

A Look at Steering Committee Decision-Making:

Understanding the Impact of the Havurah Reserve Fund, the Building Maintenance & Repair Fund, and the Fiscal Year Surplus on the 2021-22 Operating Budget

By Shari Raider and Loree Devery

Steering Committee has worked hard this year to move us forward on a financially prudent path that gives us greater certainty around our Reserve Fund and our annual building maintenance investment needs. Steering also directed this year's operating fund surplus towards investments in our people, our values, and our facility. This article explains how those decisions impact next year's proposed operating budget.

Understanding the Havurah Reserve Fund

The purpose of our Reserve Fund is to help ensure the long-term ability of the organization to operate without undue fiscal risk. We maintain the Reserve Fund to achieve the following objectives:

- Create an internal line of credit to manage cash flow and maintain financial flexibility
- Enable us to sustain operations in the event of delays in payments of dues or other income shortfall
- Pay for one-time nonrecurring expenses

Over the years we have grown our Reserve Fund through small, planned allocations from the operating budget or from unexpected surpluses in the operating budget. We have only dipped into this fund twice since 2006 – once to correct a payroll error and once to plug a small deficit in our operating budget.

Though it has been heartening to see our Reserve Fund grow over the years, we also recognized that we needed to do some work around creating a Reserve Fund Policy to give us guidance on

- When we can appropriately tap into the Reserve Fund?
- How much should we keep in the Reserve Fund?
- When do we need to replenish or grow our Reserve Fund?

The Finance Committee undertook that work this year and presented a Reserve Fund Policy to Steering Committee (approved at the May 11, 2021 Steering Committee Meeting) which does the following:

- Establishes a Target Minimum Amount in our Reserve Fund of 3 months operating expenses
- Gives Steering guidance on appropriate expenditures from Reserve Fund
- Only recommends replenishment of reserves if they dip below the Target Minimum Amount

The Target Minimum Amount recommended for our 2021-22 Fiscal Year is \$250,000. We currently have \$395,941 in the Reserve Fund. Thus, we have \$145,941 in "excess reserves."

Understanding the Building Maintenance & Repair Fund

Under the leadership of our Makom cluster, a consultant was hired in 2019 to analyze our building maintenance needs and provide us with a Reserve Study & Maintenance Plan, including an estimate of the annual investment likely needed to maintain, repair and replace building components such as HVAC

systems, flooring, roof, appliances, etc. In April 2020, we received the plan, which provided us with a recommended annual contribution schedule.

April 4, 2020		Funding Plan Summary				Havurah Shalom	
Year	Percent Funded	Inflation Adjusted Ideal Balance	Starting Balance	Annual Contribution	Interest Income	Tax Liability	Inflation Adjusted Expenditures
2020	47%	248,915	116,200	27,300	0	0	(10,824)
2021	51%	260,452	132,676	27,878	0	0	0
2022	57%	282,813	160,554	28,468	0	0	(129,035)
2023	33%	179,608	59,987	29,070	0	0	(19,057)
2024	37%	186,822	70,000	29,685	0	0	(31,636)
2025	37%	182,198	68,049	30,313	0	0	(5,667)
2026	46%	203,669	92,695	30,955	0	0	(9,259)
2027	52%	221,769	114,390	31,610	0	0	(89,699)
2028	35%	161,972	56,301	32,279	0	0	0
2029	46%	191,873	88,580	32,962	0	0	(27,786)
2030	48%	194,640	93,756	33,659	0	0	(29,568)
2031	50%	196,327	97,847	34,372	0	0	(7,452)
2032	57%	220,315	124,768	35,099	0	0	(17,710)
2033	61%	234,461	142,157	35,842	0	0	(23,884)
2034	63%	242,991	154,114	36,600	0	0	(12,310)
2035	68%	263,387	178,404	37,375	0	0	(12,570)
2036	72%	283,809	203,209	38,166	0	0	(40,645)
2037	72%	277,115	200,730	38,973	0	0	(3,932)
2038	77%	307,230	235,772	39,798	0	0	(6,691)
2039	80%	334,745	268,878	40,640	0	0	(22,244)
2040	83%	347,219	287,275	41,500	0	0	(26,511)
2041	85%	356,092	302,264	42,378	0	0	0
2042	88%	391,478	344,643	43,275	0	0	(20,206)
2043	90%	407,122	367,712	44,191	0	0	(33,887)
2044	92%	409,865	378,016	45,126	0	0	(29,832)
2045	94%	417,420	393,311	46,081	0	0	(36,141)
2046	96%	419,530	403,251	47,056	0	0	(6,151)
2047	98%	451,780	444,157	48,052	0	0	(216,042)
2048	99%	280,010	276,167	49,069	0	0	(48,188)
2049	100%	277,233	277,048	55,330	0	0	(33,957)
Total				\$1,133,103	\$0	\$0	(\$950,882)

With this knowledge, Steering now has good direction on how much to save for our building’s future needs. There still may be surprises, but this guidance is a significant step forward in giving us greater certainty around our building maintenance budget.

Understanding the Operating Surplus in 2020-21

When the 2020-21 Fiscal Year budget was being crafted last year, our world was in turmoil and the Steering Committee assumed that the fiscal impact of the pandemic would be drastic. The operating budget for our present fiscal year projected a “deficit” of \$70,000 that we would need to plug with Reserve Funds.

Gratefully, our dues income did not suffer. Also our operating expenses were substantially lower than budgeted, due in large part to the fact that we are (sadly. . .) not gathering in person. At this point, we are projecting an Operating Surplus of \$120,000 for the present fiscal year.

How all this impacts the 2021-22 Operating Budget

Now that we know what our Target Minimum amount in the Reserve Fund should be, we can invest excess reserves without fear of being imprudent. Likewise, now that we know what the recommended annual building maintenance investment should be each year, we can direct funds to the Building Maintenance & Repair Fund with a sense of security that the amount is appropriate and prudent.

1. Steering Committee has voted to allocate some of the excess reserves as follows:
 - Two years of investment in the Building Maintenance & Repair Fund (\$56,346).
 - Seed a DHS Grant Fund in order to manage the flow of grant monies received for security upgrades (\$23,500)

2. Steering Committee has identified and approved \$87,846 in investments from our 2020-21 operating budget surplus:
 - Staff Bonuses – we approved and distributed \$22,000 to our staff in one-time bonuses in recognition of the extraordinary expectations and effort they made in response to the pandemic and to help cover out-of-pocket expenses incurred due to working from home.
 - Technology upgrades – we approved \$15,000 to cover technology upgrades as we transition into a hybrid world that includes both virtual and “real” environments.
 - Building Fund – \$21,846 was approved as an investment in our Building Fund (different from the Building Maintenance & Replacement Fund) to move us forward on addressing our space needs.
 - Anti-Racism work – \$29,000 was approved to fund the Anti-Racism work that our congregation is committed to doing.

The scope of this article is about what we did *this* year and how it impacts our upcoming operating budget, but it is clear that our operating demands will likely continue to grow and in future years we will need to balance our budget without the cushion of ample excess reserves and surplus funds. How we continue to fund ourselves down the road will be the topic of future discussions.

Learning more about Havurah finances and the budget process

If you are curious about Havurah finances and wonder how the annual budget is built, we invite you to join former Treasurer and Finance Committee member Janet Byrd and current Treasurer Shari Raider on Wednesday, June 2 from 7 to 8:30 PM in Room Gimel for a closer look at our budget process. We will have a conversation about who is involved, what is considered, and how choices are made. This conversation is for *all* members – those who never think about organizational budgets and those who do.