

The Anatomy of a Federation Reorganization

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It is simple and, perhaps, facile to write of "Jewish utility," "performance reports," "accountability," and so on. Will Federation support of Jewish life in the East Bay reflect those warm sounding concepts, or will Federation founder because of lack of money, lack of courage or simply be overwhelmed by the seduction of an American society which is really not so encouraging of a Jewish particularism? The evidence is not yet in.

BACKGROUND: There are a handful of Jewish Federations in communities of 5,000 or more Jews that carry the label of "functional." In its simplest terms, a "functional" Federation is one which delivers community services under its corporate roof in addition to the more accepted Federation functions of fundraising, planning, annual allocation of funds and leadership development.

The conventional wisdom, at least as espoused by the professional leadership of the Council of Jewish Federations, is that when Federations are overly concerned with the provision of community services, they do less well in their central task of raising funds. In effect, "functional" Federations are no longer considered very functional.

There is little regard among Federation leadership for the antiquated idea that the organized Jewish community ought to have some centralized authority over many of those elements which constitute the local Jewish enterprise. A model of Federation disengaged from community service-giving is somewhat analogous to local units of government spinning off services into a variety of privately controlled or special district agencies so that it can concentrate on tax collection.*

* It may be that the most powerful rationale for a Federation stripped of direct service-giving capacity is that the Federation is more free to experiment with what works for Jewish life if it purchases services rather than being married to particular service-giving components.

Whatever the arguments for a Federation retaining corporate control over service giving, those arguments no longer seemed in good currency in the East Bay California Jewish Federation, whose major city is Oakland. For years, the Federation has had to face its relatively modest achievements at fundraising, with the ready reminder that getting rid of the service agencies was the first step toward better fundraising achievement. If reminders from CJF leadership were not enough, the East Bay Federation had only to look across the bay to see how another model of Federation worked. The San Francisco Federation, untroubled by the day-to-day problems of service giving, had moved into the front ranks of per-capita Jewish giving.

The emerging lineup against a "functional" Federation was powerful—the CJF experts; local leadership subjected to invidious comments about the East Bay's lack of fundraising prowess; and the periodic reflection of "significant others" in San Francisco about their poor cousins in the East Bay. If this array was not sufficiently powerful, it was joined by the professional and lay leadership of the seven affected service agencies that chafed under the Federation corporate umbrella—three Jewish community centers, a Jewish family service agency, a home for Jewish parents, an agency for Jewish education and a Jewish community relations council.

Given the strength of the enemies of "functionalism," it seems rather amazing that it had survived all this time.

And the reader may be spared turning to the last page prematurely by learning that on November 20, 1985, Federation's Board adopted a policy stating that [Federation] "encourages, but does not mandate, that five of Federation's current service divisions take steps toward becoming independent agencies."¹ The remainder of this paper traces the process and the substantive changes involved in reorganizing the East Bay Federation to give it a more mainstream structure and, hopefully, a more mainstream fundraising achievement.

The Early Steps:

The writer of this paper became the Director of the East Bay Federation in July of 1980. The initial situation was not encouraging. A prior director had been deposed, aided by the not so gentle shoves of his staff colleagues (including some agency directors); the agency had undergone a serious and public financial scandal; Federation's service divisions ran deficits with impunity, and Federation picked up the tab by getting some \$600,000 in arrears in payments to UJA; financial management was chaotic and the relationship between Federation and its service agencies was ad hoc and often angry. An early gathering of five prior Federation presidents produced zero consensus on the steps Federation needed to take in order to right itself. Fortunately, a first year planning effort produced policy recommendations which were adopted by the Board and provided relative coherence in dealing with the following concerns:

1) *Agency Directors*: The Jewish community was seen as advantaged if the service agencies had strong boards and strong professional direction. Federa-

tion's director was disestablished as the supervisor of agency directors. The relationship was to be collegial and administrative. Directors were to be hired and fired by agency boards (Federation's president and director were given certain veto authorities which were deliberately cumbersome).

2) *Agency Policymaking*: Agencies were seen as autonomous in day-to-day making of operations policy. Federation would not line-by-line budget, but would reserve the right to place conditions on allocations where such conditions dealt with community-wide issues. Agencies were responsible for providing performance reports to Federation as the basis for an allocations request.

3) *Deficits*: A no-deficit policy was established with "teeth." Deficits were to be deducted from the next year's allocation of the affected agency. The director of an agency running a deficit for two years in a row was seen by written policy as a candidate for a new job in another community.

(The no-deficit policy had a nasty consequence. Initially, agencies were allowed to accumulate surplus as a credit against future deficits. When this policy was changed and Federation recaptured an agency's surplus, one service agency manipulated the situation by keeping a separate set of books within which they hid their surplus. The damage is still being assessed at the time of this writing.)

4) *Repayment to UJA*: Federation's reserves began to be managed properly, collections and pledges were accelerated, money was earning sixteen percent in secured investments, agencies' surpluses were being returned to the Federation general fund, salaries were contained, conference travel was restricted and, in relatively short order, the East Bay became one of the few communities in the country to be current in its payments to UJA.

¹ "Statement of Principles Underlying the Reorganization Plan of the Jewish Federation of the Greater East Bay," November 20, 1985, p. 1.

5) *Salaries*: De facto, agencies were as autonomous as in any "non-functional" community, except for the delicate issue of salaries. Federation's rationale for salary control was that agencies were labor intensive and if salaries got out of hand, deficits would recur, and UJA would pay the price through delays in receiving its annual allocation. Thus, all Federation agencies were bound to Federation's established salary policies (except for the Home for Jewish Parents whose auxiliaries had adequate resources to compensate for agency deficits of a reasonable size).

In July of 1984, Federation surrendered control over salary policy, in that Federation's general fund was now out of deficit and agency boards were deemed strong enough to assure that salaries would be dealt with responsibly. And there remained the policy that deficits would be recaptured out of next year's allocation. Federation retained salary control over the two agencies receiving 75 percent or more of their deficit support from Federation.

Summary of Where We Were:

Prior to July of 1984, if agency leadership was questioned about their autonomy, the directors (lay and staff) would be quick to point to Federation's control of salary as compromising their independence. They also would be likely to point to Federation's limitations on the way in which they might conduct separate campaigns to raise capital and operating funds without recognizing that one of the concomitants of taking funds from a central source is that the source will place limits on the way in which an agency can compete with that central source for community funds.

However, the aforementioned "early steps" were reasonably clear evidence that Federation was moving away from a "functional" model. Agency directors

were no longer supervised by the Federation director; agencies had broad and defined latitude; and a clear policy was developed with regard to the consequence of agency deficits. When salary control was surrendered by Federation in July of 1984 the stage was set for the final steps in Federation's becoming "non-functional."

A Reorganization Plan Emerges:

In September of 1984, a planning committee, under the chairmanship of a Federation Vice-President, was convened. The committee included seven agency representatives and thirteen at-large members, including three ex-presidents of Federation. The committee looked as if it would have "clout."

A work program was established which included the presentation of a study design to Federation's Executive Committee; the development of policy recommendations in four designated areas (the allocations process, the delivery of central financial services, fundraising guidelines and bylaws revisions); and multiple opportunities for service agencies to make critical comments about the developing reorganization plan.

Early meetings of the Planning Committee established a surprising mutuality of interest in a reorganization which would lead to agency independence. If anything, Federation leaders were more interested in such a reorganization than were agency leaders.

The Planning Committee then initially developed a framework of principles which were to subsume all the specifics of reorganization. These principles are enumerated below:

1) The two-county area of Alameda and Contra Costa would continue to be served by a single autonomous Federation whose major task would be "the raising of funds for Jewish communal purposes, the allocation of these funds,

long range planning for the development of Jewish community priorities, and the training of local leadership to carry out these tasks."² (This seemingly innocuous statement masked a much more radical alternative—to use the reorganization plan as a beginning wedge toward the absorption of the East Bay Federation into San Francisco. The Planning Chairman correctly read that there was no important constituency for this move.)

2) Separate incorporation of some Federation agencies is to be initially encouraged and, after three years, considered for mandate.

3) Federation would continue to offer certain central activities (financial, accounting, printing, computer and facility services) for all Federation service divisions, as well as for separately incorporated Jewish communal agencies.

4) Federation reminded all Jewish communal agencies that there was a "cost" to accepting centrally raised funds—adherence to guidelines for special agency operating and capital fundraising efforts so as to minimize and segregate competition with central fundraising. Other elements of the Federation/agency contract occasioned by the taking of Federation-raised funds were to be spelled out in a subsection of the reorganization plan.

5) *Federation*: Policy bodies were to be restructured so as to enable the participation "of those who have the broadest vision of the purposes of the Jewish community as well as the strongest capacity to plan and raise funds for the realization of that vision."³

6) The Jewish Community Relations Council was to remain a part of Federation's basic organizational structure. That apart, Federation would commit

itself to be of help to agencies which seek independence, as well as to those agencies which remain part of Federation.

At first blush, the foregoing statement of overall principles may seem a reiteration of Jewish motherhood, but certain critical decisions were embodied in these principles: a) to encourage separate incorporation of agencies; b) to retain a Federation independent of San Francisco; c) to retain the community relations agency within the Federation corporation; d) to seek Federation leaders who were cosmopolitan in their Jewish concerns (that is, leaders who were less oriented to specific agency services and more to fundraising for broad Jewish community purposes); and e) to provide that the taking of money raised within the central community campaign would impose a set of specified obligations on agencies, not the least of which was restriction of separate agency fundraising.

In the context of the set of guiding principles articulated by the Planning Committee, the remainder of the paper deals with the most volatile issues in the plan as finally recommended to, and adopted by, Federation's Board.

1) *Who Owns the Property?* Federation owns two sizeable Jewish community facilities, a central administration building housing the Jewish Family Service, and a 115-bed Home for Jewish Parents. It initially appeared as if property ownership would be a flash point issue. The CJF visiting consultant made clear that ownership of facilities in the name of the broadest Jewish mechanism—Federation—was the favored norm (at least favored by CJF). The HJP argued that virtually all Homes are owned by the service-giving agency, not by the Federation. The principle of Federation ownership of facilities prevailed (aided by CJF's counsel and a surprising assist from the Jewish Welfare Board).

² *Ibid.*, p. 1.

³ *Ibid.*, p. 1.

Initially, the Planning Committee proposed that in the future, facilities built by independent agencies (e.g., the day school, museum, the Hillel Foundation at the University of California) would be owned by Federation. The Planning Committee chose to surrender this position. Further, the plan specified that while Federation was to continue to own facilities, even where agencies chose corporate independence, Federation could only make radical changes in a facility (e.g., sell the building or change the tenancy) with the agreement of the majority of the board of the agency using the facility.

2) *Relationship to the United Way*: Four of Federation's service agencies and Federation's Central Services receive United Way support. The Planning Committee, contrary to the desire of certain agencies, adopted the principle that agencies which accepted Federation funds, would need to deal with the United Way through Federation. The belief was that Federation was the more appropriate planner of Jewish communal services than was the United Way. Shortly after adoption of this policy, the United Way made sharp changes in its allocations process, forcing agencies into a county-based United Way relationship (the Bay Area United Way serves five counties). The United Way policy change was not directed at breaking the hegemony of multi-county, multi-service agencies, but that seems to be its near-term consequence. We'll see. In the meantime, Federation's adopted policy with regard to the United Way may not fit.

3) *The "Core Beneficiary" Concept*: Prior to the reorganization plan, Federation had very different relations to its seven internal divisions than it did to other independent Jewish community agencies receiving Federation allocations. These independent agencies were not constrained by Federation fund-

raising policies, and by requirements for board members to be Federation supporters; nor did they participate in Federation's package of central services. The reorganization plan changed all that. Ten agencies were a priori identified as "core beneficiaries" of Federation. Whether or not an agency remained independent of Federation or part of its corporate family, did not affect "core beneficiary" status. The only way that status could be changed was by a designated agency rejecting (or not receiving) an allocation from Federation. At a minimum, the following were obligations of a "core beneficiary": a) to nominate three members for potential service on Federation's Board; b) to participate through an agency representative in Federation's planning process; c) to furnish performance reports to Federation's Allocations Committee; d) to furnish information on top staff salaries to the Allocations Committee; e) to require agency boards to make substantial contributions (consistent with capacity) to Federation's annual campaign; f) to work with the United Way through the Federation; g) to adhere to Federation's guidelines for special fundraising and capital campaigns.

The adopted plan did not specify whether an independent audit was to be required by Federation's Allocations Committee as part of any budget submission (recommendation was to be made six months after adoption of the reorganization plan).

4) *Surplus*: Agency retention of operating surplus had long been a contentious issue. The bargaining on this issue was severe, and the final policy bore all the marks of accommodation. Agencies could retain the first \$5,000 of any operating surplus. Beyond that, fifty percent of any surplus was to revert to Federation, not to exceed Federation's original allocation to the agency.

If the foregoing policies represent a

resolution of the most difficult issues, there are a number of other elements of the reorganization that are best seen within one of the four major subareas of the plan:

The Allocations Process:

a) The heart of the allocations process was the articulation of a set of Jewish communal responsibilities that an agency must accept concurrent with a Federation allocation. The elements of these responsibilities have already been detailed in this paper. They will be reiterated for agencies at the time they receive notice of the agencies' allocation for the next fiscal year.

b) The allocations process will continue to serve as the primary vehicle by which Federation holds an agency accountable for the delivery of services to the Jewish community. The elements of accountability are to be the "Jewish utility" of agency program efforts and the efficiency and competence of agency management in delivering services to meet Jewish community needs.

c) Federation will distinguish between grantees and "core beneficiaries". Grantees will tend to be those agencies receiving less than two percent of Federation's annual allocation for local services. Grantees will not be held to the same standards of accountability as a "core beneficiary."

d) Federation's service divisions which incur operating deficits will have such deficits deducted from a next year's allocation.

e) The allocations process will continue to accord agencies maximum control over budgeting and program decision making. However, Federation reserves the right to attach limited conditions to an allocation in order to assure provision of high priority services; to fund special projects; or to address special fiscal or management problems.

Agencies will continue to have authority to shift monies between budget lines if not constrained by special conditions.

f) Effort will be made to assure that approximately two-thirds of the Allocations Committee are currently unaffiliated with a service agency's board of directors.

g) Federation undertakes special allocation efforts to "core beneficiaries" to enable the maintenance and enhancement of the physical facilities they occupy.

Central Services:

a) Service divisions remaining within Federation are required to use its central services. Other Jewish communal agencies which are independent of Federation are invited to use Federation's accounting, financial, computer and printing services. Independent agencies using such services will be expected to pay a fixed price for specified services.

b) Federation will not impose a rental charge on those agencies using a Federation-owned facility.

c) Agencies that are granted cash advances beyond their monthly allocation will be charged interest based on then current rates.

Fundraising:

a) Agencies must respect the primacy of a four-month Federation campaign period. However, agencies are encouraged to carry on programmatic fundraising at any time of the year.

b) Agencies are always in a position to receive unsolicited gifts. Where such donors are not donors to the annual campaign, the agency will work with Federation toward encouraging an annual gift.

c) Large scale agency fundraising on a systematic basis is contrary to Federation principles. "Large scale" is defined as any effort seeking to raise more than

\$500 beyond a basic agency membership fee.

d) Agency special or capital fund-raising for \$25,000 or more requires Federation Board approval. Federation reserves the right to withhold approval of multiple campaigns in the same service area at the same time.

Bylaws:

a) Service agencies are no longer guaranteed a seat on Federation's Board. Nine agency seats are established for ten "core beneficiary" agencies. And agencies must make three nominations for a Board seat, with the nominee being selected by Federation for approval at its annual meeting. There are no ex-officio service agency members on Federation's Board. Surprisingly, it was this proposed change in Federation's bylaws which occasioned the bitterest fight on the Federation Board in the adoption of the reorganization plan. Agencies wanted assurance that if they chose to remain within the Federation corporation, they would be assured a Board seat. The Chairman of the Planning Committee staked his leadership on the refusal to guarantee agency seats and he prevailed.

Thus did the Jewish Federation of the East Bay adopt a new charter for itself. In commencing a process which was expected to lead to independent agencies, Federation affirmed and strengthened certain principles of organization:

1) It would continue to own property in the name of the organized Jewish community, even where the agency using the property chose corporate independence.

2) It would protect the primacy of the annual campaign and strongly assert the principle that where agencies benefited from the annual campaign, they had certain responsibilities in helping to assure the well being of that campaign.

3) The elements of an implied contract between beneficiary agencies and Federation on behalf of the organized Jewish community were specified. And Federation, through an annual allocations process, was to hold agencies accountable for their competence and their contribution to the well being of the organized Jewish community.

How do the elements of the reorganization plan accord with the existing wisdom in the way in which the Federation field is organized? Some may suggest that the plan is too specific—it articulates too many things which are best left to negotiation. Implementation may prove that the plan's weakness is its specificity—or conversely, that Federation would not be strong enough to implement the plan. The key, of course, is whether the reorganization portends a significant increase in Federation's fund-raising capacity. A voluntary Federation rides on wheels made of dollars—not noble intentions promulgated under the rubric of "it's good for the Jews."

In closing, it may be useful to test some of the central ideas against the writings of some of those concerned with the concept of Federation. Avrunin writes that "Federation is a partnership of agencies or services seeking financial support jointly through a central campaign."⁴ In the case of the East Bay, the reorganization plan seeks to free the service agencies from the Federation corporation as the basis for a new, redefined partnership. But inherent in this breaking loose is a mode of relationship which Avrunin does not foresee. The East Bay reorganization, in its focus on planning, performance, measurements of agency competence and Jewish utility, sets the stage for a partnership, but

⁴ William Avrunin, "What is Federation?—A Definition for Those Engaged in Making it Work." *Journal of Jewish Communal Service*, Vol. 57, No. 3 (1981), p. 209-16.

also for the breaking of partnerships. Agencies *within* the Federation corporate structure are always likely to receive a modicum of financial support. But once agencies are independent, Federation is presented with new possibilities for radically changing the Federation/agency relationship.

The future Jewish community may simply not need the same array of agencies and services that it currently supports. Some agencies may need to be severed from this partnership because they no longer meet the test of "Jewish utility."

Zibbell speculates on four key ideas which he sees as fundamental to the effectiveness of Federation—consensus, pluralism, accountability and a deliberative process.⁵ The East Bay reorganization incorporates new agencies in that pluralism and specifies what it sees as the elements of accountability and how it intends to pursue those elements. The East Bay plan also changes the cast of characters who will be arriving at a Jewish communal consensus and who will be engaged in the deliberative process by which Jewish communal resources are sought and distributed. Is the East Bay plan too elitist? Perhaps. Or conversely, it may not be sufficiently elitist to raise the funds which are necessary to make the reorganization work.

Bernstein and Zibbell echo each other in their concern for "consensus."⁶ But we should not kid ourselves. Federations are rooted for their financial support in a very narrow base of the Jewish

community. Every Federation wrestles with the contradictions of "mass" and "class" in its governance and fundraising. If we sought a consensus of the "mass" without insuring the involvement of "class," we would soon be talking to ourselves. The current centrality of the Federation rests in that small band of individuals who make annual gifts of large size. The East Bay reorganization does not turn its back on that reality, but rather posits a set of policies which allows increasing room for Jewish community decision making which is focused on the achievement of community-defined goals and objectives.

Bernstein suggests that a "guiding principle" is planning with agencies, not for them.⁷ The East Bay plan mandates the inclusion of service agencies in the planning process, but holds out the possibility that the purposes of the Jewish community may be something more than an aggregation of agency desires or a set of trade-offs which keep agencies happy.

And so, finally, is it "good for the Jews"? It is simple and, perhaps, facile to write of "Jewish utility," "performance reports," "accountability," and so on. Will Federation support of Jewish life in the East Bay reflect those warm sounding concepts, or will Federation founder because of lack of money, lack of courage or simply be overwhelmed by the seduction of an American society which is really not so encouraging of a Jewish particularism? The evidence is not yet in. In the meantime, the East Bay Federation has opted for reorganization as a step in its commitment to Jewish community and Jewish continuity.

⁵ Charles Zibbell, "Comments on 'What is Federation'", *Journal of Jewish Communal Service*, Vol. 57, No. 3 (1981), p. 217-18.

⁶ Philip Bernstein, "The Principle of Jewish Federation," *Council of Jewish Federations*, New York, p. 5 (undated).

⁷ *Ibid*, p. 5.