



A Letter to Employees from President Kim Phipps: The Status of Strategic Prioritization at Messiah College

April 21, 2020

Dear Colleagues,

At our employee forums in September 2019, members of the President's Cabinet and I shared the need for our institution to engage in a strategic prioritization process prior to engaging in strategic planning for Messiah University. That need is rooted in an important directive from Messiah College's Board of Trustees, which continues to frame the strategic prioritization work that Provost Randall Basinger and I presented to you in our April 21 virtual presentation—the content of which I also summarize below.

Our institutional directive

The board of trustees gave the directive for Messiah to reduce institutional expenses by **\$5 million** as of June 30, 2024, and to ensure that the college achieves an annually balanced budget towards Messiah's short- and long-term fiscal vitality given the significant enrollment, financial and revenue challenges we are facing in higher education. It has always been our practice to achieve balanced operating budgets with a provision for contingency funds. This is a core component of our financial stability, and one of the keys to our strong S&P rating which affects our ability to borrow at low interest rates. Additionally, it plays a key role in how Messiah is assessed by our various accrediting bodies.

In February, the board of trustees increased the savings target to **\$7.5 million**, given increased concerns about potential downturns in undergraduate enrollment and cash investment returns. Throughout this academic year, campus task forces (representing both administrative and educational program areas) and senior leadership have worked diligently to identify and recommend expense reductions.

The unexpected financial impact of COVID-19

What we could not anticipate was the overwhelming uncertainty and impact of the current COVID-19 crisis. Now, alongside of the FY21-24 prioritization efforts, we have had to pivot and quickly implement decisions to reduce **FY20 expenses by \$7 million** due to an unplanned projected deficit directly resulting from COVID-19 related costs. ***This short-term challenge is separate and distinct from the prioritization efforts and targets we had already been engaging*** as a campus community. Recent COVID-19 related decisions were difficult, and I am profoundly grateful to each of you for your contribution and cooperation. Presently, as a result of these decisions and actions, we anticipate achieving a balanced budget for FY20. Uncertainty remains, however, about undergraduate enrollment and financial challenges for FY21 in the ongoing recovery period from the Coronavirus. Senior leadership will continue to monitor our enrollment and financial situation on a weekly basis to cultivate appropriate response as we prepare for the upcoming fall semester.

Progress of our strategic prioritization efforts

I am thankful that as a campus community we had already been proactively engaged in a strategic prioritization process—a campuswide effort to revise our programming and protocols and to right-size our employee base in response to changing demographics and economic conditions.

The vital work of prioritization this past year has resulted in **\$6.3 million of savings** toward an overall prioritization goal of **\$7.5 million**. We will need to continue to prioritize throughout the summer and fall semester. Additionally, the topic of an increased savings target in response to our COVID-19 institutional

budget and enrollment challenges will be discussed with the board of trustees in October and integrated into the institutional strategic planning process.

FINANCIAL CONTEXT AND OVERVIEW

Guiding principle for our work: *To fulfill our mission by ensuring a healthy and vibrant Messiah University for the future.*

All of our institutional research and analysis has indicated that we must reduce the size of our employee base and adjust programming and expenses to serve a smaller undergraduate student population (10-20 percent smaller)—our primary source of net tuition revenue. Unlike previous campus prioritization initiatives, this current effort has needed to focus on reducing personnel costs, given that they comprise **64 percent of our institutional budget**.

As we have shared in previous forums, if the College had not undertaken our current strategic prioritization process, our analysis projects that Messiah would experience an increasing institutional budget deficit over the next four fiscal years. Our current budget forecast indicates that would culminate in a shortfall of \$7.5 million by FY24—the primary driver for our need to achieve institutional targeted savings. Presently, the undergraduate enrollment assumption of 580 annualized first year students that was reflected in the models outlined in the April 21 presentation will likely need to be revised to 540 (in response to current enrollment challenges and the projected impact of COVID-19). As a result, the targeted comprehensive target for FY24 will be re-examined by the board of trustees in October 2020.

Now that the context has been set, I want to share the results of the good work of campus task force prioritization efforts.

ADMINISTRATIVE PRIORITIZATION TASK FORCE RECOMMENDATIONS

Guiding principle: *to generate essential savings while maintaining critical support for the educational mission to our students.*

APTF results: \$2,628,961 in total savings

It was my privilege to chair the Administrative Prioritization Task Force (APTF); I want to thank all those who served. Below is a summary of the source of the savings identified by the work of the task force:

- Elimination of 27 full-time benefit eligible (FBE) positions; *the majority of these were voluntary separations* (four were involuntary)
- Change to a variety of administrative protocols and practices; some examples include:
 - elimination of cable TV
 - discontinuation of cleaning individual campus offices and mail delivery to campus buildings
 - elimination of some hospitality events
 - reduction of operational budgets and external contracts

EDUCATIONAL PROGRAM TASK FORCE RECOMMENDATIONS

Guiding principle: *To effectively fulfill our educational mission by aligning curricular and co-curricular resources with the size and distribution of our current and future student body.*

EPTF results: \$3,464,497 in total savings

The Educational Prioritization Task Force (EPTF) was chaired by Provost Basinger. The data and analyses that guided the decisions and work of this task force were both extensive and substantive across all areas of Messiah's curricular and cocurricular experiences. Below is a summary of the source of the savings identified by the work of the task force:

Personnel reductions

- Elimination of 30 full-time benefit eligible (FBE) positions; these were largely, but not entirely, voluntary separations; these include:
 - A reduction of 26 FBE in faculty lines, including several faculty involuntary separations
 - A reduction of 4 FBE in non-faculty positions, both by voluntary and involuntary separation, as well as reducing certain positions from 12-month to 11-month positions.
 - Those identified for involuntary separation or adjustment to 11-month positions per the above will be notified by their respective deans or supervisors between April 15 and May 15, 2020.

Programming changes

- Eliminate six academic majors and three areas of study, which affects a total of 12 current students across the six majors.
 - Majors in music business, art business, and Chinese business will be eliminated as distinct majors. These, however, will be offered going forward by coupling with the dedicated B.A. in business administration degree for double majors.
 - We will no longer offer majors in: art history, French, and ethnic and area studies. (While the majors will no longer be offered, programming in QuEST and minors will remain.)
 - Eliminate the minor in German, programming in Latin, and the Academic English Program. (German will still be offered as part of QuEST.)
- All students currently enrolled in majors not offered going forward will be able to complete their degrees at Messiah under a teach-out plan.
 - Department chairs have already been in touch with impacted students, including prospective students.

Curricular changes

- Focus and streamline curriculum to match the size of the student body and enable effective curricular delivery with reduced numbers of faculty.
- Eight departments have been identified as needing extensive curricular revision across one or more programs in the department. These departments will be notified by mid-May, and over the coming spring and summer, the provost and EPTF will provide data, guidelines and timeline to departments for implementing these revisions.
- All remaining departments will be required to complete minor-to-moderate curricular revisions to increase efficiency and align curriculum with current enrollments. Deans will be working with departments going forward to implement these changes.
- The hands-on component of Arts QuEST will be replaced with lecture and discussion-based courses in the arts. This requirement change will go into effect during the 2021-2022 academic year.
- The course enrollment maximum and overload policy for online courses in the School of Graduate Studies has been revised.

Co-curricular changes:

- In addition to the personnel savings noted above, reductions were made in the operating budgets of most areas of the co-curriculum.

- A 10 percent reduction was made in athletics budgets with expectation to supplement these budgets through camps and fundraising.

School structure review:

- The president has authorized a school structure review, to take place in FY21, which will include review of, and changes to, school and department structures for implementation in the 2021-2022 academic year. The restructuring must include a savings of no less than **\$200,000**.

Additional Changes:

- Reduction of two Distinguished Professor openings, from seven total to five total
- Reduction of 10 openings in undergraduate workload reallocation (commensurate with the reduced number of undergraduate faculty)
- A reduction of approximately 10 percent in the operating budgets for the library, registrar's office, faculty development, general education, assessment, College Honors Program, and advising.
- Restructure for savings in the Collaboratory, embedding it in the Department of Engineering
- Restructure of The Boyer Center for savings and alignment of services by embedding in the Office of Faculty Development
- Merger of the Mathematics, Physics and Statistics and Computer and Information Science departments into a single department, with no changes to currently offered majors.

JOINT APTF/EPTF RECOMMENDATIONS

Guiding principle: *to be the best employer for a right-sized employee base*

Joint APTF/EPTF results: \$274,773 in estimated savings*

The two task forces worked together to review employee benefits and identify strategies to help contribute to our institutional savings target—in a way that would allow us to retain significant components of our benefits package for employees and their families.

- **Spousal surcharge for health insurance:** \$274,773 is the estimated savings by implementing a spousal surcharge for health insurance. **It is important to note that no employee or spouse will be without insurance.** If a spouse has coverage available at his or her workplace, and the Messiah employee chooses to keep the spouse on Messiah's plan, the Messiah employee will pay a monthly surcharge. More information about health insurance will be forthcoming from the Office of Human Resources and Compliance.
- **The tuition remission benefit is being altered for employees hired after Aug. 1, 2021.** (*This change will yield long-term but not immediate savings). Beginning in FY22, future employees will receive a benefit that includes only two tuition remission tiers—tier one for 100 percent of Messiah tuition and fees—and tier two for all other institutions at a tuition remission rate of 50 percent of the lesser.

In closing

Because of the work of the task forces, we have made significant progress on prioritization – identifying \$6.3 million of the board-established \$7.5 million FY24 target. President's Cabinet has endorsed the recommendations, and I will share them with the board at its annual May meeting. We also remain hopeful that we will be able to plan an event to recognize and thank departing employees for their service. This challenging but foundational work we have engaged in is essential to our planning as we become Messiah University—a university that engages others in Christ-centered “learning for life.”

THE WAY FORWARD

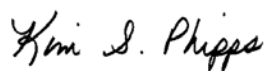
- **Ongoing prioritization work:** The College, soon to be University, will continue to be in prioritization mode until we reach the necessary financial target.
 - Throughout the summer and FY21, the President's and Provost's Cabinets and Working Group 1 of EPTF will continue to analyze additional cost savings for FY21-24 and that information will be communicated to campus via presidential updates and posted to the prioritization website. *Please send any questions to campusstewardship@messiah.edu for a response.*
- **Strategic planning process starting in July:** Strategic planning for Messiah University will begin with the campus strategic planning team working in earnest as of July 2020 and the campus community will be invited to participate beginning in late August 2020. This dynamic process provides us with the opportunity to bring our resources and creativity to move Messiah University forward even in the midst of significant external threats and pressures.
- **Launch of new academic programming:** I also want to remind you of new programming we are launching for graduate and adult degree students. These are important audiences for us as we pursue a vision for Messiah University: Learning for Life. These programs include: a post-master's DNP in nurse leadership; two new five- year Master of Occupational Therapy degrees; the M.Ed. secondary education degree (initial PDE certification); a new M.A. in healthcare leadership; and the addition of a healthcare concentration in the MBA program and a dual degree in MSN/MBA. Adult degree programs launching in August 2020 include the RN to BSN (Bachelor of Science in nursing) and the BBA (Bachelor of Business Administration).

I'd like to close by reminding us of the purpose statement that our task forces launched last fall to help guide our strategic prioritization and strategic planning process. I believe it remains pertinent, now more than ever, in light of the external challenges we have faced this semester:

As we envision our future as Messiah University, our goal is to strategically align our resources to ensure that we continue as a relevant, effective and fiscally health institution, proficient in delivering meaningful "learning for life" opportunities for current and emerging student populations through creative, affordable and flexible educational programs, defined by their quality.

Meeting financial and revenue goals is certainly a key factor in this process—but the most important driver is our need to create and sustain a university model that will continue to fulfill Messiah's distinct Christian educational mission and ensure we are nimble, ready and successful in meeting the 21st century educational needs of our students and our society.

Please join me in praying for each other, our students and their families, our trustees and all the members of our campus and extended communities. Remember the words of Psalm 29: "The Lord gives strength to His people, the Lord blesses His people with peace." Thank you for the way you each serve Messiah College—and continue to bless our students—with strength, dedication and excellence.



Kim S. Phipps, president