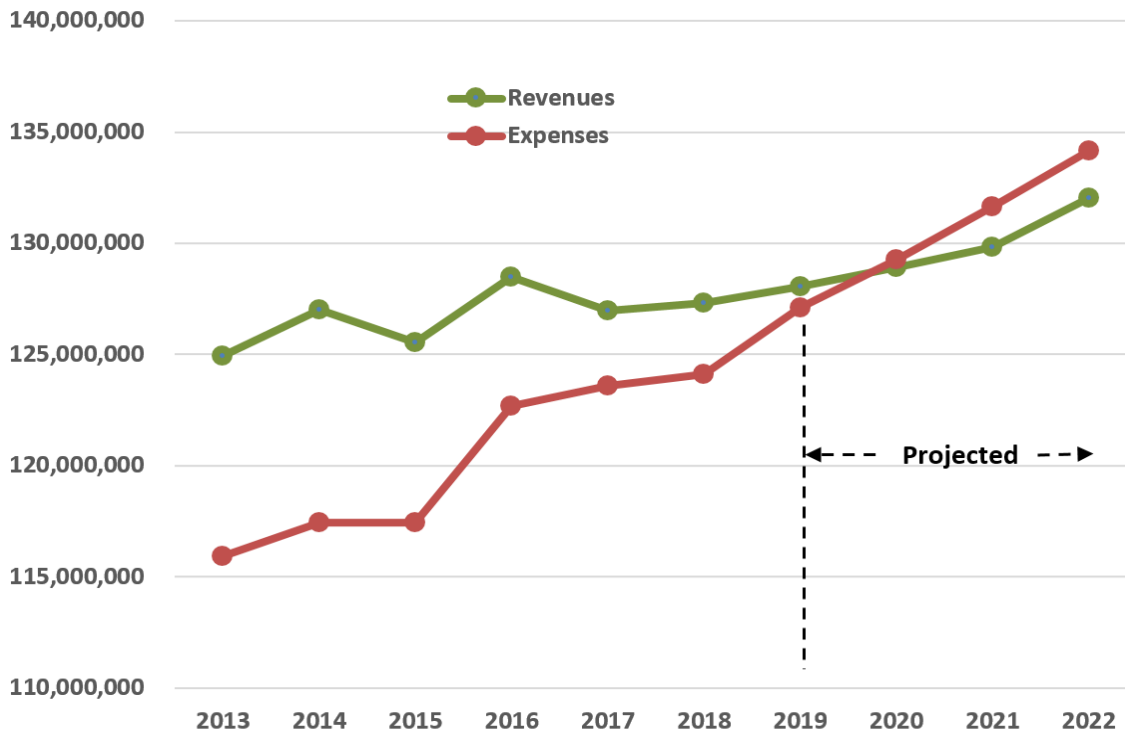


SRAP Update: August 29, 2018

Dear Colleagues,

The Strategic Resource Allocation Project (SRAP) is intended to promote the long-term financial sustainability of St. Olaf College. We want to continue to offer an exceptional education, seek ways to further enhance students' educational and residential experience, offer competitive compensation in order to attract and retain the best faculty and staff, and maintain our facilities in support of our exceptional programs. Over the past five years, the College's operating expenses have been growing faster than our revenues, as illustrated in the chart below. This trajectory can't continue, and SRAP will adjust that trend.

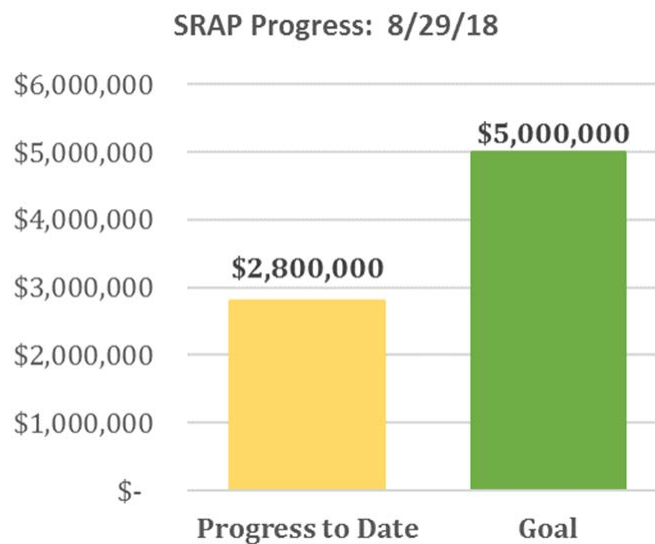


The principles guiding the SRAP decision-making process include staying true to the College's mission, upholding the reputation and quality of the St. Olaf experience, contributing to our value proposition for current and future students, and identifying strategic opportunities.

Where are we in the process? Last December the non-instructional programs and offices submitted their reports. In February, the academic units submitted their reports. The

Instructional and Non-Instructional SRAP review groups spent many hours reviewing every report and supporting data and crafting their reports, which were submitted to the SRAP Steering Committee in May. The Steering Committee has spent the summer months reviewing the work of both the Instructional and Non-Instructional groups. The Steering Committee has identified ideas and issues that can be acted on immediately and others that will require further consideration. Those requiring further consideration will involve committee action as part of shared governance, and committees with specialized knowledge to help inform the strategic allocation decisions. The ideas that the Steering Committee is looking to explore further include: Graduation Requirements; Athletics, Recreation, and Club Sports; Academic Operations and Staff Organization; Music Organizations; Faculty and Staff Development; and Staff Workday Flexibilities. We expect that there are several more months of work ahead of us.

What has been accomplished to date? The SRAP target was a minimum of \$5M to address the revenue/expense imbalance as portrayed in the chart above, provide for an annual \$3M capital enhancement, and a \$2M contingency fund. Any amount above the \$5M amount will provide funds for reallocation towards innovative and creative programming ideas that will advance the College in a good way, including a more competitive pay plan. As of the end of August, we've identified approximately \$2.8M towards these goals that will be implemented over the next several years.



Specifically,

- Michael Kyle and his Enrollment and College Relations colleagues were asked to develop strategies to improve the College's market position and generate more net revenue as part of the SRAP initiative. This past year that group refreshed the College's brand with an updated web presence and revised logo, developed new strategies to generate a robust applicant pool, and adjusted the financial aid strategy to admit a class that is academically strong, continues our commitment to diversity, and upholds the College's commitment to meet demonstrated financial need and limit indebtedness. This fall's incoming first-year class is adding an additional \$1.7M to our revenue base, a

significant improvement from last year's incoming class where net revenue dropped by over \$1M. While some may suggest this isn't attributable to the SRAP initiative and shouldn't be counted towards our SRAP goal, Michael and his team believe that this fall's results are, in fact, sustainable going forward. Michael reports that the college is more successfully converting prospects to inquiries again as we look to recruit the class of 2023 (up 50% versus from year ago), and campus visitors this summer were up 10% over last summer. These enrollment data points, and others, are monitored closely by Michael and his group and indicate that the strategies are working in the markets that drive enrollment and revenue.

- We're able to support a 2.0% pay plan plus an additional 0.5% for special situations and promotions. Last year our pay plan amount needed to be cut to 1.5% to balance the budget.
- We've reallocated resources to enhance support for the critical Academic Support function and adjusted Counseling Center staff member schedules, resulting in additional hours to address student counseling needs.
- Athletics is implementing a sponsorship program to generate additional revenue.
- Bon Appetit has reduced their meal plan and catering rates.
- We've outsourced the bookstore operation to generate additional revenue.
- We've outsourced our investment function to generate better endowment returns.
- The Finance area has identified at least 6.0 FTE reductions, taking advantage of retirements and resignations to rethink how we provide services.
- The Academic area has identified savings in the Library, Information Technology, and Registrar areas.
- We've identified ways to generate additional rental income from properties that, due to city ordinances, couldn't be rented previously.
- The 2018/19 budget includes the \$3.0M capital contribution.
- The 2018/19 budget includes almost \$1M in contingency. *This may change depending on how our final 10th day numbers shake out.*

What's next? The actions identified above are a great first step, and we're all the beneficiaries of these significant actions. We still have a substantial way to go before we've sufficiently re-set our revenue and cost trends to avoid the kind of financial crises that so many other colleges and universities are encountering. The Steering Committee will be reaching out to a variety of individuals, seeking their assistance in investigating further the ideas outlined above. These next conversations will be more difficult. They will have the potential to advance us — financially and programmatically — in good ways. We want to make sure the College is stronger and better as a result of SRAP.

Note of Thanks: I specifically want to thank the members of the Instructional and Non-Instructional Review groups. They did an incredible amount of work consuming significant amounts of time and attention outside of their regular teaching and administrative duties. These individuals have performed an invaluable service to ensure that the College has a fiscally sustainable future.

Instructional Program Review Group

Dan Dressen, Chair
Roz Eaton
Dana Gross
Dan Hofrenning
Steve Lindley
Steve McKelvey
Kent McWilliams
John Naito
Margaret O'Leary
Mary Walczak

Non-Instructional Review Group

Roberta Lembke, Chair
Ryan Bowles
Cheri Floren
Steve Freedberg
Marit McQuade, Student
Leslie Moore
Jean Parish
Tim Schroer

I must also thank Jill Dietz for her service to the SRAP Steering Committee representing the Faculty Governance Group. Jill will be relinquishing her SRAP Steering Committee seat to Dan Hofrenning, this year's FGC chair.

St. Olaf is fortunate in that we can take time to thoughtfully consider how we prioritize the use of our resources. The institutions we read about, on an almost daily basis, in the *Chronicle of Higher Education* or *Inside Higher Education* are not as fortunate as we are. They're being forced to be reactive rather than proactive. The St. Olaf community is resilient, creative, and focused on what matters most — the student experience — now and looking towards the future.

Best wishes for a successful and productive academic year.

Regards,

Jan

Jan Hanson

Vice President/Chief Financial Officer



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