



Board Notes

December, 2018

Revisions to Our Strategic Plan

Working with the leadership team, the board Strategic Planning and Evaluation Committee, chaired by trustee Susanne Teel, has been revising our Strategic Plan 2018-25. Their work celebrates the fact that some of the goals of the initial plan have been accomplished while others have required revision in light of changing conditions that impact our approach. Key to their work has been the commitment that goals be strategic, measurable, attainable, relevant, time-sensitive and inspiring (SMARTI). The team has recently presented eight revised strategic goals in four strategic directions and offered many new indicators of effectiveness for monitoring progress. You can find more detail on their work on the Saint Paul website.

Goal 1: Saint Paul's programming, centered in Christ and informed by its Wesleyan identity, will address and respond to the changing religious environment of the church and world.

Goal 2: Saint Paul will have a carefully recruited and diverse student body.

Goal 3: Informed by the mission and vision, Saint Paul will employ faculty that address the changing realities of church and world.

Goal 4: Saint Paul will utilize delivery modalities to create diverse learning environments with relational and communal opportunities.

Goal 5: Saint Paul will create an environment of cultural awareness, diversity, equality, and social justice on its campuses and other learning environments.

Goal 6: Saint Paul will engage in a variety of development, fund raising, communication, and promotional activities to support the mission of the seminary.

Goal 7: Saint Paul will engage, explore, and facilitate the highest levels of institutional leadership, administrative effectiveness, and future-oriented planning, within an environment of transparent, shared governance.

Goal 8: Saint Paul will identify and cultivate collaborations and partnerships with seminaries, colleges, universities, churches, and other organizations.

The Board approved these revisions at its October meeting and endorsed goals 2 and 8 as priorities for planning of the 2019-20 fiscal/academic year.

Presidential Profile

A Presidential Profile is created periodically as a part of the normal planning and evaluation process of the Board of Trustees of Saint Paul School of Theology. The creation of a process does not mean that the seminary is seeking a new president. It simply means that we are updating our current profile to make necessary changes as the world of seminary education and the church are always changing and evolving.

Trustee Derrek Belase and the Governance Committee invite your input in this process by participating in an online survey, which you can access at (<https://www.surveymonkey.com/r/HNXVJFS>). You have until February 1, 2019 to complete the survey. From this information and other sources, the Board will prepare an updated Presidential Profile.

Sixty Years After the Deem Report

Matt Mills, CFO

Michael Parmely, Board Chair

At a recent ATS conference for chief financial officers of its member institutions, Chris Meinzer, CFO of the Association of Theological Schools, reflected on the financial challenges that seminaries face today. Meinzer repeated this message in a recent In Trust webinar titled "What Then Shall We Do?" In this article of *Board Notes*, Matt Mills, who attended the ATS conference, and Michael Parmely, who viewed the In Trust webinar, have collaborated to summarize the lessons they learned from these two sources.

Nearly sixty years ago, the Deem Commission (<https://www.ats.edu/uploads/about-ats/documents/community-of-conversation.pdf>) noted four major challenges facing seminaries: declining student enrollment, a reduction in student-to-faculty ratios, the small average size of seminaries, and increasing costs per student. Sound familiar? Chris Meinzer was quick to add two additional factors — deepening student debt and the shifting role of the church in society — as creating new financial challenges for ATS institutions.

He then detailed 8 specific contributing factors that can help create financial disequilibrium or assure equilibrium if appropriately addressed. We have listed these below, along with our evaluation of which factors constitute the greatest strengths of Saint Paul or pose the greatest threats to our seminary.

1. Annual revenue generation for a balanced budget: Saint Paul is clearly emerging from a decades-long habit of budget deficits, during which it balanced its budget by placing unsustainable demands on its endowment. Maintaining our current commitment to a 4% drawdown on the endowment is essential if we wish to invest in innovative responses to future needs. Responsible drawdowns not only force institutions to review expenditures, they encourage consideration of alternative revenue sources that can help sustain their mission.

2. Financial flexibility, often measured by unrestricted and temporarily restricted net assets divided by expenditures: This is a measure of how well an institution could respond to financial emergencies. Because of our strong endowment, balance sheet and cash management practices, Saint Paul ranks in the top 10% of ATS member schools in this area and is now able to dedicate significant contingency reserves in its operating budget.

3. Predictable, diversified revenue mix: Although nothing is guaranteed, our revenue is derived from four fairly equal sources (annual giving, church support, net tuition and endowment draw)(see *Board Notes*, November 2018). By contrast, 70% of seminaries are highly dependent on one major source of revenue, which varies by institution.

4. The size and appropriate use of endowments: The current fiscal year projects a 4% drawdown, which is below the conventionally recommended upper limit of 5%. While the average ATS school has endowment reserves 3.2-times its annual operating expenses, the Saint Paul endowment is nearly 10-times its expenses. This has led the institution and its board to consider potential new uses for the endowment, rather than simply assuming support for annual operations. As we build into our operating budget more contingency and resources for planning, we will position ourselves to make rapid responses to environmental challenges and opportunities and align financial resources with a longer-range vision of where we wish to go.

5. Deferred investments, maintenance and compensation/hiring: This is an area in which Saint Paul has made painful, yet necessary, decisions that have contributed greatly to its current financial vitality. Having reduced our costs of operation by consolidating facilities and adjusting staffing, we now need to consider how best to

invest in the future in ways that support growth in our core mission. What part will new partnerships and people or innovative technical approaches play and what will be the costs?

6. Debt: Saint Paul School of Theology has no debt (operational or capital debt). While we can take great comfort in this fact, debt is always tempting and comes in different forms. Debt invites other parties (commercial lenders, accrediting agencies, students and their families) to take on new roles in the decision-making process. Meinzer points out that shifting institutional debt to our students can also pose a significant challenge to our stated mission, particularly around student access and opportunity.

7. Strategic planning: Here too, Saint Paul has made significant improvements in its processes and operations in recent years. We now have a credible planning process linked to financial resource allocation that is operationalized as budgets are built for individual operating units. Although there is always room for improvement, institutional assessment is better integrated into much of what we do and provides quantitative measures of effectiveness that can be regularly assessed, allowing for mid-year adjustments. These improvements allow us to embrace planning, provide resources to implement initiatives and think imaginatively about the long-range future of theological education.

8. Student enrollment: According to Meinzer, enrollment reflects a school's mission and serves as a measure of its vitality. That 40% of ATS schools have experienced increased enrollment over the past decade demonstrates that there are viable responses to national enrollment trends in theological education. With strong performance in seven of the other areas Chris Meinzer identifies as essential for institutional vitality, Saint Paul School of Theology now has an opportunity to focus its attention and energies on solving its enrollment challenges as it imagines a stronger future. It is clear that this is a challenge to which all of us can respond.

Meinzer ended the In Trust webinar with a provocative question: What drives spending at your institution and to what extent is it your future-oriented mission?

Thinking back on the first topic of this edition of *Board Notes*, our challenge to Saint Paul School of Theology in 2019 is to imagine our institution if all eight of our strategic goals were achieved. How would the school differ from the Saint Paul of 2018? What decisions and actions in the coming year would contribute most to achieving those changes? What part will you play in those decisions and actions?