



Public Sector Services

How Private Schools Can Use Their Independence to Thrive in Crisis

Challenges Private Schools Face

Accelerated demographic shifts and dwindling populations are some of the triggers leading to detrimental enrollment loss in private schools across the U.S. In wealthier neighborhoods, private schools face increasing competition from their host public school districts, some of which spend over \$20,000 per year to educate a single child.

In addition, the cost of educating a private school student is much greater than the average tuition paid by the family. To close these budget gaps, private schools employ a number of supplemental revenue-generating strategies such as fundraising, summer camps, and additional programming. Supporting a robust fundraising operation has become critical for many private schools.

Critical Financial Implications of COVID-19

If not responded to quickly and effectively, the financial impact of the COVID-19 economic crisis may have serious long-term implications for many private schools across the country.

Declines in enrollment will continue at a more rapid pace due to families' inability to pay tuition, a failure to communicate the value add of private school during remote learning, and/or dependence on international students. Enrollment loss will directly impact schools' operating budget as tuition revenue often comprises 90 percent or more of a private school's budget and there aren't many easy and quick cost-cutting measures. In addition, most private schools contract a large faculty early, which creates fixed costs that are hard to alleviate.

Currently, private school endowments are also in jeopardy. With investment losses, well-endowed schools that relied on

these investments as a key revenue source will struggle to provide support. The few donor dollars available will also become more competitive. Schools with smaller endowments have experienced significant losses to their savings, which will have more serious long-term financial implications if the school faces additional financial or operational challenges.

Schools have also had to cancel key spring fundraisers that help boost their bottom line and can no longer count on revenue from donors who may have lost money during the financial downturn or whose philanthropic priorities shift.

Lastly, even though federal relief is available under the CARES Act via programs such as the Payroll Protection Program, many private schools have opted out of applying for these funds because they include new levels of scrutiny which may outweigh the benefits of short-term relief. Additionally, in the recent past, due to an era of "cheap money," many schools borrowed significantly to improve their physical plants so they are now saddled with significant long-term debt service expenses.

"A school's size or reputation does not necessarily translate into liquidity. For schools whose budgets have been severely impacted by the virus, the ability to sustain payroll and pay interest on mortgage payments may be in jeopardy."

Myra McGovern

Spokeswoman for the National Association of Independent Schools

Remote Learning and the Private School Advantage

During this pandemic, the strength of instruction at private schools has become even more apparent. While online live instruction has quickly become the norm for private schools around the country, only 44 percent of public schools in the U.S. are providing online instruction. With smaller class sizes and less bureaucracy at the leadership level, private schools

have been more flexible and dynamic in their ability to shift to online instruction.

Private school teachers can access students on a more personal basis from home and give more feedback remotely. On the flip side, schools are having to continue to prove their “value add” when students are not seeing their teachers and getting those personal touchpoints on a daily basis.

A&M's experience serving clients in crisis situations uniquely positions us to help private schools plan for and manage the Fall 2020 reset and recovery – all without wasting precious time.



EARLY SUMMER LOCKDOWN

Protect student and community health and ensure short-term financial viability

Academics

- Critically examine the academic value the school provided in the spring and adapt fall curriculum to be more engaging and rigorous.

Strategy & Operations

- Evaluate your unique school needs quickly and establish health and safety processes.
- Check in with students and families and understand where they are at – take stock of collective burnout and sentiment in June and July.
- Create an internal working group of important stakeholders to provide guidance on complex labor and financial issues.

Finances

- Build reliable 13-week cashflow (at least) and utilize for decision making.
- Manage for real cash (not EBITDA).
- Utilize government relief programs.
- Challenge existing cost structure assumptions.



MID-SUMMER RESET

Redefine Educational Value, Cost Structure, and Strategy

Academics

- Be innovative with remote learning plans for the fall/in-school classes – exude preparedness for all scenarios.
- Accelerate execution of improvement initiatives, including teacher training for potential remote learning – clearly define the value add of your unique program and emphasize the importance of creating more student to student interaction.

Strategy & Operations

- Take advantage of the relative lack of red tape that public and charter schools face when planning for the fall and fill gaps that competition can't provide.
- Notice what other schools AREN'T doing and plan to provide unique program.
- Use infrastructure of school to prioritize plans that allow students to have some face-to-face contact.
- Prompt guidance counselors to prepare new mental health supports for impacted students.
- Create strategic committees focused on 1) health and safety 2) academics 3) finances and operations.

Finances

- Prioritize students and faculty in cost savings initiatives.
- Scale back support roles while avoiding disruption to classroom teachers and areas that affect direct instruction.
- Strategically support business management office with increased collaboration and check-ins that enable the free flow of information and complete transparency.



SY 2020-2021
RECOVERY

Capitalize on the Moment and Emerge Stronger Than Before

Academic

- Provide summer learning options as incentives for families that may want additional academic enrichment during this time of crisis.
- Create and distribute parent surveys that asks for families' input; strategically document what is working and what needs improvement.
- Be transparent with the critiques and reach out to families that shared concerns.

Strategy & Operations

- Check in regularly with strategic committees created in the summer and be flexible about making adjustments as needed.
- Constantly communicate status with school community (especially parents) by providing weekly updates that alleviate fears, celebrate success, and ask for help when necessary.

Finances

- Utilize a dynamic and flexible remote learning plan informed by revised margin and cost transparency.
- **Think Bold:** In situations where enrollment is dangerously low in neighboring private schools as well as your own, consider forming partnerships and/or mergers for Fall 2021 to share costs, combine schools, and/or sell off property.

CONTACT US

A&M is available to help school leaders conduct quick financial assessments, assess the scope of potential school closures, and engage key stakeholders to manage change.



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