for Program Costs	\$50,310,000	\$61,380,000
Resident Preschool Tuition Remission	\$23,916,000	\$23,916,000
Child Care Wage Enhancements	\$17,493,000	\$17,493,000
Non-Resident Employee Tuition Remission Cost (2)	\$19,631,000	\$19,631,000
Total Estimated Costs of ELC Parcel Tax Program	\$61,040,000	\$61,040,000
Revenue Surplus / (Shortfall)	(\$10,730,000)	\$340,000
Percent Shortage	-21%	1%

Supply and Demand for Preschool Spaces

Item	Current Estimates	Future Estimates
<u>Supply and Demand for Child Care Spaces</u>		
Current Supply	2,482	2,482
Current Demand - Resident & Non Resident Workers	2,970	2,970
Surplus or Shortage of Preschool Spaces	(488)	(488)
Percent Shortage	-20%	-20%



Thank you! I welcome your questions and
comments!

For more information:

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