

Temple Sinai 2024-2025 Proposed Budget

To: Temple Sinai Members
From: Glenn Engelmann, EVP, Chair, Finance Committee
Date: May 22, 2024
Re: Operating Budget and Capital Budget for 2024-2025

Dear Fellow Temple Sinai Members.

On behalf of the Finance Committee, I submit for your review and approval two budgets for 2024–2025: the Operating Budget and the Capital and Building Budget.

At the outset, it should be noted that the Operating Budget would not have been possible without the hard work and expertise of the Finance Committee –David Antonelli, Reuben Gamoran, Nancy Golding, Julian Josephs, Bill Passer, Dianne Rudo, Deborah Tanno and Michael Zelin. The temple continues to face financial challenges, and their efforts are much appreciated.

We have the Building and Grounds Committee, chaired by Marta Goldsmith, to thank for the Capital and Building Budget. I am grateful to them for addressing our medium and long-term physical and financial needs for our temple facilities. Members of the committee are Gerry Castillo, Tony Ciccone, Dan Koch, Bill Kominers, Asher Lipman, Bob Loesche, Kevin Mulshine, Evan Siegel, and Rick Tempchin.

Additionally, we all owe our gratitude to Executive Director Ellen Agler and Finance Director Andrei Israel, who manage and implement the entire budget process. They support the work of the committees and develop the detailed budgets based on their projections for administrative functions and the input of the other dedicated professionals on the temple staff. The vital contributions of Cantor Rebecca Robins, the Cantor Educator, and Ali Hurewitz, Director of Early Childhood Education, are particularly valued because of the importance of the Religious School and the Nursery School to the overall budget. Thanks go as well to all the committee and program chairs, who provided invaluable input about their programs' financial needs. Finally, thanks to the clergy for their continued focus on financial matters.

Before turning to the 2024-2025 budgets, a brief word about the 2023-2024 results. This was another challenging year from a financial perspective. Tuition revenues from the Religious School and Nursery School continue to be strained because their enrollment levels remain below pre-pandemic levels. While temple membership remains strong, it is still below pre-pandemic levels. Despite these challenges, as a result of thoughtful fiscal management, we project that we will end the year with a slight surplus of \$155,000. This result was to a significant degree the result of the delayed opening of the south addition, and we will however continue to face financial challenges. We address these in the 2024-2025 budget and are engaged in a process to develop plans to meet these challenges in the years ahead as explained more fully below.

Operating Budget

The proposed budget is balanced. Both revenues and expenses are projected to total \$7,403,000. This represents an increase of 13% in the temple's operating expenses. This figure includes both costs and revenues for the nursery school and the religious school as part of the overall temple budget. Please note, however, as explained more fully below, that the budget is balanced by the inclusion in budgeted revenues of a transfer of \$112,326 from the Surplus Fund, in addition to the annual release from the Capital Campaign Sustaining Fund of \$241,533, which will continue only through fiscal year 2026-27.

The key revenue assumptions are:

Membership Commitments: The annual financial commitment to the temple from members represents the largest single source of revenue in the budget, representing 45% of total revenues. Although membership and membership commitment revenues have declined from their pre-pandemic peaks, they are approaching pre-pandemic levels. The budget projects an increase of 2% in Membership Commitment revenues in 2024-2025. This projection reflects an increase in the membership commitment pledge table of 2.8%, which, in keeping with temple policy, tracks inflation.

Religious School: The budget for the religious school projects an increase in tuition revenue to \$645,000. Enrollment remains below historical pre-pandemic levels, however. Expenses are projected to be higher than last year at \$850,000 as we work to enhance programming in order to attract new students. As always, there are more expenses for the religious school than tuition income; the difference is covered by a combination of the annual release of funds from the Michael Bernstein Religious School Endowment Fund and general temple revenues.

Nursery School: The budget for the nursery school, which is included in the overall temple budget, reflects a balanced budget in both revenues and expenses of \$1,617,100. This balanced budget is achieved as a result of the inclusion in budgeted revenue of an allocation of \$117,000 from the OSSE pay equity fund grant received by the Nursery School from the DC government.

Annual Fund: The budget includes \$225,000 in Annual Fund contributions. This revenue reflects the generosity of temple members, many of whom have made pledges to the annual fund beyond their membership commitments.

Endowment Fund: The budget includes a release of \$184,849 from the Endowment Fund for operating expenses. This annual release is arrived at by taking 4% of the December 31st average balance in the endowment for the last three years, in keeping with our policy.

Sustaining Fund: The budget includes two transfers from the Sustaining Fund established by the Capital Campaign to support temple operations in three areas. One transfer of \$156,996 supports pastoral care and our clergy; this is the amount in the Sustaining Fund Allocation income line. A second transfer of \$84,536 supports the Davis Center for Social Justice and is included in the Program Income and Fund Releases category. Keep in mind that this fund is scheduled to be exhausted after FY 27.

Security Fee Revenues: The budget includes \$228,000 in revenues from the Security Fee approved by the Board of Trustees. We estimate that this will cover 64% of the temple's costs for safety and security personnel. The Security Fee for next year has been increased by the Board to \$250 to reflect the increased costs incurred by the temple and is assessed on all member households and all non-member families with a student in the Nursery School or Religious School.

Surplus Fund Transfer: The budget includes a transfer of \$112,326 from the Surplus Fund. This transfer is in line with established Surplus Fund policy, which allows for the transfer of funds when there are extraordinary unbudgeted expenditures and shortfalls, with the permission of the Board. The transfer is necessary in this budget since (i) costs have continued to increase post-pandemic, while temple membership and school enrollment have not recovered to pre-pandemic levels, (ii) we are supporting new programming initiatives recommended in the strategic plan, (iii) there are additional costs associated with operating our larger building footprint, and (iv) there are significant one-time costs associated with the Executive Director transition. However, it is important to note that this projected transfer is less than budgeted in recent years and reflects heightened focus on expenses by the staff, clergy and the Board. The Surplus Fund has a total projected balance of \$2,216,000 at the end of 2023-2024. It is likely that additional transfers from this balance will be needed in the next few years as we work toward a balanced operating budget.

The key expense assumptions are:

Personnel: Our staff is the largest portion of our budget, with wages for our ritual, administration, religious school, nursery school, facilities and security staff accounting for 77% of our budget. We are budgeting a 2.8% Cost-of-Living Allowance raise for all permanent staff, excluding the staff for which we have new contracts and therefore new salaries budgeted. This category also includes clergy compensation.

The proposed budget includes a projected 10% increase in health and other insurance benefits. As always, thanks to the Administration Committee, chaired by David Wessel, for controlling these costs as well as possible.

Contract Security: We continue to use armed contract security to supplement the temple's safety team for worship services, certain programs and when students are in the building. A total of \$180,450 is budgeted for this service for 2024-2025.

Other costs: We anticipate increased usage of the building in the next year including our new south addition space, increased utility costs, and increased costs due to inflation. Accordingly, this budget reflects higher anticipated costs for building operations.

Capital Budget

The Buildings & Grounds portion of the Capital Budget was shaped by the Building & Grounds Committee, chaired by Marta Goldsmith. Special thanks go to Ellen Agler, who sits on this

committee, for all her hard work and daily oversight of these projects.

In 2024-2025, we plan \$847,750 in capital investment in buildings and grounds and improvement projects and administrative systems, and an increase to the Roof Replacement Reserve of \$10,000. In addition, we plan to allocate \$100,000 from the Capital and Building Maintenance Funds to debt service, in line with past years. This is a substantial increase over the current year, but the total includes \$262,250 for projects that were approved in prior years but not completed. Some of the new projects for next year include repaving the Military Road entrance driveway, renovating the lower-level bathrooms, completing a comprehensive facility condition analysis, and website design. We are continuing the practice of proactive planning for future maintenance & replacement projects in order to preserve the building.

In addition, continued pledge fulfillments for the Honor our Heritage, Build our Future campaign will provide funds needed to service our debt in 2024-25. We anticipate cash receipts of \$325,000 in 2024-25, which in conjunction with the \$100,000 allocated from the Capital and Building Maintenance Funds, will cover our debt service obligation of approximately \$340,000 with no allocation of general operating funds. With these projections, we expect to carry forward \$85,000 in Campaign funds toward debt service in 2025-26.

Last, we plan to invest in new machzorim for the high holidays, at a cost of roughly \$50,000. This expenditure is entirely funded by generous dedicated donations from our members.

The Capital Budget is presented in two formats in the attached materials. The Buildings & Grounds Detail table is similar to the formats presented in past years, showing the proposed expenditures from the Capital Fund and Building Maintenance Fund, and the expected revenues into these funds. The Capital Budget Summary is a new format that provides a comprehensive summary of sources and uses of capital funds for the year, including the full cost of debt service for the south addition.

Five Year Forecast and Planning

The Finance Committee initiated a five-year forecast planning process earlier this year. While the forecast projects that we will be able to fund our operations throughout the forecast period due to the surplus and sustaining funds, it does highlight the need to address structural problems which will manifest during and beyond the forecast period arising from the fact that our “normal” revenues do not meet our “normal” level of expenses. The Board has begun a planning process to address this situation. Teams have been established to examine the temple’s membership commitment structure, enhance the culture of belonging at the temple, look at the nursery and religious schools, enhance philanthropy and develop ways to generate revenue from the temple’s newly renovated and expanded building. As proposals are developed by these teams and the Board, the congregation will be provided with more detail about future plans and specific proposals.

