

FEASIBILITY OF FINANCING A RABBI'S SALARY & EXPENSES.

INTRODUCTION: The following report was adopted by the Board of Directors of Beth Israel Center at the May 14, 1984 meeting.

METHODOLOGY: This report is based on the available results of the survey of members conducted in the summer of 1983; projections of income and expenses based on fiscal year 1983-84; estimates of a rabbi's salary requirements developed by members of the pulpit committee; and discussions with officers of Mellon Bank, Pleasant Hills Branch conducted last year. The figures cannot be exact, but are projections and "guesstimates" based on available data. An effort was made to make the figures as "real" as possible.

FINDINGS:

1. Membership has declined almost 10% in the past year. (From 65 families to 60 in FY 1983-84)
2. Indications are that the downward trend will continue.
3. 74% of the respondents to the survey made a pledge. (32 out of 43).
4. The median pledge (Year 1) = \$425.00.
5. The average pledge (Year 1) = \$354.00.
6. Total amount pledged Year 1 = \$11,340.
7. Total amount pledged Year 2 = \$11,540.
8. The deficit in FY 1 can be between \$5,000 and \$26,500.
9. The deficit in FY 2 can be between \$7,232 and \$14,730).
10. Total 2 year deficit can be between \$12,000 and \$41,160.

SUMMARY OF AUGUST, 1983 SURVEY:

Total Number of Families.....	61
Total Responses Received.....	43
Number of Pledges.....	32
Number of Refusals.....	11
Not contacted.....	11
Response unknown.....	7

Discussion:

1. 11 "not contacted" + 7 "response unknowns" = 18 non respondents.
2. It is projected that 74% (or 13) of the non respondents will make pledges.
3. 13 x \$354.00 (average Pledge) = \$4,732 possible additional income from pledges.

BIC FINANCIAL DATA: 1983-34 FISCAL YEAR

TOTAL PROPOSED EXPENDITURES.....	\$37,025
TOTAL PROPOSED INCOME.....	36,000
TOTAL PROPOSED NET.....	(1,025)
ESTIMATED ACTUAL EXP.....	\$30,000
ESTIMATED ACTUAL INCOME.....	31,000
ESTIMATED ACTUAL NET.....	1,000

PROJECTED COST OF RABBI (Based on 2 year contract)

	<u>Year 1</u>	<u>Year 2</u>
Personnel Costs		
Salary	\$25,000	\$25,000
Annuity	2,500	2,500
Hospitalization	<u>2,400</u>	<u>2,400</u>
TOTAL PERSONNEL	\$29,900	\$29,900
Moving*	<u>2,500</u>	<u>0</u>
TOTAL COST	\$32,400	\$29,900

*Estimated Cost: Depending on distance may be from \$500 to \$5000.

PROJECTED INCOME AND EXPENSES INCLUDING RABBI COSTS (RABBI'S
SALARY STARTS JULY 1)^{a.}

	<u>Est. Income</u>	<u>Est. Expense</u>	<u>Net</u>
FY 1 ^{b.}	\$44,645 ^{c.}	\$71,075 ^{f.}	(\$26,430) d.
FY 2	44,145 ^{e.}	58,875 ^{f.}	(14,730) g.

a. Based on 1984-85 Proposed Budget.

b. Based on 60 members.

c. Includes pledges of \$11,340.

d. If the rabbi starts Sept. 1, the deficit is reduced to \$21,430.
If the rabbi starts Jan. 1, the deficit is reduced to \$11,430.

The deficit may further be reduced by the following circumstances

Projected additional pledges -	\$4,732
Monies available from savings account -	<u>2,500</u>

TOTAL

\$7,232

\$26,430-\$7,232 = \$19,198 FY1 deficit

Rabbi starts Jan. 1 - Deficit = \$7,498 FY 1.

e. Reflects 7 new members @400 annual dues each = \$2,800.
Loss of manse rental after Dec. 31 = \$3,500.
Pledges of \$11,540.

f. Reflects saving of School Director's salary and retirement = \$8,200.
Manse real estate taxes = \$1500.

g. The deficit may be reduced by the following circumstances.

Projected additional pledges -	\$4,732
Monies available from savings account	<u>2,500</u>

TOTAL

\$7,232

\$14,730-\$7,232 = \$7,488 FY 2 deficit

Discussion:

1. The two year deficit may equal \$41,160.
2. If projections are made on the estimates of actual expenditures in FY 1983-84, then the 2 year deficit would equal \$20,020.
3. The two year deficit can be lowered to \$36,160 by using available monies from savings account.
4. If additional pledge projections are correct, then the two year deficit can be as low as \$26,686.
5. If rabbi starts after beginning of FY, the deficit may be lowered by an additional \$5,000 to \$15,000.

SOME SUGGESTED STRATEGIES FOR FINANCING DEFICIT:

1. Establish a 2 year unsecured line of credit.
 - ‡Money is borrowed only as needed.
 - Interest rate at least 2% over prime.
 - Questions of liability in case of default remain unanswered.
2. Establish 2 year secured line of credit using Manse as security.
 - ‡Money is borrowed only as needed.
 - ‡Lower rate of interest than 1.
 - Danger of losing collateral.
3. Demand note loan in amount to cover deficit.
 - ‡Lower interest rate.
 - Must borrow money even if not needed.
 - Danger of losing collateral.
4. Dues raise to cover deficit.
 - Projected high 2 year deficit: $\$41,160/60$ families =
 $\$686$ over 2 year period or $\$29$ per month per family.
 - Projected lower deficit of $\$20,020/60 = \334 or $\$14$ per month
5. Assess members to cover cost of rabbi. (instead of pledges and borrowing.)
 - $\$35,000$ Yr. 1 cost of rabbi/60 = $\$583$ per family in Yr. 1.
6. Rely on accelerated fund raising to cover deficit.
7. Sell manse and use proceeds to pay rabbi.
 - ‡Relieved of upkeep and rental problems.
 - Need to provide housing for rabbi.