

focus group demonstrate their interest and commitment by attending and participating in the group. The small-group interaction between facilitator and parents provides parents with a good basic understanding of the cooperative being proposed, and the trust that development is possible. The core organizational group can likely emerge either directly or indirectly from these focus groups.

and state cooperative preschool associations, Parent Cooperative Preschools International, cooperative assistance agencies, and related organizations.

- The child care resource and referral agency serving the community, region, or state will probably be able to provide information about community child care needs, resources, local child care programs and providers, established playgroups, general costs of child care, approximate child care center staff pay, and other information.<sup>7</sup>
- Community institutions involved with early childhood education, families, and/or child care are also potential sources of support and assistance. Sources to reach out to include community elementary schools, departments of early childhood education at nearby universities and colleges, public school administrative offices, the Recreation and Parks District, and local places of worship.
- Business assistance includes help with identifying potential funding sources, developing a feasibility study and a business plan, as well as preparation of materials for securing loans or grants. Sources of potential business assistance include the local Chamber of Commerce, the Small Business Administration, local community college business department, and university extension specialists.

### **Assess Community Need for Child Care and Parent Interest in a Cooperative**

The development process needs to create a foundation of parents who are committed to cooperative membership. The process can begin by determining whether there is a community need for child care, and by assessing parental interest in a cooperative program.

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7. To find an agency serving a particular U.S. community, see National Association of Child Care Resource and Referral Agencies (NACCRRA), 2003.

Prepare a brief informational flyer about the plan to organize a cooperative. Use a variety of sources to reach out to parents who might be interested.

Informal and formal sources of information are useful when assessing community need and parent interest in the cooperative. Using both sources of information contributes to a clear assessment of short-term and long-term interest in the cooperative. Each source helps to spread the news about plans to start a cooperative and to investigate community needs.

### **Informal Process**

The informal process includes personal networking among friends and acquaintances, and friends of friends. Word of mouth is probably the most effective method of member recruitment. Focus networking on parents with children in the age range the co-op will probably serve. Since people are often uninformed or have misconceptions about what a preschool or child care co-op is, it is usually not as easy as asking: Would you be interested in a co-op preschool/child care center?

Identify local playgroups, parent-education programs, babysitting cooperatives, parent magazines, and places where parents congregate — get the word out. Keep track of information about people who are interested in the co-op and notify them of upcoming meetings and progress in the cooperative development process.

When talking to parents, ask them what they know about preschool or child care programs in the community — including which programs are good and which aren't. Pay attention to how parents describe what they like and what they don't like. Tell them about the cooperative and invite them to the next meeting. Ask them to provide the names of other parents who might be interested in a cooperative. Spread the word about the cooperative, even to adults who don't have children (they may know someone who does).

### **Formal Process**

The formal process involves gathering objective data. Eventually this will include census or other community-wide studies.

At this point, the objective is to determine whether there is an identified shortage of child care in the community. A regional child care resource and referral agency should be able to help with statistics documenting community needs. Try to learn the characteristics of

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particular child care needs in the community, such as among a particular age group, location in the community, type of program, and underserved economic or other groups. During the feasibility study, it will be helpful to get more specific with this information by using census data.

## **STEP 2. ESTABLISH A STRUCTURE TO COORDINATE THE ORGANIZING PROCESS AND BUSINESS RESEARCH. CLARIFY GROUP NEEDS AND VISION.**

### **Primary Goals**

- Clarify the child care needs of prospective members.
- Establish the leadership and structure for the organizing process.

### **Guidelines**

This step will be organized and led by those presenting the co-op idea — this group may become the steering committee, or the steering committee may be selected during the needs and vision meeting.

### **The Steering Committee and Leadership Structure**

The steering committee coordinates and oversees cooperative development. The steering committee is the key decision-making group that ensures that necessary tasks are completed and the organizing process moves forward. Ideally the steering committee is elected from the group of prospective members. Often, however, this is difficult because there may be fluidity in the group of prospective members as new people become involved and others drop out. One way to balance the need for consistent leadership structure and encourage the involvement of newcomers is to utilize working committees. A steering committee can be the leadership group that organizes working committees, or it can include the chairpersons of the various working committees.

A committee structure also helps to manage and divide the various tasks involved in the organization process. Working committees never work in isolation; they report to the steering committee, which utilizes the information from the working committees to make final decisions or recommendations to the membership. Once the cooperative is formed, working committees report to the member-elected board of directors.

When a consultant or other specialist is assisting with cooperative development, s/he can provide necessary information to the committees. See Feature 11 for committee descriptions and tasks.

### **The First Needs and Vision Meeting**

Schedule a meeting of all people who might be interested in the cooperative. This meeting should include as many people as possible. The invitation list should include potential members as well as others who are interested in the project — this could include resource

individuals from key agencies as well as potential co-op employees. There are two key objectives for the meeting: to clarify the needs of prospective members and to begin to develop a dedicated core of people who will be active in the organizing process.

Since this is the first of a series of meetings, below is a discussion of important planning elements that should be incorporated into planning this, as well as subsequent, meetings.

### **Scheduling**

Schedule the meeting at a convenient time. To reach out to as many people as possible, it is probably best to schedule an evening or weekend meeting. Investigate possible community meeting conflicts, such as an open house at a nearby school. Schedule the meeting with at least 2 weeks advance notice.

### **Child Care**

Try to offer child care. It may be possible to arrange for babysitters who will accept whatever payment is collected from parents for the time they are in the meeting.

### **Location**

The meeting location should be convenient and easy to find. For a widely publicized meeting, try to identify a public place rather than a private home — such as a room in a public library, at a local school, community center, or place of worship. A private home is an excellent place for steering committee and other committee meetings, but safety concerns and the convenience and comfort of newcomers make it less practical for a public meeting.

### **Publicity**

Print meeting announcement flyers (see sample, Feature 9). If the budget permits, mail them to names and addresses collected while gathering information. Use informal and formal sources again to announce the meeting. Invite as many people as possible. Follow up the mailing with a telephone call.

Post the flyer in strategic locations — child care resource and referral agency, at the local community center, on bulletin boards in public places, and at places of worship, in laundromats, grocery stores — be creative!

Prepare a press release and fax, e-mail, or deliver it to local newspapers and other relevant media sources.<sup>8</sup>

8. See Chapter 5 for information on press releases and publicity.

Sources of free publicity include:

- Public events calendars: public access television, local newspapers, radio stations, local community or parent magazine/newsletter,
- Letters to the editor of the local newspaper,
- News stories: Submit a brief article to a regional parent magazine; work with local media and encourage them to publish an article about preschool/child care cooperatives.
- Brief presentations at relevant events, and to appropriate clubs and organizations, including established child playgroups.

## FEATURE 9

### SAMPLE MEETING ANNOUNCEMENT

You're invited to attend an informational meeting about developing a local Preschool/Child Care Cooperative

sponsored by

Parents United for Cooperative Child Care

on

Tuesday, September 12

7:00 p.m. to 8:30 p.m.

Co-op Senior Center

123 Co-op Avenue

Co-op, CA

On-site child care provided — donation requested

In Preschool/Child Care Cooperatives, parents and teachers work side by side to meet the needs of families. The program is governed by a parent-elected board of directors that hires a qualified director/teacher. The program can operate as a preschool that runs for a few hours a day or as a full-day child care center.

Preschool/Child Care Cooperatives offer:

- High-quality educational and social experiences for children
- Parent participation and involvement
- Focus on family rather than profit
- High-quality child care
- Affordability

*For more information about this meeting,  
call Cristina Lopez, parent: 263-1111.*

## FEATURE 10

### ANNOTATED PROGRAM AGENDA

#### ***Distribution of Handout(s)***

Meeting attendees should each have a copy of the informational handout, including items listed in the meeting preparation checklist.

#### ***Introductions***

Begin by introducing the program organizers. If 25 or fewer people attend, everyone present should introduce himself or herself — sharing their name, ages of child(ren), and reason for attending the meeting.

#### ***Agenda — Topics to Cover***

##### ***1. Background information***

How and why the cooperative idea emerged, the focus or mission of the cooperative's development, and a brief discussion of what a parent cooperative is and how it works. Distribute informational handouts and briefly go over all except committee and contact lists. A brief, informational video can be very helpful.<sup>9</sup>

##### ***2. Overview of community child care needs***

This should include a brief (no more than 5 minutes) introduction of findings thus far. Briefly introduce how a co-op can address community child care needs.

##### ***3. Organizing steps***

Share the basic organizing steps so people know the general sequence of steps and what needs to be done.

##### ***4. Discussion and questions***

Open the discussion to participants. What are their reactions? What concerns do they have? What do they like about the idea? Keep a record of what is shared.

##### ***5. Committee assignments***

Refer to the distributed handout listing committees; briefly describe each and the importance of becoming involved. Pass around a sign-up sheet. Encourage sign-ups, but don't require them. Consider designating the last 10 minutes of the meeting for committees to briefly meet and schedule their next meeting.

##### ***6. Schedule next meeting***

Set a meeting time for the entire group in about a month. Committees and small work groups should meet and work within this time to accomplish tasks and be prepared to share findings at the next meeting.

#### ***Meeting Follow-up***

Within 10 days after the meeting, telephone or/and e-mail each

9. For example, *The ABC's of Cooperative Child Care*, 2002.

meeting participant who expressed membership interest. Thank them for their participation, ask them if they have any questions, and discern their interest in continued involvement.

### **Meeting Preparation Checklist**

- ✓ **Agenda:** displayed so that all participants can see it on a flip chart, chalkboard, overhead transparency, or on a distributed handout (see Feature 10).
- ✓ **Sign-in sheet** that asks participants for their name, contact information (including e-mail), and the ages of their children.
- ✓ **Name tags.**
- ✓ **Informational handout(s)** that include(s): (1) a description of what a cooperative is; (2) phone numbers and e-mail addresses of key organizers; (3) a draft mission statement for cooperative development; (4) a list of steps involved in the organizing process; and (5) a brief description of the committees.
- ✓ **Child care:** the person(s) providing care (if offered) should have materials to keep children occupied: paper, crayons, puzzles, toys, or/and media equipment and a children's movie.
- ✓ **Meeting facilitator** who leads discussion, encourages broad, meaningful participation, and keeps the meeting moving productively through the agenda according to the time allotted.
- ✓ **Meeting scribe/notes:** identify a volunteer to take notes at the meeting. This person needs to be especially attentive to writing down the names of people who volunteer for specific tasks. A summary of meeting events should be distributed within a week following the meeting.
- ✓ **Serve light refreshments.**

### **If possible also bring:**

- ✓ **Organizational binder:** this should contain all of the findings to date, organized for easy retrieval. As more people become involved in the organizing process, the binder allows for easy retrieval of people contacted, what findings have been uncovered, etc. Everyone's time is valuable. If things are organized, the chance of duplicating efforts is minimized.
- ✓ **Resource listing:** keep a list of resource organizations, their phone numbers, and a description of their function. This list will be used as a reference during the meeting and should be added to throughout the start-up period and be available to those involved in the organization process.
- ✓ **Task/to-do list:** have a list of tasks for the next planning steps outlined so that volunteers can be solicited for specific tasks.



## FEATURE 11

**USING COMMITTEES IN COOPERATIVE DEVELOPMENT**

Effectively organizing a parent cooperative involves the participation of parents who are interested in becoming members ("prospective members"). Each member of the steering committee is involved with a working committee — either as a chairperson or an active member. Each family interested in membership should be involved with at least one committee and participate in fundraising events.

**Steering Committee:** prospective member group that leads the organizing effort and is ultimately responsible for seeing things through. The steering committee coordinates and reviews recommendations made by working committees, uses information to develop the business plan, and prepares items for a vote of the entire organizing group. The steering committee initiates licensing procedures and prepares for the program director to maintain compliance and oversee renewal at a later date. When the need arises, the steering committee can delegate tasks to relevant topic-specific committees.

Topic-specific committees are used to break down tasks so that work is shared among more people. These committees complete tasks, prepare reports, and make recommendations to the steering committee. Each committee includes a member of the steering committee. Below is a summary of suggested topic-specific committees.

**Site/Equipment/Supplies Committee:** responsible for tasks related to identifying and preparing a site for the program. When an existing site is used, the committee identifies necessary renovations for licensing compliance, obtains estimates, and monitors progress.

The committee prepares a list of the equipment and supplies needed for the program, and identifies where items can be purchased and the approximate costs. The committee should include both new and used sources of equipment.

1. Identify potential sites (existing buildings and projected construction sites); evaluate sites, weighing:
  - A. Location: potential member convenience, neighbors (e.g., a topless bar or toxic waste dump are not appropriate neighbors), traffic patterns, parking, and related factors
  - B. City/county zoning restrictions
  - C. Licensing requirements: Will indoor and outdoor space be sufficient for the projected number of children? What will it cost to bring the facility to licensure standards?

2. Once the site is identified, determine:
  - A. Zoning (conditional use-permit requirements)
  - B. Lot and/or indoor and outdoor square footage — utilize to evaluate licensing compliance
  - C. Estimates for: rent/lease or purchase of existing building; lot and new construction costs
  - D. Repair or renovation needs and cost estimates for licensing compliance
  - E. Additional facility costs (e.g., deposits, last month's rent, building fees)
3. Equipment (itemize and estimate costs):
  - A. Playground/outdoor (e.g., climbing structure, outdoor table(s), trees or shade structure)
  - B. Classroom/indoor play (e.g., easel, tables, chairs, nap mats)
  - C. Office/business (e.g., computer, fax, copier, desk)
  - D. Other equipment (e.g., fire extinguisher)
  - E. Supplies (itemize and estimate costs for initial supply and for monthly replenishing costs):
    - Children's program (e.g., types of paper, paint, art supplies)
    - Business operation (e.g., ink cartridges for computer, paper, postage)
    - Other supplies (e.g., first aid, cleaning items)

**Membership and Publicity Committee:** involved in all tasks related to cooperative membership and publicity. This committee is actively involved in membership recruitment, drafting membership and parent-participation requirements, and planning publicity.

1. Develop recommendations about the program being developed. Decisions related to the recommendations will help project the co-op's licensing needs, estimates for operating expenses, and the fees the co-op will need to charge for care. Recommend ranges for the following:
  - A. Ages of children to be served (e.g., infant, toddler, preschool, school-age).
  - B. Size of the program: approximately how many children will be served?
  - C. Hours of operation: approximately how many hours of care will be provided?
  - D. Educational philosophy: The group may desire developmentally appropriate curriculum without a specific approach, or may

desire a specific approach (e.g., Montessori, Reggio Emilia, Waldorf).<sup>10</sup>

- E. Program mission or goals: determine the central shared beliefs about the purpose of the co-op.
  - F. Parent participation expectations: approximately how many hours per month will parents be required to participate in the program? How flexible will the requirements be?
  - G. Will the program serve meals? (Consider member interest, costs, and potential subsidies.)
2. Prepare draft membership expectations, including payment procedures, parent-education expectations, and other membership policies. Once the draft is approved by the steering committee, it will be presented to the entire prospective member group for approval.
  3. Plan for publicity. Prepare a draft of a flyer or brochure about the program. Identify relevant media sources for free publicity.

**Staffing Committee:** responsible for the recruitment of program director candidates and tasks related to professional development and staffing the cooperative. Once hired, the program director should have final authority for hiring other staff, although representatives of the co-op board or this committee may serve on an interview committee.

1. Draft minimum operating standards for the cooperative for:
  - Staff-to-child ratios: determine minimum number of staff.
  - Parent volunteer-to-child ratios: determine minimum adult-to-child ratios.
  - Staff qualifications: determine qualities sought, and establish minimum requirements.
  - Criminal record clearance requirements: do all parents need to submit fingerprints?
2. Personnel costs: identify staffing needs (take into account participation of parents as classroom aides), then itemize and suggest wages for each applicable position:
  - Program director or director/teacher
  - Teacher(s)                      • Aide(s)                      • Reserve for substitutes
3. Staff benefits: recommend benefits offered to each staff title and estimate costs.

10. Consider thoughtful discussions regarding approach in Berk and Winsler, 1995, and Halloway and Fuller, 1999.

- Health benefits (include family?)
  - Paid holidays
  - Other benefits
  - Sick leave
  - Subsidized child care
4. Other staff issues/costs: begin planning what policies the co-op will establish regarding staff training and support; estimate costs.
    - Board of directors and staff training.
    - Professional support: periodicals, publications, conferences, association membership, etc.
    - Additional items.
  5. Develop a recruitment plan.
    - Identify community resources that can assist in recruitment.
    - Identify places/venues for advertisement.
    - Develop an informational flyer about position opening(s).
    - Develop draft questions and interviewing policies that are consistent with relevant laws; educate/inform interview committee.

**Finances and Fundraising Committee:** responsible for tasks related to financing the cooperative. This committee will lead and coordinate fundraising events. It will identify regional and other grant funding opportunities and prepare funding applications. All prospective members will help with the fundraising events planned by this committee. The committee may break into several subcommittees.

1. Explore sources of funding and prepare grant and loan applications.
  - Identify local private foundations or endowments that might be interested in contributing to the development effort or in starting a fund to subsidize the fees of low-income families.
  - Coordinate and collect letters of support for applications.
2. Organize donations/contributions.
 

Funding the new cooperative child care center can be presented as a community project. Businesses may be interested in donating equipment, materials, or funds for construction. Community and business support should be acknowledged as publicly as possible. Write letters to the newspaper editor lauding the support and identifying supporting businesses. Offer to include a plaque on equipment that identifies the family or businesses that donated it; it may be in the memory or honor of a special person.
3. Organize fundraisers.
 

See Chapter 5 and Appendix 3 for information and ideas.
4. Identify sources of income for the cooperative.
 

Become acquainted with subsidy programs available to support

low-income families or families with special needs. Examine the applicability of subsidized meal and related programs to the cooperative being developed.

5. Develop a draft list of fundraising events for the cooperative's first year and estimate net income from each.



*Grandparents are welcome to participate at Dolores Mission Women's Cooperative in Los Angeles, California.*

### **STEP 3. CONDUCT A FEASIBILITY STUDY; OBTAIN BASELINE INFORMATION FOR THE BUSINESS PLAN.**

#### **Primary Goals**

- Determine co-op target population and program characteristics.
- Estimate start-up operational costs.
- Determine whether the cooperative is financially viable.

#### **Guidelines**

Tasks associated with the feasibility study should be divided among individuals or committees already formed. Estimates and projections should be based on inquiry and be as realistic as possible.

Use the feasibility study worksheet (Feature 12) to enter information. Add categories that may be missing, and eliminate those that are not relevant. Keep notes about special challenges and issues to be considered in potential funding sources and in site selection.

#### **Analyze Data That Helps Assess the Community Need for Child Care**

Assemble basic community demographic information. Census information is usually easy to obtain via the Internet or at a local library and is useful in a variety of ways. Census records help to assess current need as well as future needs. When applying for grants or special loans, this kind of information will be useful. When reviewing census information, pay special attention to the number of families with young children. For example, if the population growth in the community is among retired people and the number of families with young children is declining, it will be important to scrutinize interest level closely and keep the program small. Other important information, focusing on co-op target characteristics, includes family:

- Income distribution
- Geographic concentrations
- Dependence on public assistance
- Composition, such as the percentages of dual-employed parents, single-parent households, or families with one stay-at-home parent

#### **Determine Member Needs and Services to Be Offered by the Co-op**

Begin making programmatic decisions by agreeing on the primary goals of the cooperative. Some questions to consider include: Who is the primary target group for the co-op — is it employed parents who need child care, families with one stay-at-home parent, or both? Are there core values or expectations intrinsic to the cooperative, such as

to provide a Montessori, Reggio Emilia, Waldorf, or other particular educational approach?

Make some preliminary decisions about the program being developed. These will be important in projecting licensing needs and calculating cost and revenue estimates. Consider the following issues and determine general areas of agreement. For now, the goal isn't to be exact, but to establish shared generalizations. For example, the number of enrollees in the program may be set at 15 to 25 (rather than a particular number), and the hours of operation may be set at approximately 10 hours each weekday during typical daytime work hours (rather than the precise opening and closing time). Some topics to discuss include:

- Size of the program
- Hours of operation
- Educational philosophy
- Staffing expectations
- Ages of children
- Whether to serve meals
- Parent participation expectations
- Program mission or goals

### **Identify Licensing, Equipment, and Facility Needs and Costs**

Determine what it will take and how much it will cost to equip and house the cooperative. As with any endeavor, there may be a gap between what members desire and what they can afford. Be prepared to be flexible in some areas. For example, the organizing group may desire a newly constructed facility with brand new equipment, but financial considerations make it necessary to start by renting an existing facility and acquiring used equipment and supplies from garage sales and second-hand stores. Similarly, costs may indicate that the group needs to pay more for child care than they anticipated or risk abandoning the project.

### **Calculate the Costs of Doing Business; Prepare Financial Projections and Determine Business Viability**

Use the feasibility study worksheet (p. 73) to guide the process of identifying important considerations. Much of the information should be available from information gathered during earlier steps. Ideally, enter the projections into a spreadsheet program so that adjustments can be easily made. Putting the information into such a program will also further the business planning process when operating costs over a 3- to 5-year period will need to be projected.

When calculating revenue for operating expenses, it is best to use relatively stable funding sources, such as parent fees, predictable subsidies, or funds that have already been provided from gifts and

grants. Fundraising can be used to cover start-up expenses, but once the cooperative is operational, fundraising should be targeted for a specific purpose, such as new equipment, field trips, a special conference fund for staff, or renovation or other building maintenance.

It is unlikely that the organizing group will be able or willing to pay for all of the necessary start-up costs. Fundraising, grants, gifts, and loans will probably be necessary to raise sufficient start-up capital.

Compare the projected costs, anticipated funding needed from fundraising, grants, loans, and parent fees necessary to support ongoing costs, with fees for similar programs in the community. Does the feasibility analysis reveal that it is possible to create a program that meets member needs, is competitive, and is economically viable? If it doesn't, the group needs to consider several options: revise the program, explore ways to cut costs or enhance revenue, or abandon the project.

### **Explore Sources of Funding**

Identify grant and loan funding sources for cooperative child care. Probably the most effective funding sources will be regional. Look carefully for private foundations. Sometimes these include wealthy community members or estates that establish foundations for their charitable contributions. These types of funding sources tend to be the most flexible. The application requirements and timeline conditions are often minimal.

Grants and special low- or no-interest loan programs often require time-consuming application procedures; the time between submitting an application and learning whether it is funded can take up to a year. For this reason, it is important to initiate funding requests as early in the development process as possible.

Fundraising can be a very effective way to support start-up costs for a cooperative child care program, particularly if it is presented as a community project. Businesses may be interested in donating equipment, materials, or funds for construction. Community and business support should be acknowledged as publicly as possible. Write letters to the newspaper editor lauding the support and identifying supporting businesses. Offer to include a plaque on equipment that was donated by a particular family or business; the donation may be in the memory or honor of a special person.

Fundraising is an excellent way for parents to get to know each other and develop bonds as they establish a program for their children.



Become acquainted with subsidy programs available to support low-income families or families with special needs. Examine the applicability of subsidized meal and related programs to the cooperative being developed.

### **Establish Timelines and Prepare a Brief Report to Be Presented at a Special Meeting of Prospective Members**

Compile and present the feasibility findings in a brief, easy-to-review style. The results are important and should be the focus of a special meeting of parents who have expressed an interest in co-op membership. The meeting should encourage discussion that may end in modifications to the proposed program. Attendees should discuss strategies for recruiting new members.

Use the information gathered to create a timeline for all activities, including an estimated opening date. The timeline will enhance the discussion and promote participation.

## **FEATURE 12**

### **FINANCIAL FEASIBILITY STUDY WORKSHEET**

This worksheet lists and summarizes the information discussed in Step 3. The Steering Committee uses information from topic-specific committees to complete the worksheet. If a consultant or development specialist is assisting with the project, the work of topic-specific committees will be minimized.

#### **Community Description, Child Care Needs, and Program Description**

1. *Geographic boundaries and demographic information in county/region:*
  - Location and boundaries of target region
  - Number of families      • Number of single-parent families
  - Number of children under 5 years old (or in targeted age category)
  - Average and median family income
  - Poverty rate
2. *Using results of the parent survey and/or other information, determine target population — particularly:*
  - The program's approximate hours of operation — number of hours per day and number of days per week
  - Ages of children to be served (e.g., infant, toddler, preschool, school-age)

3. *Child care available in community:*

- Name and phone number of child care centers in the area and their capacity
- Range of fees charged by area child care centers (for target age group)
- Record additional fees charged, such as application or registration fees
- Approximate number of family day care homes
- Range of fees charged for family child care
- Age group(s) being (or not being) served in the area
- Type of existing services available (hours, days, nights, special need, drop in, etc.)
- Staff candidate pool and pay/benefit ranges

4. *Determine approximate unmet need for child care:*

- Vacancy rates in child care centers
- Identify programs that are full and may have a waiting list of children.

5. *Accessibility to parents:*

- Location of existing child care centers relative to prospective members
- Public transportation • Other relevant characteristics

***Determine Requirements, Costs, and Income Ranges for the Following, Based on Community Research:***

1. *Site/facility:*

- Zoning (conditional use permit requirements)
- Licensing requirements (often quoted in terms of square feet per child)
- Size of lot/number of children served
- Estimates for rent or lease; purchase of existing building; new construction (include costs of lot/land)
- Repair or renovation needs and estimated cost (applicable to rental or purchased facility)
- Construction costs
- Projected repairs and maintenance
- Additional facility costs (e.g., deposits, last month's rent)

2. *Personnel costs: Identify staffing needs (take into account participation of parents as classroom aides), then itemize and include wages, taxes, and benefits for:*

- Director
- Aide(s)
- Teacher(s)
- Reserve for substitutes

3. *Equipment (itemize and estimate costs):*
  - Playground/outdoor
  - Office/business
  - Classroom/indoor play
  - Other equipment
4. *Supplies (itemize and estimate costs for initial supply and for monthly replenishing costs):*
  - Children's program (e.g., paper, paint, art supplies)
  - Business operation (e.g., ink cartridges for computer, paper, postage)
  - Other supplies (e.g., first aid, cleaning items)
5. *Operational support and services (itemize and include start-up and projected monthly costs):*
  - Food
  - Garbage pick-up
  - Insurance
  - Other services (e.g., bookkeeping, snow removal/yard care, cleaning, laundry)
  - Telephone
  - Advertising
  - Reserve fund
  - Utilities
6. *Other miscellaneous development and operational expenses (itemize and project development and projected monthly or annual costs):*
  - Consultant and professional fees (development assistance, meeting facilitation, legal, accounting, etc.)
  - Board of directors and staff training
  - Incorporation, non-profit status, and related fees
  - Licensing and related fees
  - Professional support: periodicals, publications, conferences, memberships, etc.
  - Additional items

### **Projected Revenue**

1. *Member/parent revenue:*
  - Membership/registration fee
  - Additional charges (e.g., additional fee for parents minimizing participation, field trip/special project fee(s) passed to parents)
  - Fee/tuition
2. *Cash at start-up (itemize and indicate source, e.g., fundraising, grant, gift, or loan)*
3. *Likely funding assistance:*
  - Foundations: grants and loans
  - Federal government: grants and loans
  - State government: grants and loans
  - Subsidies for qualifying members
  - Meal or other applicable subsidies

## **STEP 4. INITIATE FUNDING AND MEMBERSHIP COMMITMENTS.**

### **Primary Goals**

- Begin the funding processes.
- Obtain membership commitments.
- Clarify member participation expectations.

### **Guidelines**

If the group proceeds to this step in the organizing process, it should be because the feasibility analysis was positive enough to move forward. By this point, the group should have a good idea of the focus of the parent cooperative and the funding required for its start-up and initial operation. Enough work should also have been completed so that the people active since the beginning have made a strong commitment to the development project. This is a good time to encourage, or even require, the active participation of newcomers or hesitant-to-commit participants.

### **A Note on Handling Funds**

Money collected during the development process may be collected from prospective members (and applied to membership fees), earned through fundraising activities, or procured through development grants or loans. Money should be deposited in a special bank account, placed in escrow, or managed in a manner that assures members of security and fiscal responsibility.

### **Initiate Funding**

#### ***Member Contributions: Financial Payments and Sweat Equity***

If the organizing group has not done so already, it will need to request that prospective members contribute money toward organizing expenses. Even if the group has a grant that covers all costs, asking for funds, or even volunteer work is a good test of the commitment of less-active prospective members and can be healthy to the development process. Encouraging or requiring commitment is a good way to avoid the problem of having a prospective member who dominates discussion, strongly arguing how things should be, yet contributes very little work.

One method of collecting financial contributions from prospective members is to treat the contributions like registration fees. These fees are common to child care centers of all types. Try to keep the amount similar to that charged by community centers. If the amount is high for some, offer the option of dividing the amount in half or thirds to be paid over a specified period. Be clear to participants that the fee

is non-refundable; however, if all goes well, it can replace the payment of the registration fee when the center opens.

Prospective members may also contribute money that could be put toward their monthly tuition once the cooperative becomes operational. Obtaining loans from individuals in the organizing group is another method of raising funds. Both methods have drawbacks that should be considered by the group. It is possible that funds from both sources could be lost if the cooperative did not become operational or experienced financial problems that pushed it into bankruptcy. Member loans that are "due and payable upon request" can also be problematic if the member uses the clause as leverage for actions the member disagrees with.

Sweat equity refers to recognizing work contributions and using them in lieu of a payment. Prospective members can be encouraged or required to contribute sweat equity to the project. It is best to define these in terms of jobs, such as active participation on one or two committees, and a specified number of fundraising activities, rather than hours. Do not get too specific and try to make the contributions exactly equitable — that probably can never be accomplished, would involve too much organizational and record-keeping time, and can create, rather than alleviate, conflicts. On the condition of financial ability, sweat equity may be recognized by allowing parents who fulfill the organizational work requirements to be relieved from paying all or part of the monthly child care tuition for a short time; for example, no fee during the 12th month of the program. It would probably be too financially risky to apply sweat-equity compensation within the co-op's first few months of operation, but at the end of the first year, the co-op may be better able to attempt it.

### **Grants and Loans**

Identification of available funding sources was accomplished during Steps 2 and 3. The feasibility analysis identified the funding necessary for start-up and initial operations. The tasks now are to determine which sources will be pursued and to complete applications or necessary follow up to applications previously submitted.

Lenders want to be assured that the money loaned will be returned. This is usually accomplished by the borrower's financial investment (similar to a down payment on a house). Grantors want assurance that their funds are going into a successful project. When completing grant

and loan applications, indicate the money already raised through grants and fundraisers, as well as the financial contributions and total amount of sweat equity contributed by prospective members. Now is the time to approximate the total number of volunteer work hours contributed by the organizing group and report it, noting the sacrifice and commitment that time represents. Lenders and grantors involved in community development projects will usually recognize sweat equity, fundraising efforts, and related activities as signs of project commitment.

### **Fundraising**

Even if the project has sufficient funds for start-up, completing a fundraising project is worth considering. It builds group cohesion and camaraderie and is an excellent way to publicize the co-op, gain community support and recognition, and recruit members. Information about fundraising is discussed in Chapter 5, and a listing of sample fundraisers appears in Appendix 3. Report upcoming fundraisers using all available complimentary media sources, taking opportunities to share the information at meetings and other affairs. Follow up the event with a letter to the newspaper editor thanking the community for their support, including the names of appropriate businesses and individuals.

### **Membership Commitments**

Parents who have been coming to meetings since the beginning of the planning process, as well as those involved soon after, should have a good idea of whether they will enroll their child(ren) in the co-op when it is operational. Prospective members who have invested or committed to the groups' established financial and sweat-equity minimums can be distinguished by giving their status a name or acronym, such as CPM (committed prospective member), or "pre-member." Although all interested parents can be welcomed to meetings, votes on important matters can be cast only by those who have made such a demonstrative commitment.

It is important to continue membership recruitment efforts throughout the organizing process. If the co-op's membership roster fills up, additional parents can be placed on a waiting list. A waiting list is an important lifeboat in child care programs. Child care programs typically operate at a level very close to operational costs, so a member who unexpectedly leaves could cause the co-op financial distress if the vacated membership spot is not filled quickly.

## **Evaluate and Determine Member Financial Expectations**

The feasibility analysis should generate estimates for operational costs and the revenue necessary to meet them. Carefully calculate how much revenue will be generated from parent-member fees and how much from fundraising efforts. If needed, evaluate ways that the business could cut costs by having parents perform work. Should routine cleaning and maintenance be completed by parents? Can parents shoulder much of the responsibility for caring for children during or immediately after the children's lunchtime so that the director and other staff can have a lunch break? Can parents complete routine preparations to reduce teacher prep time? Discuss these and related issues with parents to determine how much and what type of contributions parents can make to the co-op. Showing the expenses and savings of various cost-cutting scenarios can add realism to the discussion, but balance these against the realities of parents' time schedules.

In addition to charging a fee when a parent submits paperwork to register their child, cooperatives charge monthly fees using processes similar to other child care centers. Fees are usually paid in advance of service, based on the program and hours the parent has committed to. The advance fee is due whether or not a child actually attends. The expenses related to the care of that child need to be paid even if the child's circumstances prevent him or her from attending. Many co-ops establish monthly fees or "tuition" based on the year's expenses and ask parents to sign agreements for an annual fee that is spread over the actual months that the co-op will operate.

Some co-ops add additional fees. For example a co-op in Los Angeles charges an annual \$25 fee for liability insurance. To encourage completion of parent-participation requirements, some schools request an annual fee (that can be divided into two or three payments), or an additional monthly fee that is refunded at the end of the year if all expected minimum participation requirements have been fulfilled. A potential drawback to this policy is that parents may feel that they have the option to forgo participation and relinquish the refund; this can be a problem if the fee is not high enough to purchase the service required of the parent. Parents need to understand that participation is probably not optional.

Offering parents the opportunity to "buy out" of a portion of the participation requirements can be a useful way to handle parents' varying ability to participate. The amount established for buy-outs should be

high enough to allow for the job to be completed by paid staff. Offering one or more buy-out options has become common at many co-ops. A word of caution, however — co-ops that establish a complete buy-out of all participation (sometimes referred to as “member” and “nonmember” parents) have experienced problems. The practice tends to divide the co-op. “Members” can feel overburdened with work, and “nonmembers” often lack commitment to the co-op. It is best to require a minimum set of participation requirements for all co-op members.

### **Prepare the Member Agreement**

A membership agreement specifies the rights and obligations of members once the co-op is operational. The agreement should be clearly written, brief, and periodically adjusted. Eventually the co-op will develop a booklet that explains various aspects of the program and discusses member expectations in more detail (for more information, see Feature 19, Chapter 5).

The membership agreement should:

- Define membership and what it means in a cooperative.
- Describe the basic decision-making process in the cooperative as it relates to the board of directors, members, and the program director.
- Stipulate the parameters of service provided by the co-op (hours, days of operation, etc.).
- Stipulate the fee structure, when payments should be made, applicable late fees, and fees charged if a parent is late picking up their child.
- Explain expectations with regard to children who are ill, or become ill while at the co-op.
- Specify the minimum requirements for parent-education participation.
- Specify the non-monetary participation requirements for members.
- Stipulate the terms and conditions of a member's financial obligation and steps to terminate the agreement.



## **STEP 5. PREPARE AND REVIEW THE BUSINESS PLAN.**

### **Primary Goals**

- Prepare a development timeline.
- Prepare a document that clearly communicates how the co-op will be structured, how it will operate, and how it will be financed.
- Proceed with development when the organizing group formally approves the plan.

### **Guidelines**

The business plan serves two main functions: (1) it is the blueprint and basic guide for members and staff when the co-op starts operations; and (2) it is the central document for any loan or other funding application.

The business plan is a revised and expanded version of the feasibility study. The business plan consolidates and uses the feasibility information so that a single document details the co-op's business potential and operating framework. Pulling all elements together into one complete plan helps to minimize the risk of business failure. A business plan is usually required for loan and grant applications. The plan will change over time to adapt to changes in the business environment.

Verify the accuracy of the business plan by obtaining objective feedback from consultants and resource people experienced in child care business start-ups and business plans.

### **Importance of the Business Plan**

The business plan addresses and outlines every facet of the proposed co-op and how it will operate. It will include both descriptive and quantitative information.

The business plan will describe the purpose of the cooperative and its educational philosophy. It will define the expected membership population and the responsibilities of members. It will include information that will be fundamental to creating the cooperative's bylaws.

The bulk of the business plan is quantitative. It details how information was obtained and explains the assumptions involved in the use and presentation of data. It itemizes and details the costs of all aspects of doing business — including a projection of start-up and

operational costs. The business plan stipulates anticipated sources and amounts of all funds.

The quantitative portion of the plan should be displayed using a spreadsheet program. In this way, it can be adjusted from time to time once the cooperative is operational. It can also be used for scenario assessments — for example, how finances will be affected if the wages of staff are moved up or down or if membership fluctuates.

### **Timeline to Opening Day**

Create a timeline of development activities that remain to be completed before the cooperative's grand opening.

### **Prepare a Business Plan Summary and Present It to Prospective Members**

A report that summarizes the findings of the business plan should be prepared by the steering committee and shared with prospective members. Prospective members interested in reviewing the entire document should be given a copy or be told how they can review it.

Conclude the report with the committee's recommendation to proceed or not to proceed with the co-op.



*Participating mom at University Parent's Nursery School helps a child with a project.*

The summary should be reviewed and discussed at a meeting of prospective members. Make necessary adjustments. Each prospective member who has contributed the required financial and/or participation contribution is a "voting development member." Vote on whether to proceed with developing the cooperative.

## FEATURE 13

### TABLE OF CONTENTS FOR A BASIC BUSINESS PLAN

#### ***Introduction and Summary***

Include the business name, anticipated address, and phone number.

Provide brief background information on the cooperative: why it was formed, the community needs it addresses, and the organizations involved in its formation. Present the names and contact information for key decision makers — e.g., board of directors or steering committee, and the center program director (if known).

Follow this with a brief summary of business plan findings.

#### ***Business Description***

Present the mission statement or statement of purpose for the co-op; define the members (e.g., parents of enrolled children). Describe the co-op's legal identity (e.g., educational non-profit) and what kinds of services it will offer.

Include an overview of the child care industry, including quality considerations and cost patterns. Provide a definition of co-ops, their prevalence in the state/region, and the unique contributions they have made in other communities. Describe how the program can address community needs and the benefits of parent involvement.

#### ***Market Research and Plan***

Discuss community needs for child care, an overview of currently available child care services and costs, as well as projections for the future. Describe the co-op's membership plans (including the projected number of publicly subsidized spaces the center plans for low-income families). Discuss competition analysis, estimated fees, and projected membership maximum. If applicable, present the results of the child care needs survey and/or focus groups.

Include an overall marketing or publicity strategy, how quality child care will be maintained, and advertising and promotion plans.

**Management and Development Plan**

Define the roles and responsibilities of management (the program director), board of directors, teachers, and participating parents. Include an organizational chart. Discuss the training/education needs of staff, participating parents, and the board of directors, and describe how education will be carried out. Outline supporting professional services needed, staff needs, and associated costs.

Discuss expected growth or changes expected in the business within the first 2 to 3 years of business and their financial implications.

**Technical and Operational Plan**

Present a general operational plan that includes break-even operation levels. Describe the location of the co-op and facilities. Include the business capacity (maximum number of children for the facility), equipment and labor needs, and an analysis of critical risks.

**Financial Plan**

Using a computer spreadsheet program, display all financial information projected over a 2-year period. Calculate projections for cash flow within the business, month by month and by year — indicate sources and anticipated amount of income and expenses. Include an income statement, a balance sheet (indicating assets, liabilities, and net worth), and a break-even analysis (reconciling revenue and expenses). Indicate sources and amounts of financing. The spreadsheet presents optional financial plans reflecting best, worst, and expected scenarios.

**Community Benefits**

Discuss the economic and human development contributions the co-op provides for the community. This can include the expansion of licensed, quality care for children, the employment parents have been able to accept because child care is available, jobs created in the center, and the benefits of parent involvement.

**Supporting Documents**

Include professional and affiliation descriptions of the leadership group, consultants, and others providing technical assistance. Demonstrate commitment within the pending membership group by presenting the financial contributions made directly and through fundraisers, and the collective hours of sweat equity contributed. Attach copies of drafted membership agreements, and results of surveys and other analysis.

## **STEP 6. PREPARE LEGAL ORGANIZING DOCUMENTS.**

### **Primary Goals**

- Arrange to legally establish the cooperative.
- Initiate tax-exempt status.
- Prepare bylaws.
- Formalize information from the business plan and other organizational documents by incorporating them into legal documents.

### **Guidelines**

It may take several meetings to complete all aspects in this step. Use the guidance of an attorney experienced with child care or preschool cooperatives to assist with legal papers.

Appendix 4 includes sample bylaws for a non-profit cooperative child care center. The bylaws should be modified to fit the needs and interests of the membership, and the specific laws of the state where the co-op is located.

### **Select a Name**

The center will need to have a name to conduct business and to incorporate. Investigate applicable law pertaining to the name. For example, most states require that incorporated businesses include the term "incorporated" as a part of the business's legal name. Consider including the word "cooperative," "co-op," or "parent participation" in the name; these can remind members and the public that it is a member-controlled business.

### **Comply with All Local or Regional Business Requirements**

Investigate local requirements for opening a business. Acquire a business license and meet other requirements.

### **Incorporation**

Incorporation is a legal process that gives the cooperative a legal existence so that the organization can be treated much like a person. This limits the personal liability of cooperative members and creates a legal entity through which the co-op can enter contracts and transact business.

Incorporation is particularly useful to the operation of a cooperative child care center. The corporation (rather than specified members) employs staff, rents or purchases property, obtains necessary facility

licenses, obtains insurance, enters into legal agreements, and manages member enrollments and departures.

Most corporate statutes are governed at the state level, and incorporation requirements differ from state to state. In fact, there may be a number of statutes within each state that could be used to incorporate a child care cooperative. For this reason it is important to choose the statute that best matches the purpose of the cooperative and bestows advantageous state and federal tax status.

For financial reasons it is probably best for parent cooperatives to incorporate under non-profit statutes usually used for corporations established for educational and charitable purposes. Such statutes are easily compatible with the requirements to obtain federal tax exemption under Section (501)(c)(3) of the Internal Revenue Code (IRC).

Most cooperative businesses do not incorporate under educational or charitable nonprofit statutes because they do not allow members to really own the business, share in annual monetary profits, or accrue any rights to profits or equity over time. When an educational or charitable non-profit dissolves, the corporation must allocate all assets to another organization dedicated to similar purposes. However, these are minor issues to a parent cooperative — the purpose of the parent cooperative is to provide a service, there is ongoing turnover of membership, and any "profits" are usually put back into the program as facility upgrades or improved services. Therefore, most parent cooperatives have found the advantages of the charitable non-profit statutes outweigh other concerns.

Being a charitable non-profit corporation permits the cooperative to accept tax-deductible donations and makes the co-op eligible for certain grants and tax-exempt status. The description of the cooperative's purpose in the articles of incorporation can have federal tax implications. To qualify for federal tax-exempt status, an entity must not engage simultaneously in exempt activities from different subsections of the IRS code. "... while you may be able to perform charitable and educational functions together ... you cannot, for example, form a 501(c)(3) for both educational and social or recreational purposes" because the latter two are exempt under IRC S50(c)(7).<sup>11</sup> This may be an important point for preschool cooperatives since both education and social experiences for children are often an explicit part

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11. Mancuso, 1999, p. 3.

of the curriculum. The IRS considers that the purposes of a non-profit child care center are educational if the primary purpose of the care is to enable parents to work.<sup>12</sup>

"Do-it-yourself" incorporation books are available that take an individual through the process of incorporation. Such resources can be used to lower the legal costs of incorporation, but it is still advisable to employ an attorney to evaluate the incorporation code chosen, as well as to review the drafted articles of incorporation and bylaws to be certain that they are correct and within the law. When selecting an attorney, try to find someone who is experienced with cooperative preschool and child care organizations.

### **Prepare Bylaws**

Bylaws are the fundamental rules of the cooperative and provide legal guidance for its operation. It is important that bylaws reflect the issues and needs unique to the cooperative. Proposed bylaws must be thoroughly discussed among prospective members, and modified where necessary.

Because changing bylaws can be a time-consuming process, each bylaw should be presented as a general statement that will remain consistent over time. Guided by the bylaws, the co-op will need to establish "standing rules," which are policies and operating procedures that are more specific.

If the co-op is very small or members prefer to participate in policy decisions collectively, the bylaws may indicate that all members serve as directors. In this case, bylaws and operating procedures should reflect this as the co-op's governance and decision-making structure.

In general, the bylaws should:

- Define who is eligible for membership and the membership process.
- Identify the basis for all costs associated with joining the co-op.
- Describe how decisions are made.
- State the roles and responsibilities of the board of directors and officers and how they are selected.
- Specify how meetings will be called and conducted.
- Describe how elections will be conducted and stipulate rules related to voting.

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12. U.S. Department of the Treasury, Internal Revenue Service, 2001, Chapter 3.

- Stipulate processes for member, board, or officer termination or expulsion.
- State how bylaws can be changed.

### **Submit Application for Tax-Exempt Status**

In the United States it is advantageous for any non-profit child care center to obtain tax-exempt status. This status excuses the corporation from paying federal income tax and allows individuals and organizations to write off donations as a charitable contribution.<sup>13</sup> This designation may need to be initiated at state and federal tax agencies. In the next paragraph is a brief summary of the federal considerations.

As soon as the cooperative is incorporated, obtain an employer identification number (EIN), and submit application forms for tax-exempt status from the Internal Revenue Service. The application and fee can be submitted before operations begin. Since the process can be time consuming (4 to 5 months), submit forms as soon as possible after incorporation.<sup>14</sup> If at all possible, obtain assistance from an attorney, accountant, or other professional familiar with this process. If this is not possible, try to obtain a completed sample application from another non-profit. In any case, be attentive to detail when completing forms so that time is not wasted by the return of an incomplete or improperly completed application.<sup>15</sup>

### **Initiate Insurance Contracts**

Various types of insurance need to be considered before the cooperative begins operations. The insurance policies briefly described below are those most commonly procured by parent cooperatives.<sup>16</sup>

- *Workers' Compensation Insurance* is required by many states for all businesses with employees. The policy insures staff against loss caused by on-the-job injury.
- *Fire and Property Insurance* is important if the school owns the facility or a substantial amount of equipment. The insurance covers loss from covered catastrophes and will probably be required if a loan was used to purchase the facility.

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13. U.S. Department of the Treasury, Internal Revenue Service, 2001.

14. If the application is made within 27 months of incorporation, tax-exempt status will be retroactive to the date of incorporation.

15. For more detailed information, see U.S. Department of the Treasury, Internal Revenue Service, 1998.

16. For more detailed information, see Eichman and Nicholson, 1992; and California Council of Parent Participation Nursery Schools, 1986.



- *Liability Insurance* protects the cooperative from loss resulting from injury or damage caused because of negligence. Many states require child care centers to have liability insurance.
- *Director and Officers' Insurance* protects directors from liability.
- *Fidelity Bond* reimburses loss because of damage or theft by an employee or board member. It is advisable to bond employees and board members who handle substantial amounts of money. This may include the program director, the treasurer, and perhaps the chair of the fundraising committee.
- *Health and Accident Insurance* may be offered to parents by the cooperative. Parents choosing the plan will pay for the costs. The insurance covers medical, hospital, and surgical expenses cause by an accidental injury or sickness. The policy is probably unnecessary for families already covered by health insurance.



Circle time in the toddler class at Children's Community Center in Berkeley, California

## **STEP 7. HOLD THE COOPERATIVE'S FIRST OR CHARTER MEETING. ELECT A BOARD OF DIRECTORS; FINALIZE LEGAL DOCUMENTS.**

### **Primary Goals**

- To formally begin the cooperative by approving legal documents and electing the board of directors.
- To reiterate the progress made and celebrate an important accomplishment.

### **Guidelines**

Most cooperatives convene an annual membership meeting that includes an election of the board of directors, reviews financial reports and changes in policy, and votes on significant policy or bylaw changes. The charter meeting represents the cooperative's first annual meeting.

The membership group should be familiar with all documents that will be officially voted on at this meeting. There should have been many opportunities for people to raise their concerns and for them to be considered by the appropriate committee. Ideally, this meeting includes elections and approvals that do not involve significant discussion and changes.

### **Meeting Minutes**

It is very important that the minutes of this meeting carefully document the outcome of voting on agenda items. Feature 15 outlines when minutes should be recorded and what should be included.

### **Confirm Memberships**

Have members sign in and confirm that initial member requirements have been met and that they are qualified to vote.

### **Authorize the Membership Agreement**

Review and approve the membership agreement. Each prospective member should sign the agreement, and if they haven't done so already, make all required financial contributions. Each person who fulfills the identified member requirements is an official member of the cooperative and entitled to participate in member elections.

### **Approve Articles of Incorporation**

Review the articles of incorporation, being careful to address member questions or concerns. Conduct a vote for their approval.

## FEATURE 14

**BASIC RESPONSIBILITIES OF THE  
CO-OP BOARD OF DIRECTORS**

The board of directors is the legal entity responsible for directing the affairs of the corporation. The members of the cooperative elect the board.<sup>17</sup>

Three legal charges for boards are fiduciary duty, duty of loyalty, and duty of care. As trustees of the cooperative, board members make business decisions focused only on what benefits the cooperative and all of its members. Decisions must be based on careful consideration of the issues. The fundamental legal standard for board members is to act in good faith, in a manner they believe to be in the best interests of the cooperative, and with such care, including reasonable inquiry, as an ordinary prudent person in a like position would use under similar circumstances.<sup>18</sup>

The board makes decisions and sets policies that are in the best interests of the cooperative. The board reports to the membership on issues and explains the policies it originates, approves, and revises.

Results of a survey of California parent cooperatives revealed that the average board size ranges from 7 to 10 members. Terms are typically 1 year. In about two-thirds of responding co-ops, the director of the co-op sits on the board, although s/he is not usually a voting member.<sup>19</sup>

*Board members have three primary responsibilities:*

- To act as trustees on behalf of the members by establishing systematic linkages with members. This includes ensuring that there are mechanisms for member input, carefully monitoring the co-op's financial status, ensuring that the co-op follows its bylaws, policies, and appropriate regulations, and making regular reports to members.
- To ensure sound management of the co-op by hiring and monitoring the co-op's management (the child care center director/teacher). Boards establish policies for the program

17. If members choose to make policy decisions collectively, the entire membership serves as the board of directors.

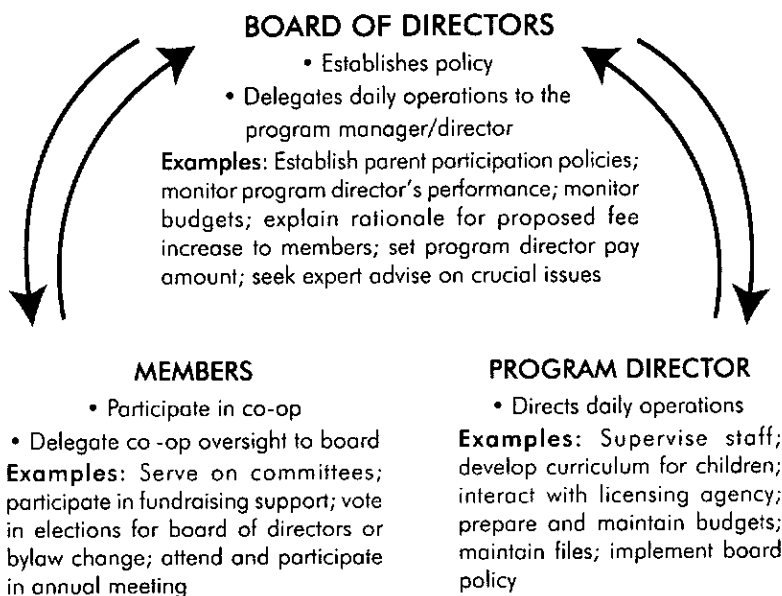
18. Zovickian, 1999, p. 4.

19. Results from the 1991 survey included responses from 224 parent cooperatives. Although these survey responses were not published, results of other responses from the same questionnaire are reported in Gawn, Coontz, and Bandy, 1991.

director, then review management reports and monitor key indicators (such as number of children enrolled, income, and expenses), and evaluate management performance in achieving the established goals.

- To plan for the co-op's future by establishing long-range goals and participating in strategic planning, by approving yearly and long-range plans, and by establishing performance goals.

To work effectively, the cooperative's roles and responsibilities for its three primary players — the board, the members, and the program director — must be clear. It is particularly important that the board and members recognize the expertise of the program director and respect his/her duty to run the day-to-day operations of the program.



Although members and the program director have frequent interaction, members do not supervise the director.

### Adopt Bylaws

Provide an overview of the bylaws, reminding members that they have been provided with copies to read, and that the bylaws have been reviewed during previous meetings. Conduct a vote for their approval.

## **Elect the Board of Directors**

The board of directors is the legal entity responsible for directing the affairs of the corporation. If members have previously decided to make policy decisions collectively, and have incorporated this desire into the bylaws, the entire membership serves as the board of directors.

See Feature 14 for a description of the basic responsibilities of the co-op board of directors, and Chapter 5 for additional information on the board of directors.

### ***Convene the First Board Meeting***

The board of directors should hold its first meeting shortly after the charter membership meeting. Committees continue to be important to ensure that the board is not unduly burdened with work. The following should be addressed at the meeting:

- Elect officers, including board president, vice-president, secretary, treasurer, and other positions as defined in the bylaws.
- Review and discuss financial reports.
- Refer to the business plan and address all matters needing attention that will have an impact on the start of operations, including hiring the program director and teachers for the cooperative.
- Initiate a plan for clarifying board and management roles and responsibilities and how responsibilities will be fulfilled. Remember that committees can be used to analyze issues and make recommendations to the board. This includes preparing job descriptions, action plans, and work assignments.

## **Celebrate!**

The charter meeting, in fact most annual meetings, should conclude with a celebration. The organization process has involved much work — and here is a concrete accomplishment. Congratulations!

## **STEP 8. PREPARE FOR BUSINESS START-UP AND IMPLEMENT THE BUSINESS PLAN.**

### **Primary Goals**

- Staff the cooperative.
- Ensure that the cooperative is financially and legally ready to open its doors.

### **Guidelines**

The business plan is the blueprint for organizing the business. Use the business plan and all other approved legal documents when preparing for start-up.

### **Select and Hire the Program Director**

The success and quality of the parent cooperative depends heavily on the professional staff. Great care should be taken in the recruitment and hiring of the program director.

If applicable, the board of directors works closely with the staffing committee. Ultimately the board hires the program director (and the program director hires additional staff).

Begin recruitment early in the planning process so that advertisements can be distributed at relevant conferences, meetings, and events. Work with the regional child care resource and referral agency, community colleges, and universities. Tout the position as a unique opportunity for working with children and parents in a supportive environment.

Once the cooperative acquires good staff, it needs to implement policies and procedures for retention. The board of directors should work with the hiring committee to come up with a strong applicant pool. Qualities to look for include (see also Chapter 5 of this book):

- Previous experience as a teacher and program director (follow up on references).
- Expertise in child development/education (credentials; references).
- Administration skills, including the ability to create and maintain budgets.
- Interest and compatibility with a parent cooperative program (ask situational questions during interview).
- Excellent rapport with children (references; situational questions).

**FEATURE 15****WHAT SHOULD BE INCLUDED IN MEETING MINUTES?**

Minutes are an official record of what transpired at board and membership meetings. They are among the corporate records required by many state statutes. Minutes must be kept current and accurate because they can chronicle that board decisions were made in a conscientious, prudent manner.

But minutes are more than just a legal requirement; they can be useful to the cooperative in concrete, pragmatic ways. Minutes represent a working account of business activities and concerns. They record important decisions, and they can remind the board of unfinished business. They also serve as a historical record of topics discussed and decisions made.

For secretaries and boards, what should and shouldn't be included in meeting minutes is often a key issue. Should they detail everything that transpired at the meeting, or highlight only particular points?

One rule of thumb is that minutes should record what has been done and officially said. Detailed, narrative minutes are often unintentionally biased, and significant decisions can get lost in the minutiae. Minutes should be impersonal and written in the third person.<sup>20</sup>

Ultimately each cooperative can decide on the particular detail they desire in their minutes. Below is a list of suggestions on what to include, what not to include, and what is discretionary.<sup>21</sup>

**Include:**

- Identification of the type of meeting, place, date, and beginning and ending times.
- The names and titles of all those attending the meeting. If it is a board meeting, note those absent.
- Whether minutes from the previous meeting were accepted or modified.
- List business introduced and all formal actions taken — motions made, adoption of a resolution, points of order, appointment of committee members, appeals, and policy statements. Include the name of the person presenting the action and the voting

20. See, for example, Carver, 1997, p. 145; and Rapp, 1997.

21. Carver, 1997; Rapp, 1999; Zovikian, 1999; Hoyt, 1999.

results. The names of people presenting a second are not essential. Motions offered and not seconded or moved and then withdrawn do not need to be recorded.

- Note if there is lengthy discussion on an issue, or unresolved dissension on a particular topic.<sup>22</sup>
- List and attach copies of all reports submitted.

**May Include:**

- A brief summary of the major comments during the discussion if they explain the item of business.
- Summaries of committee reports.
- A brief description of the rationale for action or inaction taken by the board.

**Don't Include:**

- Opinions, feelings, personal information.
- Irrelevant discussion.
- Rude or offensive language.
- Trivial points (this can mask the importance of other discussion items).
- Do not adjust results after the fact; if a change needs to be made, make a motion at the next meeting to reverse the decision made in the previous meeting. (*Note:* once minutes have been approved, it usually takes a two-thirds vote of the board to adopt corrected minutes at a later meeting.)

- Good-to-excellent rapport with parents (interaction during interview; situational questions).
- Leadership ability and confidence in profession (crucial to the ability to hire and supervise staff, and coordinate and direct participating parents).
- Interest in personal growth (engaged in profession; interested in attending conferences and learning more about their profession).
- Supportive of the cooperative structure.

22. Zovickian, 1999, pp. 7-8, advises that including explanations for board actions in minutes can extend liability protection for board members because those actions can demonstrate that the decisions involved reasonable inquiry.



**Secure Financing and Finalize Agreements from All Sources: Members, Grants, Loans, Purchases, and Rentals.**

Member financial contributions, including the tuition for the first month of service, should be paid. Member agreements and all necessary paperwork for enrolled children should be complete. Ensure that child paperwork and verification of necessary inoculations meet licensing regulations.

**Acquire Facilities and Necessary Licenses and Permits**

By now the facility renovation or construction should be complete. Finalize contracts and agreements and obtain all necessary licenses and permits.

**Initiate Work on Operating Procedures**

Standing rules are general operating procedures that are guided by the bylaws, but are much more specific. While bylaws are legal documents with rigorous revision procedures, standing rules are more specific, and changing them is typically much easier. Standing rules should be developed in cooperation with the program director. All rules that apply to the daily operation of the center, the children's curriculum, and other duties delegated to the program director should be established by the program director. The board needs to respect the expertise of the program director and avoid micromanaging the program director's work.

Committees can make recommendations to the board regarding the procedures and rules relevant to their purview. Clearly articulated rules and policies encourage cooperation and smooth management. Cumbersome, overly specific, or complicated rules can have the opposite affect.

**Publicity/Outreach**

Prepare press releases for the co-op's opening. To promote human interest, include pictures and submit them to media sources.

## **STEP 9. START OPERATIONS — FOLLOW THE BUSINESS PLAN.**

### **Primary Goal**

Although not fixed to a finite period, this step is a reminder that ongoing operations must include attention to the documents created during the organizing process.

### **Guidelines**

If prepared correctly, the business plan includes various scenarios for economic stability; it should be reviewed, adjusted, and revised over time. The business plan is an excellent tool for evaluating the cooperative's economic health. The first task of the program director is to implement the business plan. Many components in this step can be delegated to the program director.

### **Develop an Ongoing Plan for Community Recognition and Continuous Member Recruitment**

The membership/publicity committee should develop plans for ongoing publicity. Strive to have an ongoing waiting list of interested families. The economic success of most child care centers depends on being continually at or near enrollment capacity.

The public relations plan for the cooperative should include a clear procedure for handling telephone and walk-in inquiries. Many cooperatives extensively use telephone voice mail and answering machines, particularly during times when the children's program is in session. Ensure that the voice message is welcoming and that voice messages are checked at least every hour during business hours. General inquiries should be answered promptly by designated individuals. The program director and trained parents should be prepared to share a consistent message about the program and be able to arrange visitation and appointments.

### **Establish and Maintain Ongoing Member Communication about Cooperative Performance**

Establish procedures and systems for ongoing communication with members. Suggestions include:

A suggestion box can be placed in a visible location with paper and a writing implement nearby. Indicate that anonymous suggestions are welcome but including a name permits easier follow-up. Develop a plan for reviewing and following up on suggestions. Sometimes suggestions are incorporated into a newsletter, with responses everyone can read.

**FEATURE 16****KEYS TO A SUCCESSFUL COOPERATIVE START-UP**

Every cooperative has unique aspects and faces distinct start-up challenges; however, there are common areas critical to the future success of the cooperative. Although the cooperative is a non-profit child care center, it is also a business.

As with any new business, there are a number of key factors that enhance the cooperative's success. Paying careful attention to these items will make your co-op much more likely to survive and thrive.

***A Clear Purpose and Focus for the Co-op***

A clear, well-understood purpose enables the cooperative to plan, evaluate new opportunities, and promote stability.

***Feasible, Thorough Business Plan***

All new business involves risk. The feasibility study and business plan help to minimize risk by clearly presenting the business environment and planning for success.

***Sound Operating Practices***

Sound business practices create a solid foundation from which to operate. Good bookkeeping and accounting in the beginning help prevent future financial crises.

***Adequate Financing***

Co-op members will need to contribute toward the financing of the cooperative. This is particularly difficult for child care cooperatives because the duration of membership is brief and the cooperative provides a service rather than profit. Thus, parent cooperatives need to depend on outside financing for a large portion of the funds necessary for start-up and capital improvements.

Options for financing should be thoroughly researched — including grants, loans, special start-up financing, economic development funds for job creation and retention, and community economic revitalization.

The parent cooperative is uniquely able to fundraise. As the cooperative matures, a continuous pool of previous members develops that typically maintains an enduring affinity with the co-op. Previous co-op members are always an excellent source of support.

***Use Business Advisors and Consultants Knowledgeable about Cooperatives***

Advisors and consultants can save time and money and help the co-op to avoid falling into predictable pitfalls. As much as possible,

utilize competent legal, accounting, lending, and business development advisors. Ask other child care cooperatives for advice and help.

### **Strong Member Commitment**

Members should understand the cooperative and their crucial role as members.

### **Ongoing Education for Members, Directors, Management, and Employees**

Member commitment is an outgrowth of good education and communication. Everyone involved in the cooperative should be aware that the business is a cooperative and understand the crucial role of members in the co-op's success.

### **Clearly Defined Roles for Directors and Management**

Many problems associated with cooperative governance can be avoided by ensuring that the board of directors and the program director (management) clearly understand their respective roles and responsibilities. The board's primary obligation is to set policy, guide planning, and monitor cooperative performance. The management's responsibility is to run day-to-day operations and implement policies set by the board.

### **Quality-Control Standards**

A consistent, high-quality child care service is essential to the ongoing success of the cooperative business. Child care cooperatives typically hire excellent staff and maintain low child-to-adult ratios and other fundamental quality-of-care standards. Because cooperatives use parent volunteers for many routine tasks, it is important to be attentive to consistent procedures and standards that ensure that the cooperative appears bright, clean, and orderly.

### **Working Relationships with Other Cooperatives (Avoid Isolation)**

Because cooperatives are unique, there is a tendency to feel isolated. By working with other cooperatives, cooperators have the opportunity to learn from each other, share, and avoid a sense of isolation. By doing business with other cooperatives, cooperators not only have a better understanding of themselves, but strengthen the cooperative movement as a whole.

A centrally located bulletin board that is continually updated is an excellent way to remind parents of upcoming events and news. The board will also routinely display legally required licenses and certifications.

A monthly or biweekly newsletter: A short newsletter that is regularly distributed is another excellent mechanism for communication. The newsletter can be distributed electronically via e-mail for those who have that service, and should also be available for pick-up and displayed on the bulletin board. Include children's birthdays, welcome new members, and announce upcoming events and information about the performance of the cooperative. Including information about the cooperative's performance is a good way to remind members of their vital role in the cooperative.

Biannual or annual written evaluations should be routine. The evaluation should include questions about the program, staff, and the board. See Chapter 5 for more detail.

### **Establish and Maintain Good Relationships with Regional Organizations Involved with Child Care and Children**

The cooperative will benefit from active participation with community organizations and events involving children. Participation in networks results in useful publicity, and also helps the program director and other staff to remain connected with other community professionals.

Remain active and involved in regional, state, or national associations for parent cooperatives.

### **Develop and Implement Plans for Education and Training**

The board of directors should engage in special training to help board members understand and carry out their responsibilities.

### **Organize a Planning Session or Retreat**

Once the cooperative has been in operation for 6 to 9 months, hold an intense planning session or retreat for the board and program director.

- Establish short-term (1-year) and medium-term (5-year) goals (see Chapter 5).
- Review the "Keys to a Successful Cooperative Start-Up" section (Feature 16), and develop strategies for developing success in specific areas.
- Develop plans for ongoing education and training for the co-op's board members and program director.

### **Implement a System for a Comprehensive Annual Review of Cooperative Performance.**

Results of the annual review should be compiled as a report that can be shared with members at an annual meeting. Development of a review system creates a base from which the cooperative can compare results over time. The annual review can include:

- Year-end financial reports, including a comparison of planned to actual performance.
- Summary of operating performance, including the average number of children cared for and the hours of care provided, and a staffing report (turnover, average wage per position, etc.).
- All member evaluations of operations, board, and staff.
- A board self-appraisal (see Chapter 5).



*Children enjoy playing at the sand table at Magic Years in Oakland, California.*



## OPERATING THE CO-OP

*(In a cooperative) I can just raise my hand and vote and say this is what I feel. This is my perspective. And it counts. And I can see the change affected soon. Not six years from now.*

Heidi Inouye-Steiner, President  
California Council of Parent Participation Nursery Schools

**T**his chapter focuses only on operational issues that are most closely related to the cooperative structure of the child care program. Cooperatives hire a qualified child care program director who manages operations of the cooperative and supervises staff. Program directors typically have a rich array of books, articles, periodicals, and curriculum resources that address concerns specific to child development, education, and child care. This chapter seeks to supplement that literature by discussing concerns specific to parent cooperatives.

The chapter begins by introducing the primary roles and responsibilities of the program director, the board of directors, and parent-members. It discusses some elements central to the cooperative, including holding effective meetings, financial oversight, setting fees, some basic elements of fundraising, and structuring parent participation requirements to minimize problems. The central responsibilities of the board of directors are highlighted in a "board appraisal form" that summarizes elements central to effective governance. The importance of marketing the cooperative is discussed and strategies are presented. Some basic elements of setting goals and evaluating the cooperative are given, along with a discussion of the important role of parent education in the cooperative. The chapter concludes with a listing of some of the most common issues in cooperatives and suggestions for addressing them.

Parent cooperatives are flexible institutions that can change as family needs change. Parent participation also means that parents need to be flexible. Parents Kathleen and Ernie Sargent from Lakeville Preschool in Victoria, British Columbia observe:

*With four children, we lead a fast-paced and hectic life. We continue to make time for the co-op because we both firmly believe that co-op is right for our family. We have seen the benefits to our children and to ourselves and we have all made some wonderful friends.<sup>1</sup>*

### **Program Director and Staff in the Parent Cooperative**

One cornerstone of a parent cooperative is the program director. Good quality staff is essential to creating and maintaining a successful parent cooperative. Competitive salary, benefits, and desirable working conditions help to recruit and retain high-quality staff. The relatively small size of most cooperatives allows them to offer flexibility in position and benefit structures. There may be ways to flex work hours, benefits, or other aspects of a job that will increase its appeal to a valued employee. For example, the cooperative may be able to offer free or reduced tuition for the child of a director or teacher, or allow teachers to pick and choose benefits that best fit their needs or avoid overlap with those of a spouse.

The professional manager of the licensed child care and preschool program is the program director. Sometimes smaller cooperatives are managed by a "director-teacher."<sup>2</sup> Most states require that out-of-home child care and nursery schools be headed by a director. The regulations that stipulate the minimum education and experience requirements vary from state to state, and sometimes within a state. The program director of the cooperative usually hires and supervises all other paid staff. The discussion that follows will focus on the program director. In a large cooperative, teachers, like the program director, will shoulder many of the dual responsibilities of balancing the needs of children and those of participating parents.

As an educated professional, the program director is responsible for the day-to-day operations of the cooperative and the curriculum for children. S/he operates and manages the child care program according to the program philosophy and goals, and reports to the co-op's parent-elected board of directors. Some specific examples of areas that are typically the program director's responsibility include:

- Supervision of any other co-op staff.
- Determining what programs to offer and their content.

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1. Vancouver Island Cooperative Parent Association, 1995.

2. Discussion of the program director in this section also applies to the director-teacher.



- Selection of curriculum items for school.
- Implementation of board policies.

The program director of a parent co-op is in a position that is in many ways unique in the co-op world. There is a built-in high turnover of members in parent cooperatives; membership is limited by the length of time children are in the program. For example, in the most common type of child care cooperative, the preschool, a child is in the program for a maximum of 2 or 3 years. Some members will stay in the co-op longer because they have more than one child. Nevertheless, there is a relatively rapid turnover of members and, even more crucial, board members. Board members usually change annually. There is limited opportunity for board members to serve for more than 1 or 2 years, and for them to share what they have learned with a new board. The program director must bridge this experience gap.

The program director tends to straddle a potentially conflicting situation: s/he is the employee of the board that she educates. The program director is crucial to passing on traditions, lessons, and experiences that are essential to a functioning board. The program director is also involved in parent education and directly or indirectly supervising parents participating in the classroom.

Professor Emeritus Dorothy Hewes, a former cooperative parent-member and program director, has authored a comprehensive book on the history of parent cooperatives as well as numerous articles. According to Hewes, "Although co-op directors find themselves frustrated when dealing with multiple bosses with widely divergent ideas, many have remained in that position long enough to attend the weddings of former students and to welcome them back as participating parents — or even grandparents."<sup>3</sup>

Despite the complexity of the work, survey data suggests that program directors and teachers in cooperatives derive satisfaction from their jobs. Most program directors and teachers at parent cooperatives stay in their jobs for at least 5 years, according to responses in 1991 and 1998 to Center for Cooperatives questionnaires. Furthermore, the pay and benefits reported by respondents suggest that their pay is probably higher than their peers in other programs.<sup>4</sup>

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3. Hewes, 2000, p. 78.

4. Coontz, 1992b; and unpublished results of 1998 survey.

## FEATURE 17

**MEMBER COMMITMENT ENDURES AT EL CERRITO CO-OP**

El Cerrito Cooperative Preschool in El Cerrito, California has changed in numerous ways since the Mother's Club at the Harding School PTA began the co-op over 50 years ago. At that time, parents of the 24 children enrolled at El Cerrito paid a \$1.50 registration fee and a \$1.50 juice fee each month for programs that met for a few hours on weekday mornings. In the early days, the school met in space provided by a local church. Today 48 children are enrolled in preschool and child care programs that begin at 7:30 in the morning and end 10½ hours later. The cooperative owns the building and equipment on land leased from the City of El Cerrito.

The changes at El Cerrito Cooperative seem insignificant in comparison to the ways that the school remains the same. The families at El Cerrito continue to be active and dedicated owner-members of their school. In 1945 parents at the school pulled together with their hammers, nails, sweat, and cash to build the school. When the building needed substantial repairs to meet earthquake safety standards 10 years ago, parents united in the same way they did in the beginning. Work parties of parents completed the construction that was financed by fundraising efforts and loans from parents.

The comments of today's El Cerrito members are probably not much different from their "Leave It to Beaver" era counterparts. "I like the parent involvement (at El Cerrito)" says father Sean Snyder. "You get to be around the children and know that your child isn't the only one acting that way." Mia Ousley, a board member and mother of two, agrees with Sean: "I'm involved with my child at the co-op. I like the environment here; I get a lot of support from other parents." El Cerrito preschoolers articulate what they like about the co-op succinctly but with a conviction that mirrors their parents. "I love to play in the swings," says Jasmine. Sebastian likes playing in the sand; Candice likes playing with her friends, and Roxanne prefers playing bank teller at the playhouse turned drive-up bank in the co-op's back yard.

El Cerrito Co-op sponsors a number of community-wide events such as art festivals and parent-education programs. El Cerrito events coordinator Barbara Chan explains: "These are ways that we can give back to the community and spread what we know."