

Temple Beth Am – Fiscal Year 2020-21 Board Recommended Budget

May 16, 2020

THE BUDGET PROCESS – MISSION, VISION, AND VALUES AS OUR GUIDE

Q: When did the Board start working on the 2020-21 budget?

A: The Finance Committee started work on correcting this year's budget and developing the FY 2020-21 budget last fall. In November 2019, the Board reviewed a budget process timeline and four proposed consecutive budget development phases: Proforma, Staff Proposal, Board Proposal, and Final Adopted.

Q: What do the labels or phases Proforma, Staff Proposal, Board Proposal, and Final Adopted mean?

A: **PROFORMA** is the first version of the 2020-21 budget. Based on the 2019-2020 budget approved by the congregation, the Proforma budget includes error corrections and technical revisions (and there were many!), preliminary revenue projections for 2020-2021, inflationary expectations, and contractual and cost-of-living increases for labor costs. **STAFF PROPOSAL** is the second version of the 2020-21 budget. Building on the Proforma, this version takes into account the Board's goals for 2020-21, TBA's mission and values, a target reduction identified by the Board, and our professionals' ideas for advancing our mission within these constraints. **BOARD PROPOSAL** is the third phase of the 2020-21 budget. During this phase, the full Board, with input from the Finance Committee and eventually, the general community, considers the Staff Proposal and implements adjustments as needed. This phase may produce multiple versions; the last version (Board Adopted) is the one recommended to the Congregation for approval at the Annual Meeting. **FINAL ADOPTED** is the version approved in its entirety by the Congregation.

Q: The Board has goals for the next year? What are they?

A: At its January retreat, the Board set goals for the next fiscal year, so the budget and the efforts of our professionals for 2020-21 would reflect those goals. These goals are:

- Review operations (systems, policies, procedures, staffing functions, programs, activities, etc.) for mission alignment and a congregant-centered focus to further the creation of a congregational culture of philanthropy.
- Increase the integration of our learning communities: Religious School, SEED, youth programming, and multi-generational learning, within the larger congregation.

- Promote a working environment and professional culture in which all TBA professionals feel supported and empowered to do their best work, advance the mission, and deepen their sacred partnership with each other and with the Board.

Q: Does the Congregation vote on the Board goals?

A: No.

Q: Can the Congregation vote on specific budget lines?

A: No. The Congregation votes to approve or disapprove the recommended budget in its entirety.

THE BUDGET PROCESS IN THE PANDEMIC -- MISSION, VISION, AND VALUES AS OUR GUIDE

Q: With our building closed, how did the Board give our community an opportunity to weigh in on the Board Proposal?

A: After the Board finalized the first Board Proposal budget at its April 16 meeting, this version was shared with our community through a Video Yomi on April 20. Folks were directed to our website to review the draft budget and ask questions. We actually had congregants who posed questions and one who attended a Finance Committee meeting during the comment period. The Finance Committee met twice during the comment period and recommended changes to the Board. The Board Proposal currently before the Congregation for approval incorporates all of this feedback.

Q: What decisions about the budget did the Board make in response to the COVID-19 pandemic and resulting economic downturn?

A: The Board made several prudent and difficult decisions in light of the financial uncertainty created by the pandemic. Many of these decisions were made based on data and feedback received after the draft budget was presented to the community for comment. *The resulting budget proposal before the Congregation reduces the temple's anticipated resources by approximately \$600,000, nearly a one-fifth decrease from the FY 2019-20 budget approved last year.*

The specific decisions that contributed to this budget include:

- Anticipating significant reductions in operating revenue from member philanthropy, religious school, SEED Early Childhood School building rental and administrative fees, and program income. These revenue assumptions are informed by experience from past recessions, reevaluation of existing revenue streams, and guidance from the Union for Reform Judaism.

- Implementing necessary reductions in the temple's compensation, program, and facility outlays. Most of the compensation reductions in the budget reflect not filling vacant positions¹ that existed under the old organizational structure.
- Moving forward with a more effective, mission-driven staffing model. For the past two years, TBA has been working towards reorganizing, streamlining and modernizing the temple's staffing model for both clergy and professional staff. This new model aligns with our mission, vision, and values and places the congregant at the center of our operations.
- Holding a given amount of additional resources in a restricted expenditure account, to be released only if/when revenue trends are evaluated and deemed sufficient for the Board to release expenditures. This budgeting strategy is termed the 'Silo' approach, after Joseph's wisdom: "Let that food be a reserve for the land for the years of famine which will come upon the land of Egypt, so that the land may not perish." (Genesis 41:36)

Q: What about contingency planning? What if these reductions don't go far enough?

A: That's the beauty of the Silo approach. The Board placed around \$41,000 worth of expenditures in the Silo. These expenses will only be paid if/when the Board, upon recommendation from the Finance Committee, deems it prudent to do so. The Board will be monitoring our revenue streams closely. If we need to make additional adjustments, the Board is prepared to do so. So far, the percentage reductions we have already made are consistent with what many other synagogues are doing.

Q: What's in the Silo?

A: A portion of our URJ dues, professional development expenses, video equipment, and the salary/wage increases for clergy and professionals (both Cost of Living Adjustments and contractual).

Q: I heard we got a PPP (Payroll Protection Program) Loan. Won't that help?

A: We did receive a PPP Loan, thanks to huge effort by volunteers and professional staff, and yes, it does help, whether it's a loan or becomes a grant. It's a short-term cash injection that provides essential support to advancing our mission. The PPP Loan may only be used for certain expenses within the 8-week period after the loan has been made. Provided we keep enough employees on our payroll and maintain their compensation, the acceptable expenses include payroll costs for employees and most mortgage interest and utilities. PPP Loan eligible expenses will be closely monitored, and detailed record-keeping will be maintained. At the end of the 8-week period, TBA will file an application for the loan to qualify for treatment as a grant. We hope that will be the case, but if not, these are necessary budgeted expenses, so TBA will not be negatively impacted. Also, any unused loan funds will be promptly returned.

¹ Vacant positions include Facilities Director, Development Director, Youth Director, Communications Lead, Assistant Director of Education, Cantor, and Administrative Assistant for the Religious School.

Q: How does getting a PPP Loan impact the 2020-2021 budget?

A: The PPP Loan doesn't change the recommended budget before the Congregation. If we qualify for conversion of our PPP Loan to a grant, TBA will save the amount of PPP Loan funds we actually used, and those savings can be added to our Operating Reserves, increasing our flexibility if our budgeted revenue and expenses are off-target.

THE FY2020-21 BUDGET – SPECIFIC QUESTIONS

Q: Why is Religious School revenue projected to be so much lower?

A: Our Religious School enrollment has been shrinking since 2011, while the cost per student has been increasing. We are taking steps to combat this attrition by reinventing our religious school model for the 21st century. However, with the expectation that Covid-19 will still be with us into 2021, we anticipate that some families may take a one-year hiatus from religious school for financial reasons.

Q: How did you arrive at the assumptions for member philanthropy (annual financial commitment and development)?

A: Working with Davida and the Finance Committee, T.J. Stutman, our incoming treasurer, developed a model for more accurately forecasting these revenue streams.

Q: How do we still have so much debt after the Nachshon Campaign?

A: The purpose of the Nachshon Campaign was to reduce the amount of TBA's mortgage debt from over \$3,000,000 down to \$2,000,000. The campaign was successful and reduced the mortgage by over \$1,000,000. In December 2017, TBA obtained a new 10-year loan. Our current monthly mortgage payments include both interest and principal. By "buying down the mortgage" at our current rate, the loan we have to refinance at the end of 10 years will be \$1,000,000. The loan balance as of March 31, 2020 was \$1,879,593, which was almost \$54,000 lower than a year ago. With each month, more of the loan payment goes to principal. The thinking behind what we are doing is to leave less debt to the next generation.

Q: I have questions that are not covered by this FAQ. Where can I get answers?

A: Thank you for reading this far! Please email your questions to TBA's Executive Director, Davida Sims (davida@templebetham.org). Davida will either answer them herself before or during the Annual Meeting or direct you to the lay leader or professional best able to answer them.

Operating Income Account	Description	Adjustment Basis
Financial Commitment	Annual Membership Dues	<p>In light of the COVID-19 pandemic and its economic impact on congregants, TBA is assuming a significant reduction in financial commitment income.</p> <p>TBA is pairing this assumption with a deliberately more conservative approach to projecting dues income. Members will still be invited to adjust or increase their financial commitment in challenging times if they are able to do so.</p>
Worship	Proceeds from High Holiday tickets, donations related to all other holidays, B'nai Mitzvah fees	Reduced holiday ticket sales and program/event fees.
Life Long Learning	Adult Education, Covenant Renewal, Youth Events	Reduced Adult Education income and University Lecture series income.
Religious School	Tuition, Retreat Income, Fundraisers	Reduced tuition (via lower enrollment) and reduced fundraising income. TBA staff plan to modernize the program which addresses long-term decreasing enrollment and growing cost-per-student expenses.
Engagement	Community Events, Committee Income	Reduced income from Community Events (TBA hosted events, Play, Sponsored Onegs).
SEED Overhead	Rental Income, Admin & Operating Income	Reduced SEED admin income due to reorganization. Removal of profit-share budgeted in 2019-20. Reduced overhead income from SEED related to expectation of scaled-back operations in light of COVID impacts.
Development	Annual Appeal, Gala, Fundraising Campaigns	Reduced Annual Appeal, Gala, and Other Fundraiser income
Facility	Rental Income, Parking, Security Income	Income increased due to an additional release from the Homeland Security Grant.

Fund Income	Special funds release	Adjustment in released funds from Restricted Funds (Library Fund, Jewish Learning, Preminger Memorial Fund, TBA Endowment). Revenue backfill assumed from Small Business Administration grant.
Gift Shop	Gift Shop Income	Gift shop inventory to be reduced to only lifecycle items.

Operating Expenditure Account	Adjustment Basis
Compensation & Benefits	Staff compensation to reflect proposed re-organization. Total compensation baselined using the Archbright non-profit salary survey for King County. Staffing model assumes that most currently vacant positions will remain unfilled in 2020-21, with exceptions for mission-critical staffing in Advancement and Religious School.
Contracts & Professional Fees	Reduction in programmatic expenditures for event staff, musicians, and lecturers.
Program Expenses	Reductions in Food, Supplies, and Books expense. Reduced expenses for Oneg, Community Events, YFBA, University Lecture Series.
Administrative & Operational	Reduction in technology expenses (hardware and subscription fees). Reduction in URJ dues (subject to smaller base budget).
Development	Reduced Gala expense.
Facilities	Reduction in Repairs & Maintenance; some facilities expenses to be backed directly by restricted funds.
Restricted Fund Expense	Anticipated reduction in available funds for release.
Contribution to Reserves	Removed for balancing
Contingency	'Silo' for restricted expenditures (additional URJ dues, staff cost of living adjustments, professional development support, video equipment replacement).