

## FORUM III

### Coping with the Recession as a Community: The Experience of the Jewish Federation of Greater Hartford

ANDREW C. PALLER

**W**e were one of the lucky ones. Three years of increasingly severe economic stresses, which hit New England harder than any other part of the country, resulted in an enormous decrease in annual fund raising and a concomitant increase in social service needs in the Greater Hartford Jewish community. At the same time the Jewish Federation of Greater Hartford (federation) continued to face the imperative of helping resettle former Soviet Jews locally and in Israel and the challenges to Jewish continuity raised by the 1990 National Jewish Population Survey (NJPS) data. In response, federation and community leadership created an aggressive, proactive strategy based on a coordinated, cooperative community effort. This strategy has resulted in a stronger, more vibrant Jewish community, one that is unified in its efforts to respond to Jewish needs locally, nationally, in Israel, and worldwide and that is working to define its own future despite economic adversities.

#### PROBLEM DEFINITION

The challenges have been enormous. The Jewish Federation of Greater Hartford's annual campaign dropped over a 24-month period from an all-time high of \$8.1 million in 1989 to less than \$5.7 million in 1991, a decrease of 30%. Although initially this decrease was driven by the financial problems of a group of very successful real estate developers, the result of the sustained recession has been to decimate the ranks of the community's largest contributors. The impact of the recession, however, was much broader, resulting in the loss of over 160,000 jobs in the state of Connecticut, more than in any recession since World

War II. Connecticut was experiencing the highest unemployment rate in the country, with continuing layoffs and downsizing by diverse segments of the business community. These economic dislocations created increased social service needs, a reduced capacity for charitable giving, and a nervousness that at times permeated the annual campaign.

The federation knew from recent market research and the preliminary results of the NJPS that large segments of the Jewish community were unaffiliated and that many of them had either indifferent feelings toward the federation or felt that it was not responsive to their individual needs or concerns. Although the large number of unaffiliated and disaffected Jews was seen as a major opportunity for new growth in community involvement and in philanthropic giving, fewer dollars were available to invest in reaching them.

Concern over the annual campaign was, however, only one part of the problem. The Jewish community was carrying a significant level of bank debt following completion of two major agency capital projects. Although close to \$20 million had been pledged toward these projects through special agency capital campaigns, multi-year payouts and a \$1.5 million shortfall in one of these special campaigns made reducing this debt much more difficult. Collection problems also began to affect both the annual and capital campaigns.

At the same time, high costs for nursing home care were targeted by the Connecticut state government as an area for budget cutting. The good news was that extremely successful lobbying efforts were able to modify proposals that would have virtually closed the Jewish community's skilled nurs-

ing facility. Although the government funding reductions were decreased from millions of dollars per year to hundreds of thousands of dollars per year, these decreases nevertheless added to the community pressures.

Lastly, since world events do not wait for national or local recessions to run their course, the Hartford Jewish community also needed to find resources to support the annual resettlement in the community of 200 to 300 Jews from the former Soviet Union, despite a worsening local employment situation, and to run a special Operation Exodus campaign for resettlement efforts in Israel.

### CHALLENGES TO COMMUNITY

Despite the problems described above, this article began with the statement, "We were one of the lucky ones." That is because the federation's professional and volunteer leaders were successful in identifying two guiding principles that buttressed a successful response to these adversities.

These principles were most clearly stated in the final report of the COPE committee (Committee on Opportunities, Pressures, and Emphasis), which was created in 1990 to provide counsel on how to cope with these community challenges. The report stated that two overriding considerations must be kept in mind when evaluating recommendations for action:

1. *The realities confirmed by COPE require immediate action by the entire community* [emphasis added], not next year or in 6 months but TODAY. In many cases we are already 6 months to a year late in implementing these strategies, and we clearly do not have the luxury of delay.
2. *These problems must be recognized as community challenges requiring collective responses. We must be diligent in avoiding divisiveness and independent action which risk "unfederating" our community* [emphasis added], or we

might find that when the economy does improve we have irrevocably weakened the fabric of our community.

Recognizing and responding to the need for decisive action, not by the federation alone but by the community as a whole, was clearly the key to an effective strategy. Hartford was able to learn from the experiences of other communities that had faced economic downturns and to use this community crisis constructively as an opportunity for change.

One additional principle helped define the framework for action. It was recognition of the need to maintain essential services while engaging in the creative downsizing required to live within the current realities of smaller community resources. From this simple but powerful principle evolved the concept that allocation procedures should be based on a system of community priorities (formal or informal) and on an evaluation of the impact of funding cuts on specific services and on agency integrity. An allocations approach using across-the-board cuts was seen by the federation as shirking its responsibility to spend community funds as wisely as possible and was therefore rejected. Yet, it was clear that a community could not do as much when it raised \$5.7 million as it did when it raised \$8.1 million and that some programs and services needed to be reduced or eliminated.

The remainder of this article briefly reviews the Jewish Federation of Greater Hartford's evolving strategy for coping with the impact of the recession as a community and as a multimillion dollar business, and highlights the planning principles that are transferrable to any community or organization in times of downsizing, as well as expansion.

### COMMITTEE ON OPPORTUNITIES, PRESSURES, AND EMPHASIS (COPE)

In June 1990, as the recession was beginning to affect the annual campaign, the federation created the ad hoc COPE com-

mittee to be chaired by the former chief executive officer of a Fortune 500 corporation based in Hartford. COPE's charge had three components:

1. to visualize the extraordinary conditions the Jewish community will face over the next few years and the nature and magnitude of potential problems
2. to articulate the critical issues that federation needs to address relative to anticipated difficulties
3. to recommend strategies/responses/approaches to the critical issues that the committee feels will produce the best aggregate result for federation, its agencies, and the community as a whole

COPE comprised ten veteran lay leaders with broad business, federation, and community experience, who worked through an intense series of seven meetings over 90 days to complete this task. Although available data, including the results from a recently completed federation market research study, were reviewed by the committee, detailed analyses, additional studies, or extensive consensus-building procedures (involving large numbers of federation, agency, and community representatives in the process of defining the issues and developing preliminary recommendations) were not feasible within this time frame. However, the stature of these ten members and the combined weight of their experience, knowledge, and judgment more than compensated for this lack. The committee decided to develop financial projections and recommend proposed actions covering a 24-month time frame that encompassed federation fiscal years (FY) 1991 and 1992. This time frame included the 1991 and 1992 annual campaigns and federation/agency budgets, as well as the process for determining FY1993 allocations.

COPE was extremely successful in mobilizing the community, establishing a spirit of cooperation, and providing leadership through a blueprint for action focusing on the seven strategic issues described below.

Of the 18 COPE recommendations, 15 have been implemented in full or to a great extent, with work continuing on the remaining recommendations. Although the specific challenges facing each community or organization may differ, the COPE process suggests that attention needs to be given to each of the following issues.

#### Cash Flow/Cash Collections

COPE identified the potential for the federation cash flow shortfall to increase from \$500,000 (1990) to as much as \$3.5-4.0 million by 1992, reflecting slower pledge payments, delays in receiving federal reimbursement for resettlement expenses, and the shrinking campaign (lower receivables). Therefore, COPE recommended that (1) increased attention be paid to collection efforts and policies with both current contributors and those in arrears; (2) local and UJA allocations be based on the net campaign (less campaign expenses and a reserve for uncollectibles), rather than on the gross campaign; and (3) borrowing opportunities and costs from all potential sources be evaluated.

#### Cost Containment/Cost Reduction

In identifying the need for more efficient federation/agency operations and for downsizing services in line with decreased community funds, COPE recognized that a significant amount of lead time would be required to implement the necessary changes. It recommended that the budget cutting process be phased in immediately during the 1990-91 year, leading to more substantial cuts in 1991-92.

Suggestions for cost containment included elimination of nonessential programs and staff, a freeze on hiring, consolidation of community services both within and between agencies, joint purchasing, the establishment of compensation guidelines, possibly salary freezes, and increasing the use of volunteers within each agency in a variety of areas to minimize the impact of

cuts. Each of these issues received attention either through the allocations process or through the formation of the federation SAVE committee (see below).

#### **Revenue Enhancement**

An intensive study of the potential for agency revenue enhancement had been completed in 1989 and was already beginning to show positive results in 1990. Therefore, COPE focused instead on ideas for increasing federation revenues. It made a number of suggestions, including (1) a special resettlement mini-campaign targeting local corporations and private foundations; (2) intensified efforts to increase the support of federation, agency, community organization, and synagogue leadership both financially and through participation as campaign workers; and (3) activities to broaden the campaign base, especially through targeted outreach to key suburban areas.

#### **Federation Endowment Foundation Collaboration**

In Hartford, the federation's Endowment Foundation functions in most areas as an independent entity. Although the federation Planning Committee reviews and makes recommendations regarding the merits of all beneficiary agency requests for Foundation grants, final action on these requests, as well as on requests from other agencies and organizations, is determined by the Foundation's Grants Committee and board. In addition to this coordination in the grants review process, collaboration between federation and Foundation lay and professional leaders occurs on an informal basis.

The primary thrust of the Foundation has been the funding of innovative new programs, providing the start-up dollars that were not available from the annual campaign. However, COPE recognized that attempting to absorb very large campaign shortfalls solely through service reductions

would drastically affect agencies' ability to meet community needs and would even threaten the very survival of certain agencies. COPE therefore endorsed preliminary steps toward replacing the usual Endowment Foundation grants process for funding innovative new programs with support of basic beneficiary agency needs.

#### **Priority Setting**

COPE called for the development of a priority-setting system to guide the process of downsizing community services. Such a system would identify core community programs and balance these programs against needs in Israel and the challenges of resettlement activities. Broad community priorities would provide the context in which each local agency developed its own priorities. The COPE report recommended, however, that "as a general principle our number one priority must be the preservation and survival of a strong and vibrant Hartford Jewish community, recognizing that future support of local and overseas needs depend on this survival."

The committee also recommended consideration of "a more unified and centralized management of community affairs, particularly during the difficult times," calling for a re-examination of the relationship and the balance of autonomy/interdependence between federation and its agencies. COPE also suggested that federation consider redefining the notion of deficit funding for agencies.

#### **Communications**

A carefully designed communications plan contributed in many ways to the success of the past 2 years. Reaching agencies, contributors, and the community at large, this plan included written materials and face-to-face meetings to explain the challenges facing the community, the decision-making processes being followed, the preliminary and anticipated impact on services, and the responses that individuals, agencies

and organizations needed to make to minimize that impact.

The plan used newspaper articles, direct mail, meetings with agency leadership and major contributors, and a series of three "Town Meetings" held both to report on the community's challenges and to listen to community concerns and reactions. These town meetings, which were held at the Jewish Community Center and at synagogues in two major suburban areas, began with presentations on Jewish issues around the world, the NJPS, and the state of federation, followed by approximately 90 minutes of questions and discussion on these or any other concerns. The three meetings were attended by a total of approximately 150 community members, whose concerns addressed local services, the implications of the NJPS findings, and worldwide Jewish issues. Significantly, these town meetings primarily attracted individuals who did not hold leadership positions but who cared about the above issues.

Through these efforts federation sought to provide leadership and optimism in the face of the bad news appearing almost daily in the media and to convince individuals who had not been hurt by the recession to continue to meet their community responsibilities.

#### Management

The final set of COPE recommendations called for a number of new management structures designed to oversee implementation of the recommendations and to strengthen oversight of federation/agency financial issues. These structures included a management committee of key federation and agency leadership that would meet on at least a biweekly basis and would report directly to the federation Executive Committee, a parallel committee of federation/agency professionals, and a Financial Affairs Council of federation/agency chief financial officers.

The management section of the COPE report also highlighted the potential

impact of downsizing on staff morale and their ability to be responsive and productive. To help reduce the effect of increasingly complex demands on a smaller workforce, COPE recommended (1) a "ruthless" review of existing activities/demands on staff with an eye to eliminating those that are not truly needed, (2) recruiting volunteers to perform staff functions, and (3) trying to emulate the United Way's loaned executive concept.

#### Use of Business Concepts and Approaches

The COPE process also provided insights into the applicability of business concepts and approaches to the work of federation and its agencies. It recognized that much of the new leadership being attracted by federations have corporate backgrounds and training and that federations could increase their effectiveness by borrowing generously from business approaches. Such approaches include the increased use of financial and market forecasting and serious performance and evaluation measures, as well as basing federation/agency relationships on bottom-line accountability without extensive micro-managing by the federation.

As an example, the Jewish Federation of Greater Hartford is in the process of developing a business plan designed to be an internal management tool for improving federation effectiveness. Part of Hartford's success simply resulted from efforts to be more business-like.

#### OTHER RESPONSES

Although COPE created a blueprint for action, it was only one of many community responses. The economic challenges resulted in increased community discipline, as well as creative new approaches for doing more with less.

A modified budgeting allocation approach was instituted, in which agencies provided a prioritized list of the program cuts that would need to be implemented at specified levels of federation funding. It

began with an unprecedented mid-year 1990-91 allocations process designed to reduce previously approved allocations by up to 10%. The mid-year reductions were followed by a 1991-92 allocations process based on budget guidelines that assumed agencies could receive between 100% and 75% of the previous year's federation allocation. As a result of this 2-year effort, FY92 local agency allocations as a percentage of FY90 allocations ranged from a low of 33% to a high a 115%. This budgetary process was accompanied by federation actions to establish salary guidelines for the first time and a limited freeze on new hires.

The annual United Jewish Appeal allocation from the Jewish Federation of Greater Hartford and federation's support for other national and overseas Jewish agencies absorbed a disproportionate share of the funding reductions during the past 2 years. This reduction was a direct result of the decisions to base UJA allocations on 50% of the net campaign (after campaign expenses and a reserve for uncollectibles), rather than on 50% of the gross campaign, and to reduce all other national and overseas allocations (in total) by one third. Although there was virtually unanimous agreement on the need to sustain basic local services and programs that ensure future generations of Jewishly identified individuals and families, these cuts were agonized over and accepted only as a short-term solution. In addition, despite a deeply rooted commitment to the resettlement of Soviet Jews, the federation reluctantly decided that only first-degree relatives could be resettled in Hartford and limited its participation in national fair-share efforts, reflecting, here too, its reduced revenues.

#### SAVE Committee

The federation initiated a multifaceted study to identify potential savings from shared purchasing or cooperative operations under the aegis of the federation Administrative Committee and a new ad hoc SAVE

committee. The SAVE committee of federation, agency, municipal government, and business professionals has been working in the areas of *transportation costs* (insurance, fuel, and maintenance) for operating a multiagency fleet of buses, trucks, and vans; *printing costs* (in-house and outside printers, paper/envelope purchasing, and desktop publishing); and *purchasing* (office and janitorial supplies, light bulbs, fuel, food, and contractual services). To date, savings have been realized in printing, health insurance, and long-distance phone service. The increased use of volunteers to supplement paid staff has been continuously advocated, with varying levels of success in each agency and at federation. Individual agencies have displayed tremendous resilience in maintaining services, although in many cases at a reduced level.

On the revenue side, a modified campaign structure placing greater emphasis on mid-range and small contributors making annual gifts of \$10,000 or less and a focus on outreach to new target markets have energized lay and professional campaign leadership and workers, helping strengthen federation's image and planting the seeds for future campaign growth. These efforts have included creative programs, such as a "Nosh At Noon" lunch and lecture series for young professionals working in downtown Hartford, dessert receptions for young leadership with prominent Jewish speakers, inauguration of a Maimonides Society for Jewish physicians and dentists, continuation of an annual Builders and Allied Trades dinner despite the downturn in real estate, women's division events targeted at busy new working mothers and the women of the 1990s, and mini-missions to local agencies for new leadership.

Despite the federation's critical need for additional funds, it implemented a policy under which new pledges would not be accepted from contributors who were already in arrears on past pledges (with a handful of exceptions in which payment plans were also established). The community standard defined arrears as unpaid pledges 2 years

old or older. Adherence to this policy and intensified collection efforts have resulted in higher collection rates on new pledges, despite the bad economy.

The infusion of noncampaign revenues has made a tremendous difference in the community's ability to weather the economic downturn. Over 2 years, these revenues have included \$674,000 from the federation Endowment Foundation, resettlement grants from other local sources of close to \$300,000, and almost \$200,000 raised through a special synagogue campaign for local resettlement needs. Local agencies also worked vigorously to combat adversity; for example, the Jewish nursing home fought state funding cuts and is now completing its second full year in a new facility, generating net revenues over expenses *with no federation allocation*, and the Jewish Community Center capitalized on a recent renovation and increased membership by 50% over the past 2 years.

Recognizing that the issue of Jewish continuity was too crucial to wait for an economic recovery, the federation created a community-wide Task Force on Jewish Continuity, with extensive representation from community agencies and synagogues, the core community and the suburbs, veteran leaders, and newly emerging young leadership. This task force, which was charged with developing a preliminary community action plan, has drawn on the expertise of the above groups through two half-day task force meetings and supplemental meetings with community professionals (agency executives and rabbis) and lay leaders (agency and synagogue presidents). This process has been instrumental in energizing the Jewish community and its institutions. A steering committee is working with the ideas generated through these meetings to develop a preliminary plan that includes both short-term actions that can be implemented immediately with little cost and long-term actions that will require additional funding and planning.

Despite these accomplishments, there have also been disappointments. Herculean

efforts were needed to raise \$5.3 million in 1992, 6% less than 1991 and 35% less than in 1989. Success in increasing the collection rate for current pledges was not matched for pledges from 1990 and earlier, and these old balances are becoming increasingly more difficult to collect. As a result, the federation has been forced to slow down allocation payments to UJA, using Israel as the community's banker.

Yet, despite these shortfalls, the community is extremely well positioned for the future, with strong federation-agency relationships and continuing efforts to strengthen federation-synagogue relations, growing numbers of new contributors and newly involved community volunteers, an improved federation image with increased visibility and vitality, and the excitement and optimism that these changes create.

## CONCLUSIONS

Although the process of managing and living through a severe economic recession has been at times extremely painful, the Hartford experience provides several important lessons.

- The creation, over time, of real community partnerships is critical to the long-term health of the community. Built on mutual trust and respect, these partnerships free the federation from the need for extensive agency micro-management while providing agencies the autonomy to function within the context of broad community priorities and guidelines. Beneficiary agencies and community members responded to reduced revenues with new, creative responses, rather than with moans and criticisms. Shared purpose and goals were the glue that allowed all of the stakeholders to work cooperatively.
- As is true of any business or business decision, federations must be able to balance the need for process against the need for action. The Hartford federation has probably erred from time to time in either direction, with some decrease in

community consensus or efficiency. However, federations need more than ever to be able to respond rapidly to changing realities.

- The future success of federations as the representatives of the Jewish community depends to a great extent on their ability to communicate effectively with members of that community: contributors; service providers and service users; federation, agency, and synagogue leadership; and other community and business leaders. Federations must keep pace with and be in tune with an increasingly mobile population that is presented with many more choices and challenges than its predecessors. In addition, federations must utilize community forums, similar to the town meetings held in response to Hartford's challenges, where listening is as important as speaking.
- Every community needs to continuously identify new opportunities for growth and development and to find ways to capitalize on these opportunities. Having the will and inspiration to make changes is frequently much more important than having additional financial or human resources.

The magic being accomplished by the Greater Hartford Jewish community is the result of tremendous commitment and caring, an openness to new ideas and approaches, and an enormous amount of hard work by volunteers and Jewish communal professionals. Although these efforts represent a response to the pressures of a potential economic disaster, the lessons learned can serve communities in good times as well.

#### ACKNOWLEDGMENTS

Although many individuals contributed to the success story described in this article, the Hartford Jewish community owes a special debt to Hartzel Lebed, chairman of the Committee on Opportunities, Pressures, and Emphasis. Without his wisdom and experience, the COPE process might never have been initiated, and it certainly would not have had such far-reaching results. I also need to thank my assistant, Candace Lovins, for her assistance with the preparation of this article and her behind-the-scenes contribution to many of the efforts just described.