

# REDF

## Steps for Healthy ESE Recession Planning

---

# AGENDA

---

## Inform

- Review landscape & scenario planning

---

## Discuss

- Begin conversation about potential areas your ESE could play going forward, how can REDF/this network support you?

---

## Decide

- Decide on next steps and how to source feedback and resources tomorrow

# Planning for the Unknown

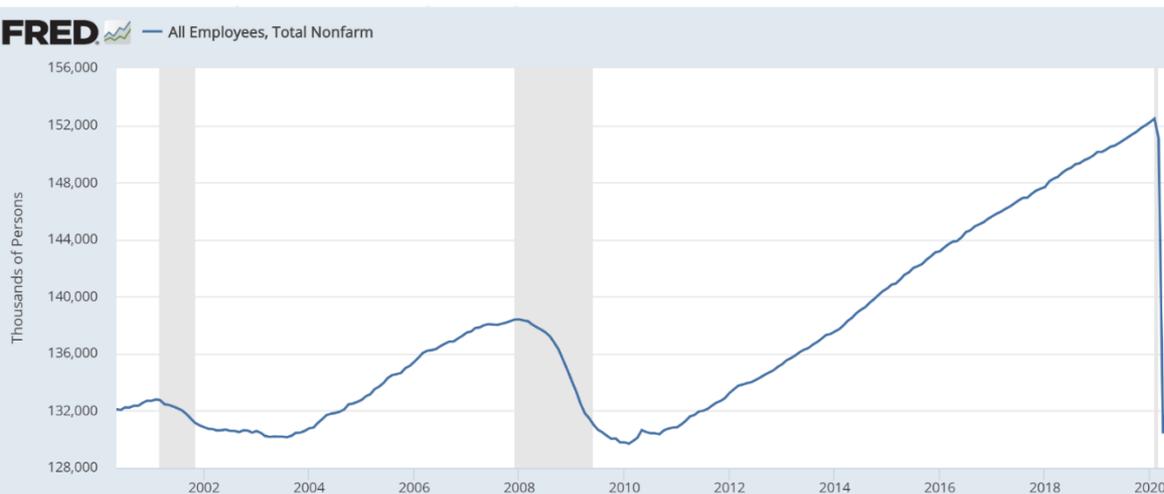
This morning we reviewed how your employee support services and business model have shifted in response to COVID. The remainder of the week will also focus on strengthening program, impact, and operations. We will use this time to help develop a strategy for healthy recession planning. So what questions do we need to ask?

1. What support do you need as a leader?
2. Do you have the information you need to project your best and riskiest assumptions?

- Use time now to rebuild/build cash reserves in case of future dips in economic activity
- Develop COVID protocols for future shutdowns
  - What did you learn from this Spring? What would you do differently?
  - Reference the reopening workgroup materials REDF created
- Triaging
  - Working with more people or past employees who need lower touch services but do need support to get back into workforce.

# Recession | Impact of COVID

- ~20 millions jobs lost in the last 4 months.
  - Many of which are in: retail, food service, hospitality/tourism
  - Many were expected to be temporary job losses, but long-term impacts of COVID could lead to more business closures
- Many states/cities have imposed eviction moratoriums that have helped people and businesses stay in their current housing and locations.
  - But once the moratoriums are lifted, backrent will be due and could lead to mass evictions of tenants and businesses.

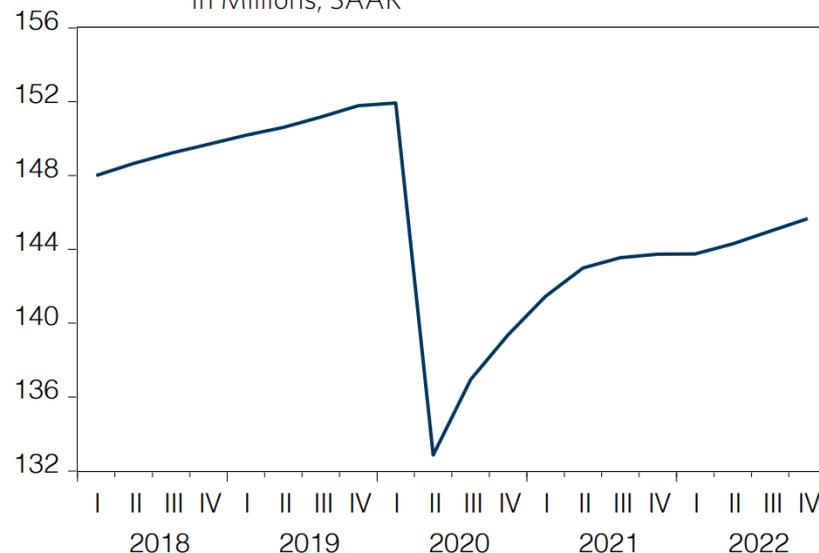


	Feb-20	March 2020 Changes		
	Level	Thous.	%	Annualized
Mining and logging	708	-7	-0.99%	-11.8%
Construction	7,605	-29	-0.38%	-4.6%
Durable Manufacturing	8,056	-7	-0.09%	-1.0%
Nondurable Manufacturing	4,783	-11	-0.23%	-2.8%
Trade, Transportation and Utilities	27,781	-49	-0.18%	-2.1%
Information Services	2,899	2	0.07%	0.8%
Financial Activities	8,853	-1	-0.01%	-0.1%
Professional and Business Services	21,507	-52	-0.24%	-2.9%
Education and Health Services	24,523	-76	-0.31%	-3.7%
Leisure and Hospitality	16,393	-459	-2.80%	-33.1%
Other Services	5,919	-24	-0.41%	-4.9%
Government	22,759	12	0.05%	0.6%
<b>Total nonfarm payrolls</b>	<b>151,786</b>	<b>-701</b>	<b>-0.46%</b>	<b>-5.5%</b>

# Recession | Assumptions About Recovery

- Many of these will be wrong! Planning around riskiest assumptions
- Assumptions
  - COVID returns at higher rates in the fall/winter
  - Re-opening ebbs and flows based on cases, business revenue, and customer behavior (already seeing this in several states)
  - Some industries (restaurants, tourism) deeply impacted for an extended if not permanent time
  - <https://opportunityinsights.org/> walkthrough consumer spending nationally and local trends

Figure 2 Nonfarm Employment, 1Q2018 - 4Q2022F, In Millions, SAAR



Source: Bureau of Labor Statistics and UCLA Anderson Forecast

# Social Enterprise Impacts

- REDF doesn't have existing data on any economic differences between social enterprises and businesses as a whole during recessions. Currently reviewing as much information as we have to help make more accurate predictions – how will this recession be different? What's recession-proof?
- Many states/cities have imposed eviction and mortgage moratoriums that have helped people stay in their current housing
  - However, many of those do not impose a mandate to remove the rent paid, people will still be expected to pay backrent once the moratoriums are removed. Expected that in August and September, could lead to dramatic increase in homelessness
- Childcare will likely continue to be unstable, school systems still deciding their schedules for Fall 2020 - Spring 2021. Expect some preschool/childcare options to close permanently.
- People may leave cities and rely more on personal travel (cars, bikes) than on public transit (less in-person events, less office workers)
- Decrease in tax revenue and services as population decreases in cities WW2 recession
- Increase in shipping/logistics/dispersed options

## What Shifts Are We Seeing | Learnings from ESEs

# Exercise 1: Planning Forward - Background Analysis

	Community You Serve & Program	Funding	Team	Board	Earned Revenue	Other (TBD)
What has changed?						
What remains the same?						
What have we learned since Recent Events hit?						
What new opportunities do you see?						

## Example: After School Youth Services Org

	Community You Serve & Program	Funding	Team	Board	Earned Revenue	Other (TBD)
What has changed?	Cannot deliver program in person until school is back	Individual donations way down	We are mostly productive from home. Stars emerge. More united.	Engagement has been higher than ever	Cannot sell ice cream after school to other students	
What remains the same?	Our org is key to better outcomes	Core funders reiterate support	Team is very committed to our mission	They care deeply about us & our youth	Need for earned revenue to fund program	
What have we learned since Recent Events hit?	The need is much bigger than we thought	We will need to operate with less funding	Some struggle at home; Managing stress is key.	We have learned who our Star board members are	We need other earned income revenue streams to survive	
What new opportunities do you see?	Online. New programs on safety and helping others	Seek funding for new programming	New roles for Stars. Better culture. Partial WFH can work.	Keep high engagement. New roles for Stars.	Brainstorming needed to ID 5 new revenue ideas to test	

# How to Rebuild Cash Reserves

Consider 'zero-based' budgeting—start with zero and add back essential items only. Maximize cash via the following:

1. Defer payables, delay rent, defer loan payments, aggressively get A/R, cut costs where there are not big long-term consequences
2. Ask team to brainstorm on cost-cutting ideas

- Approve all bills being paid (over a certain amount)
- Fundraise broadly and test new approaches
- Trim programs that are not essential to the organization's mission, have not been effective, or lack sufficient demand at this time
- Make reductions in specific areas rather than across the board

As you've seen, working through COVID & recession will require quick iteration to support employees, determine new customer behaviors, and test new business delivery methods.

## The Mission

Your mission is to source ideas that will lead to the sustainability and scale for your peer's SE.

## The Challenge

**On your own** identify your best case and riskiest assumptions for achieving sustainability and/or scale. You will also identify what you see as your greatest strength.

**In your pairs – 10 minutes each, then swap**

- 5 minutes describe challenge & ask questions for clarity.
- 5 minutes to refine challenge.

## Innovation Challenge | Peer groups

Group 1		Group 2
Ian	+	Maggie
Jon	+	Dylan
Jennifer	+	Jessica
LaTasha	+	Thanh
Ilyssa	+	Gary
Will	+	Amanda
Carl	+	Andrew
Emily	+	Maryam
Gordon	+	Paula

Tomorrow you will have three 10 minute rounds to source as many wild ideas, connections, and reference as you can from our group of stakeholders for your peer's ESE.