

Challenges and Opportunities on the Jewish Day School Landscape



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Case Study: **Big City Federation: Taken to the Limit?**

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“Julie, can you come into my office when you have a minute?”

For Julie Joseph, those words set in motion two of the most challenging years she experienced in her professional life. A decade later, she reflected on this period as one when her professional commitments were most sorely tested and, at the same time, when she gave more of herself to her work than at any other time in her career. She had no regrets about the actions she had taken, but she still wondered whether they might have resulted in a different outcome.

When Julie — Chief Planning Officer at Big City Jewish Federation — stepped into the office of Federation CEO, Darren Finkel, he closed the door. “Julie, I had a visit this morning from Shmuel Sokol of the Talmud Torah. They’re in such a deep financial hole, he thinks they have no option but to close. In his words, he doesn’t think they can make it. The man was holding back the tears.”

Julie was shaken but not surprised. Each year as part of Federation’s allocation process, she reviewed the financial audit of all of the 17 day schools they supported; it was the one form of accountability Federation asked from its beneficiaries. She had been aware that the school was hemorrhaging financially. Darren knew this too. Like many other day schools in the Orthodox sector, the Talmud Torah was heavily dependent on donations to cover its budget. With turnover of more than \$4M, tuition revenue barely covered 70% of their costs. They needed to raise more than a million dollars a year, on top of the \$250,000 allocation they were receiving from Federation.

Julie suspected that the Talmud Torah wasn’t led by the kind of people who could address the situation. There were no business people on the board. There were people with a fine, even outstanding, educational vision, but no one hard-nosed enough to know when they were over-reaching, in financial terms. She said as much to Darren and promised to take a careful look at what was really the story.

She would get back to Darren within two weeks. Julie wondered out loud whether, by provoking a crisis, the school was looking for special financial assistance from Federation; basically, a bail out. She knew that this was something Federation would never countenance, because of the problematic precedent it would set for other communal institutions.

As she left the room, Darren cautioned her. “Julie, I know you want to help. That’s why we do this work, but, you know, no institution in this community is too big to fail, even if it does deliver a quality Jewish product.”

Over at the Talmud Torah, the situation was indeed a mess. How big a mess had not been apparent from the annual reports the school had filed. That gave Julie pause. They were several millions in debt, and with each year the situation was getting worse. They owed money to the IRS. They were raiding their pension fund to pay salary. They couldn’t make their mortgage payments.

It didn’t take a genius to see how they had gotten themselves into this situation. For strong ideological reasons, they didn’t want to turn anyone away. It meant they were offering far too many scholarships. There was no minimum tuition; some people weren’t paying a cent for their child’s education! Tuition discounts for staff were beyond generous; they had wanted to lure the most capable educators as role models for their children. Class sizes were unsustainably small, exacerbated by the fact that above fifth grade they were no longer co-ed. The high school they had opened a few years earlier was probably the tipping point. The education they provided was apparently outstanding, but they were tracking students at too many levels to manage things efficiently or cost-effectively.

Sitting in a meeting two weeks later with her senior Federation colleagues, and members of their lay executive, Julie was asked for her assessment. Having thought this through carefully, she advised that the Federation should make every effort to salvage the situation. She provided details of the problem — one she summarized as acute-overreach. She expressed her opinion that there was still a chance they could turn things around. Besides, she went on, it would be catastrophic for a great many families and for a number of the community’s other schools if the school did close. With more than 400 students, the school was not a niche institution; the displaced students would flood the rest of the day school system. Julie truly believed that with strategic input from Federation and the right business leadership at the school, they could yet dig themselves out of the very deep hole they found themselves in.

Julie’s colleagues were less sanguine. Although there were others at the table who, like her, were day school parents and advocates, they had concerns about how deeply the Federation should get involved. As Federation Vice President Dan Kopel put it, “we can’t run a managed economy. We can give schools support and guidance, but we can’t create a culture of dependence or be expected to rescue poorly managed institutions. Schools don’t want us managing their affairs. We wouldn’t want to anyway. Ultimately, the market should be allowed to correct itself. There are plenty of other good Jewish schools these children could attend.”

Dan's view did not win the day. Instead, over the following days, a strategy took shape in which the Federation committed to spend the next 12 months working with the school to help it get its house in order. In practice, this meant that Federation hired and funded an accountant to join the Talmud Torah team, someone who would report each week to Julie. Julie herself attended every finance committee meeting at the school and every board meeting. She spent hours working with the bank to negotiate better repayment terms and almost as much time advising the school on how to streamline their costs. In the meantime, Federation persuaded a highly respected member of the community to come in as acting president of the school board.

Julie had no doubt that some of her other responsibilities suffered during this period. She knew that her supervisors believed she was overcommitting and that her staff members were giving too much of their time, as well. She tried to brush aside these concerns. As she saw it, what was the purpose of the Federation if not to save Jewish institutions? In the late 1970s, her family had fled Iran following the revolution. The family had rebuilt its life in America thanks to the generosity of the organized Jewish community. The experience had left her and her siblings with a deep commitment to the common good. That's why she had previously worked for 10 years in the public health sector and why she was willing now to give the Talmud Torah every possible chance to survive. She would never have dreamt of sending her own children to the school (ironically, they attended one of the TT's most immediate competitors), but there was a bigger picture here.

As the months passed, there was, however, increasing discomfort among Federation leadership that they were getting unduly entangled in a failing enterprise. It was clear that the school would not adjust some of the elements of its basic educational model, and the model wasn't a sustainable one. Although Federation had previously taken over the debt of other institutions that had gotten themselves into trouble, offering more generous payback terms than the banks, in this instance there was not enough evidence that the school was able to get itself on to a positive trajectory. It was trying to be too many things to too many people. Eighteen months after Shmuel Sokel had come to talk with Darren Finkel, the Federation's executive team decided to move from a rescue strategy to one focused on helping the school close with minimum damage to the community. Federation played an important role in helping families find other schools. It helped facilitate the sale of the school's land to other community agencies so as to write off whatever debts were outstanding. These tasks were almost as complex as keeping the school open.

Federation helped the school close in a dignified fashion at the end of the school year. Unfortunately, that wasn't the end of the story. The word in the aisles of the kosher supermarket and the local shuls was that with 90% of Federation's contributions coming from non-Orthodox donors, Federation leadership had let the school fail. Federation's biggest donors had no special interest in keeping one of Big City's many Orthodox day schools afloat, no matter how high quality the education it provided. Because Julie's family were members of one of the Orthodox congregations affected by these events, she was an easy target. She became so

fed up of being accosted in synagogue by mothers who blamed her for killing the Talmud Torah, she stopped going for about six months.

Julie tried to be as professional as possible. Let people think what they want. She fully believed that this situation might have played out differently in a different community. It certainly would have if the school had made Federation more aware of its problems sooner, or if Federation had been more stringent in its audit of beneficiary institutions. Whichever way, she knew she had given it her very best shot.

Questions for Discussion

1. What are some of the underlying reasons for the Talmud Torah's demise?
2. What is Federation's role in shaping the kinds of tuition, class-size and scholarship decisions that originally made the Talmud Torah's financial model so hard to sustain?
3. What are a Federation's responsibilities in terms of helping a struggling day school?
4. What are the limitations of the Federation's capacity to save a struggling school? How does their power to intervene extend?
5. What are some systems that a Federation can put into place in order to ensure more extensive accountability among its beneficiary day schools?
6. Besides taking over financial debt, what other actions could Talmud Torah have taken in order to get out of the downward spiral that resulted in the school's closure?
7. How, if at all, could Julie have better handled the situation?