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Remarks and Messages

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2014

Faculty and Staff Breakfast Remarks

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Illinois Wesleyan University

Recommended Citation

Wilson, Richard F., "Faculty and Staff Breakfast Remarks" (2014). *Remarks and Messages*. Paper 50.
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Faculty and Staff Breakfast

August 22, 2014

Welcome

I am delighted to welcome you to the start of a new academic year at Illinois Wesleyan. This is a very exciting time for all of us and for the students who have already begun to arrive. I would like to thank you for the work done over the past few weeks to prepare the campus for the start of school, from the residence hall staff and the buildings and grounds crew to the faculty putting final touches on course syllabi and those planning the orientation and summer reading programs.

At this time, I would like to recognize Mike Welsh and his staff for their efforts in preparing breakfast for us this morning and for their continuing work on our behalf throughout the year.

I would also like to recognize the new faculty and staff who have joined us since our breakfast last year.



Starkey Award Winner

One of the special opportunities I have as president is to announce the 2014 Max Starkey Award winner. This award is presented to a staff member who provides invaluable service to the IWU community through loyalty, enthusiasm, and outstanding contribution in his or her work and assistance to others. The award was established in 2001 at the suggestion of and with generous assistance from the Starkey family.

Max was University Comptroller and served his entire career of nearly 40 years in the Business Office, after graduating from IWU in 1957. This award provides continuing recognition of Max's legacy of dedicated service to IWU, its students, staff and faculty. The award consists of a framed certificate, a cash stipend, and recognition on the permanent Max Starkey Award plaque near the Business Office in Holmes Hall.

Everyone who works at Illinois Wesleyan is asked each year to nominate individuals who are deserving of this honor. The number of nominations indicates that there are many people here at Illinois Wesleyan who are thought to be worthy of this distinguished award. These are the people that make Illinois Wesleyan such a supportive and thriving institution, and we depend on them for the continued success.

As in the past, a committee of retired staff and faculty, along with two of Max's children, were asked to review the nominations and choose this year's honoree. This committee provides a long-standing perspective on excellence in serving the Illinois Wesleyan community as well as knowledge of the dedication and loyalty to which Max exemplified so well and which we seek to pay tribute.

This year, the emeritus members of the Illinois Wesleyan community who engaged in this difficult but rewarding task were:

- Christine Wilson, former Senior Administrative Assistant, Development
- John Westall, former Faculty at The Ames Library
- Todd Tucker, Associate Professor Emeritus of the School of Music
- Agnes Huonker, former Office Coordinator II, Admissions
- Chris Prendergast, Professor Emeritus of Sociology

Dana Starkey '94 and Tina Starkey Swingler '97, two of Max's children, were also involved in the committee's determination of the winner.

And now, this year's clues...

- As one of the nominators said: Some say done is good; but for our recipient it's never done until it's done right
- Our recipient's first name, became a substitute for "God" when the church began levying fines for swearing and blasphemy in 16th Century England
- His first name is also a familiar one shared by science fiction writers, rock guitarists and country singers, actors, presidents and even the Sultan of Swat
- There's a major leaguer who shares our award winners last name, but he plays for the wrong team in the eyes of many of us
- The last name of our recipient sounds a lot like the name of one of our founders
- This person's last name connotes a master trades person who often oversaw the work of wheelwrights, blacksmiths and painters.
- Our recipient is a father who shares the same initials as the father of our country
- Returning from a trip a year ago, Pat and I came home to find a water pipe had burst in our home. Whom do you think we called to help bail us out? That's right our recipient.

I would now like to ask George Wainwright, Manager of Maintenance Services to come forward as our 2014 Max L. Starkey Award winner.

State of the University

This is one of the few occasions during the year when faculty and staff come together, and I look forward to talking with you about the state of the University. I plan to devote a significant portion of my remarks to enrollment and budget planning and then will turn my attention to several other important issues.

Enrollment and Budget Planning

I suspect that almost everyone in this room knows that we have spent the last year designing and implementing a new enrollment and budget plan for the University. We have completed the first year of what was conceived as a two-year process. As I reported to the faculty and staff in July, I view the first year of this change to be successful in most respects.

For those new to campus, and as a reminder for everyone else, I thought I would provide a quick summary of why it was necessary to make a change and what steps have been taken thus far. I know this will be a bit repetitive for some of you, but I continue to get questions about what we are doing and how it works.

- For three years in a row (2012, 2013, and 2014), we spent more financial aid to enroll the entering class than was budgeted. The scary part of this experience is that the amount kept increasing, from \$300K to \$500K to \$1.2M. A review of published reports from other private universities reveals that this is a common pattern, reflected in much hand wringing about higher discount rates and lower net tuition revenue, i.e., the amount of tuition available to cover operating costs. I will cite four examples:
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 - Kalamazoo College: a published report issued earlier this summer indicated that the college had fallen short of its enrollment goal of 375 new students for two of the last three years. Budget reductions were anticipated in the number of staff and in salaries.
 - Bradley University reported in the summer that the size of its entering class would be 110 students fewer than last year and that they anticipated similar reductions in future years as a result of demographic trends. The same

announcement stated that budget cuts amounting to \$7 million would have to be made to balance the budget for this year.

- Wittenberg University in Ohio cut 30 faculty lines this past year as part of a budget reduction of \$4.5M
- I have one final example that best illustrates the challenges faced by small private institutions. Earlier this spring, a staff colleague here at IWU congratulated a colleague at a peer institution for reaching their enrollment target for the fall. That same week--and without knowledge of our colleague's conversation--I made the same comment to that University's president. He told me that they had reached their headcount goal but he had no idea how they were going to cover the extraordinary costs in terms of financial aid required to bring in the class. In short, by chasing additional students to reach a headcount goal, the institution had earned less tuition revenue.

I take no satisfaction from any of these stories but share them with you so you will have a better idea about what is happening at private universities in the region and can use these examples to put our efforts at IWU in context.

- A second, and equally important impetus for the change that we made was tied to the fact that the absolute number of high school graduates in the United States started declining in 2012 and will remain in a trough for a decade. The implication of this fact is that selective institutions like Illinois Wesleyan will be competing for a smaller pool of students.
- These factors led us to move away from a budget model focused on the number of students enrolled (i.e., headcount model) to one focused on the number of students we could afford (i.e., net tuition revenue). The important implication of this shift was that we would become smaller in order to live within our financial aid budget and sustain the quality of the entering class.
- We faced another challenge in the fall, 2013 related to a lower retention rate for returning students, a development that created an additional shortfall of \$800K. Although it's still early in the registration process, it appears that the concerted efforts of faculty and staff in this room have been successful and that we will reach our projected target for returning students.

The basic tenet of the new model revolves around a net tuition revenue goal that is established at the start of the recruiting cycle. Historical admission trends are used to calculate the financial aid required to recruit students from various academic rank and income bands. The goal of the model is to reach the NTR goal and let actual headcount float.

In implementing the net tuition revenue model, we recognized that we would have to make adjustments in both revenues and expenditures. The adjustments on the revenue side have been challenging but nowhere near as difficult as finding ways to reduce expenditures without compromising the quality of the University. Here is a brief summary of progress to date:

- We expected our entering class to be in the 500-530 range. Our actual enrollment is 502.
- The widely held concern that the shift to the new model would have a negative impact on MALANA enrollment has not materialized. MALANA enrollment is almost identical to the last two years (100 vs 106 and 107) and is actually a larger percentage of the entering class.
- The number of international students in the entering class has increased dramatically, from 51 last year to 76 this year. Although the largest cohort comes to us from China, there are seventeen countries represented in this group.
- MALANA and international students comprise 35% of the entering class, our most diverse class in history.
- As a result of implementing the NTR model, our discount rate for the entering class dropped from 52% to 48%. I would be very surprised if there are any private colleges in the country that experienced a decline of this magnitude.
- The net tuition revenue for the entering class is approximately \$300K short of the \$11M estimate we developed last fall. The net tuition revenue for returning students is on target and actually may move slightly ahead of target when final calculations are made. On balance, I believe our efforts to achieve our net tuition revenue objective have to be judged a success, particularly in light of the path we were on over the past three years.

We knew from the outset that the adjustments on the revenue side would be more challenging and complicated. In the first instance, we had to address the \$2M shortfall that occurred in the fall, 2013 (financial aid and retention). We estimated that an additional \$2M would be required to implement the net tuition revenue model and move us to a position that was sustainable for the future.

We were fortunate to have a major gift of \$4M arrive in the summer of 2013, and we are using that gift to meet budget obligations in the short-term while permanent adjustments are made for the long-term. We sought and received permission from the Board of Trustees to use approximately \$2M of that gift to balance the budget for the year just completed (2013-14) and have included a comparable amount in the budget for the current year (2014-15).

A few members of the faculty and staff have asked me to consider drawing down funds from the endowment to help us through this period. My response is that we have already done that, intercepting a \$4M gift before it was deposited in the endowment. Unless we want to continue drawing down the endowment every year, this is not a good solution for a recurring budget issue. Furthermore, as most of you recognize, the use of a \$4M gift over this two-year period robs us of the opportunity to have \$200K in annual income in perpetuity. We were fortunate to receive this gift at the very moment in time when it was most needed, but there are opportunity costs.

As we looked at the \$4M challenge on the revenue side, I made a decision to get this done in two years. The general consensus of those with whom I consulted was that we should make these adjustments as quickly as possible rather than drag this process out over 3-4 years. As you know the reduction targets were assigned to academic and administrative units on the basis of their respective shares of the University's operating budget generally. This seemed to make sense in light of the fact that the adjustments required were the result of a reduction in our size, a fact that has consequences for the faculty as well as the staff.

Over the past year, we have made the reductions necessary to accommodate the first \$2M. Some of these reductions were strategic in nature and some were opportunistic. On the administrative side, the VSEP program was very popular and resulted in the retirement of 17 staff members. Some of those positions have been filled while others have been consolidated or eliminated. The net result is that we will have 11 fewer staff FTEs this fall. Given the attractiveness of the VSEP Program, the Vice Presidents decided to accelerate the timetable for administrative reductions and have already identified and taken steps to implement their respective shares of the total \$4M adjustment required over the two-year period. Thus, I would anticipate no extraordinary staff reductions beyond those identified already. We will, however, continue to scrutinize every vacancy that occurs to ensure that we are operating as efficiently and effectively as possible.

The reductions on the academic side reflect some interest in the phased retirement program for faculty but also reflect a significant reduction in the number of adjunct and visiting faculty. We have also deferred most new appointments. These are examples of opportunistic reductions and, while necessary, are not a good long-term solution. My conversations with Provost Green indicate that reductions of a similar type will be made again this year in order to meet the reduction target in academic affairs.

The nature of the reductions in academic affairs makes the work of the Strategic Curricular Planning Committee vitally important. Once we have adjusted the size of the faculty to match our new enrollment level, it is extremely important to fill future vacancies in a strategic way, i.e., where they are needed to deliver a revised curriculum that addresses our mission and meets the needs of our students in the coming years.

In the midst of this sobering financial report, I know it is hard to be optimistic and think creatively about the future. But that is exactly what we must do—and there are plenty of reasons to be proud of the University and confident about the future:

- The efforts of the faculty to create an intellectual theme each year has really taken hold. The *Walls and Bridges* theme for this year has the potential to be the most impactful theme yet.
- We had 58 students on campus this summer as part of the Summer Enrichment Program, Action Research Center, Mellon Humanities Scholars, and Summer Undergraduate Research Program. This is the largest number in history.
- We had a record year in terms of students engaged in internships: 98 in the fall, 189 in the spring, and 230 in the summer.
- Faculty Awards
 - Becky Roesner received a national teaching award.
 - Teddy Amoloza received a distinguished service award from ASIANetwork
 - Joanne Diaz won the Brittingham Prize in Poetry

- Gabe Spalding elected a Fellow in the American Physical Society
- Noel Kerr and Lizabeth Searing awarded IBHE Nurse Educator Fellowships
- Student Awards
 - Margaret McCarter was selected as a Goldwater Scholar this past spring, our first in over a decade.
 - Lexi Baltes selected for the WBCA/Allstate Good Works Team. Lexi also was selected as an Academic All-American, bringing our total to 116, a number that ranks us 17th in the country for universities of all sizes.
 - Three IWU students placed first out of 60 teams in regional math competition.
 - Ethics Bowl team qualified for national competition.
- Sponsored research activity has increased significantly this past year, from a total of 39 proposals submitted in 2012-13 to 48 in 2013-14. External grant funding has resulted in the establishment of 38 undergraduate research assistantships and 106 student scholarships.
- Thanks to the efforts of Karen Schmidt, IWU was one of the first universities in the state to be admitted in the Google Glass program

Although we are attracting talented students who receive a high quality educational experience at IWU, we must find ways to make our curricular offerings even more distinctive. We know that we have a strong curriculum and a faculty that devotes enormous time and attention to students, but it is hard to make that case compelling enough to separate Illinois Wesleyan from all the other institutions making the same claim, especially those who are at a lower price point. We also have the added challenge of finding ways to address what we all know is a preoccupation with jobs and career paths that many parents and students have made top priorities in selecting a college. I hope every department will devote time this fall to thinking about ways to enhance their distinctiveness and broaden our reach to prospective students.

Over a decade ago, we resolved that Illinois Wesleyan would offer programs in the liberal arts as well as professional and pre-professional programs grounded in that tradition. We need to capitalize on that strength.

This past year, an alumnus made a gift of \$200,000 to support the work of faculty members interested in developing a design option for students at IWU. Provost Green has been working with a group of faculty members for the past six months to develop a proposal that makes sense for IWU. The goal is to see if we can create an opportunity for students to become knowledgeable about how to take an idea from the conceptual stage, to the design stage, to the manufacturing stage, and ultimately to the market. I can think of no better environment for this kind of creative process than at a liberal arts college like IWU.

But we need more ideas like this to be explored. Last year, we used another gift from an alumnus to establish the Donnocker Innovation Fund. Through this program, we awarded over \$200K in support of ideas that would reduce costs or increase revenue for the University. Members of the staff proposed most of the projects. We will be making additional awards this year, totaling about \$150K, and I hope the faculty will submit curricular ideas that are natural extensions of what we are doing, are consistent with our mission, and are attractive to prospective students and their parents. It goes without saying that these ideas would need to be reviewed and approved through the normal faculty governance process.

The Endowment and The Wesleyan Fund

Although I have spent considerable time discussing tuition income, there are two other important sources of revenue for the University: income from the endowment (\$10M) and the Wesleyan Annual Fund. I have mentioned on several occasions that the endowment has been on a roller coaster ride for the past decade. It was not until 2013 that the market value of the endowment passed the high water mark of \$213.4M established in 2000. We currently stand at \$219M in the active endowment and another \$13M in the annuity fund.

When I look at data for our peers, it is the value of their endowments that stands out as the major difference (peer median of \$271M last year; range was \$84M to \$685M). As most of you know, growth in the endowment occurs in two ways: new gifts and appreciation of assets. We made gifts to the endowment a priority in the *Transforming Lives Campaign* and secured approximately \$67M in endowment gifts for scholarships, professorships, and programs. Approximately \$44.5M of that total is deferred. Securing endowment gifts remains a priority for the future.

We also have a very positive story to tell about annual gifts to the Wesleyan Fund. Three years ago, our alumni participation rate fell to 19%, a percentage unacceptable to everyone. Staff in the Advancement Office, aided by a small group of alumni who are knowledgeable about annual gifts, developed a plan to turn this situation around. One of the more visible aspects of the plan is the “All In For Wesleyan” day we have held for the past two years, yielding \$480K in the first year and \$850K this year.

I am pleased to report that over 5000 alumni made gifts to the Wesleyan Fund this year, bringing our participation rate to 23%. That is a 4% increase in two years. Better yet, we achieved our Wesleyan Fund target of \$3.5M for the fiscal year that ended on July 31, 2014. Increasing alumni participation and gifts to the Wesleyan Fund will remain a priority going forward.

Salaries and Compensation

As I am sure everyone in this room understands, the significant changes we are making in terms of enrollment strategy and budget adjustments have made it impossible to provide a general salary increase this year for faculty and staff. In private conversations and communications with many of you and as part of discussions with committees that are part of our governance processes, I have been made fully aware of the need to make progress on our salary and compensation goals. In addition, a recent resolution from Staff Council reinforced this message. Although I have a different perspective on some of the issues raised in the Staff Council resolution, I agree with the central point, namely that we need to find ways to improve salaries and compensation.

I remain hopeful that we can provide a one-time salary supplement sometime this fall like we did several years ago. However, we need to get through the registration period before making that decision. I also promise that we will have an increase in compensation next year. I understand that we have lost ground to inflation and to our peers. One of my motivations for making the budget adjustments as quickly as possible is to get this task behind us so we can turn our attention to improvements in salaries and compensation. I also want you to know that Vice President Klotzbach and I began working on a longer range budget plan earlier this summer in order to assure ourselves that the new NTR model would allow us to make positive adjustments to salary and compensation in future years.

Other Priorities

The Campaign

On July 31, we brought the *Transforming Lives Campaign* to a close. This seven-year effort is the largest campaign in the history of the University, and we accomplished many goals established at the outset. We are planning a celebration in October and will announce the final campaign total at that time. However, I am pleased to report that we have exceeded the nominal goal of \$125M by a considerable amount.

There are lots of ways to judge the success of the campaign, e.g., the increase in alumni participation in the Wesleyan Fund, the increase in the number of endowed chairs and professorships, the substantial improvement in the number of student scholarships, the facility improvements, and the growth of the endowment. Some of the largest gifts to the campaign are deferred, meaning that the donor has established some kind of planned gift that will come to the University in the future (estate commitment or annuity). These accomplishments and others to be revealed in October are significant, especially when one considers the economic environment in which the campaign has been conducted over the past seven years. I would ask that all members of the Advancement staff stand and be recognized for their sustained and significant work on the Campaign.

IWU 2020

Another major accomplishment this past year was the completion of the University’s new strategic plan: *IWU 2020*. The value of the plan is already confirmed by initiatives completed or underway. I have mentioned previously the important work of the Strategic Curricular Planning Committee and the priority being given to salaries and compensation. We are moving forward with many other initiatives that were identified in the plan:

Sexual Assault

- Illinois Wesleyan has addressed sexual misconduct and other forms of harassment and discrimination in a number of other ways in response to federal expectations. Our sexual misconduct policy was revised again this spring in light of guidelines issued by the Office of Civil Rights in the Department of Education. This past year, Dean Carney-Hall convened a Sexual Assault Task Force to focus on educational initiatives for students, and the charge of that task force has been expanded to

better integrate our campus-wide efforts in this area, to develop training and programming materials, and to establish protocols for responders.

Beginning in late September, there will be a new online training program for all faculty and staff that will acquaint all of us with the new policy changes. Dean Carney-Hall will be working with Associate Provost Boyd to provide updates to faculty, staff, and students this fall. A non-org is scheduled for November. You will hear more about this in the coming days and weeks.

Diversity

- A key section of the strategic plan embraces a broad definition of diversity and our commitment to creating an inclusive campus environment. Several initiatives already support this vision including a re-branding of Multicultural Student Affairs to the Office of Diversity and Inclusion, a new weekly programming series called 3D: Diversity, Dignity, and Dialogue, new support initiatives for international students, and Mellon-funded trans speakers for this year. In light of the events currently occurring in Ferguson, Missouri, I can think of nothing we could do that is more important than finding ways, both inside and outside the classroom, to expose our students to experiences that enhance their understanding and appreciation of races, cultures, genders, and socioeconomic classes different from their own. The 500 students that we graduate every year can make a difference

Three-Year Residency

- Expanding our commitment to the residential liberal arts experience is reinforced by the new three year residency requirement. We will be exploring programmatic and facility enhancements to support this important educational and revenue opportunity.

Summer Conferences.

- Expansion of our summer conference program is another area of potential revenue growth that we have been actively exploring with the help of consultants funded through the Donnacker Innovation Fund.

Intellectual Theme

- I mentioned earlier in my remarks the *Walls and Bridges* intellectual theme that has been adopted for the coming year. The theme calls upon us to examine relations of power and people, in the past, in the present, and in the future. It allows us to examine walls and bridges in both the literal and figurative sense. The theme also encourages us to explore a multitude of subjects, ranging from trading blocs to flows of capital; from border controls to border crossing; from diversity to homogenization, as people express themselves through culture, the arts, literature, and other media.

The creation of a theme is a fairly recent development at Illinois Wesleyan and has become an exciting and useful organizing principle for curricular and co-curricular activities. I certainly intend to look for ways to reinforce this theme in institutional activities like the selection of a speaker for Founders Day Convocation. I hope all of you will look for similar opportunities in your work.

Advancement

- The Advancement Office has developed a plan for integrating our Alumni Relations and Wesleyan Fund efforts, an initiative that focuses on alumni engagement across a broad spectrum of University activities, e.g., events, internships, advisory committees, financial support, and employment.

Communications

- The Office of Communications launched our new website with more user content, improved messaging and visual design, and more video content. The staff responsibilities in the office have been realigned to place greater emphasis on web and social media communications.

Closing

Thank you very much for coming this morning and for your continuing efforts on behalf of the University in general and our students in particular. Despite our challenges, we have many assets as an institution that position us well for the future. I look forward to working with you this year.