

Budget Initiative Community Meeting  
Edited Transcription  
December 7, 2009

## **Opening Remarks**

For those of you who don't know me, I'm James Robinson Long, the director of Human Resources here at Naropa. What we just did (Bow in) is one of the wonderful things that sets Naropa apart from other Universities around the country and around the world.

And, like many universities in our country and around the world we must live within our budget with uncertain fiscal constraints. That is the purpose of our meeting today; to discuss some of those budget issues.

As mentioned in President Lord's memo that was issued earlier today, our budget issues are real and those issues can be dealt with in a collaborative fashion. That is why we have come together today, as a community to begin that discussion. We begin in earnest, together and with hope.

There are 3 parts to today's meeting:

- President Stuart Lord will provide an overview of the budgetary history;
- Vice President of Academic Affairs and Faculty Stuart Sigman, and Vice President of Budget and Finance, Sue Evans will provide some additional information regarding the process timeline, and
- The third part will be a question and answer period.

Eli Vega from Human Resources is handing out 3x5 cards. If you don't have one, raise your hand and Eli can pass one to you. During the course of the meeting as you have a question, jot it down and if you'll send the card to your right Eli will collect them. When we get to the question and answer segment of today's meeting, we'll address the questions you have passed to Eli. We also have a microphone so you will have an opportunity to come to the microphone as well.

There are important overarching goals shared by The Board, the President, and by Senior Staff and I just want to mention those to you:

- There is a desire for transparency
- This is an inclusive dialogue that we are beginning
- We are looking for a strategic view of Naropa and
- New creative ways to improve not only what we do but how we go about bringing our mission and our vision into reality.

There is a website available starting tomorrow. That website address is [Naropa.edu/budget](http://Naropa.edu/budget) and it will be for you to send in questions as well as any suggestions you might have for how we might proceed over the next few months.

And with that, I would like to present, President Stuart Lord.

(Applause)

Thank you James. Good afternoon.

I wish to thank all of you for being available on such a short notice, and I want to assure you there will be many other times for us to communicate this week. We have other meetings planned. The times and places will be announced later. As we begin our discussion, I would like all of us to remember the words and the advice of our founder that was given to our first Board Chair, Lucien Wilson,

*“You can plow the garden, trim and prune the branches, but do not cut the root”*

When I first arrived at the university, I shared my hope and desire to work with all of you and to work beside you in the work of plowing and trimming and pruning together.

One of the greatest things about pruning and plowing and trimming is that you do that for the purpose of growing. Any of you who are gardeners know that to care for a rose bush for example; you have to trim that rose bush, you have to prune it, and then there comes that beautiful flower: that growth.

So pruning and trimming is part of growth, it's part of transformation, and it is a part of the work we do at this institution.

We've called you to think about what it means to transform; to turn the tide of this university.

To turn the tide of how we do business,

And by turning the tide we will be required to do some trimming and some pruning,

There is no doubt in my mind that with your participation and hard work this university will move forward.

You've often heard me say to all of you that I believe that Naropa University is too good not to be

What?

(Audience: Better)

WHAT?

(Louder Audience: BETTER!)

That's right; Naropa University is too good not to be better and that requires our creative thinking, our creative desires, and our ability to work together. Together we will make Naropa the University that we so desperately desire it to be.

In my short tenure as president I've come to understand the hearts and minds of this dedicated community; the dedication of our staff, our faculty, and students whose compassion and caring and heart are centered in this place.

I've had the great fortune of having faculty around my table weekly. I ask them three questions.

- What brought you to Naropa?
- What keeps you here? And
- Why do you stay?

The answers are from the heart. The answers are about commitment and passion for this place. I am so grateful to have had the opportunity to listen to stories so deeply rooted in our mission and deeply rooted in so much authenticity.

The purpose of this meeting is to:

- Provide an overview of Naropa's financials,
- To create transparency and inclusiveness,
- To discuss the budget initiative process and how we plan to move forward,
- And to remember that what affects one of us affects all of us.

This is our work, this is our vision and this is our mission.

The goal is to deliver distinction with excellence. And, in this process I hope you will take the invitation to search your heart and ask, "What does excellence look like and what stands in the way of Naropa being the place that we want it to be?"

Our mission seeks to create an education that prepares its graduates to meet the world as it is and change it for the better. To fulfill this mission we must strive to make our student educational experience both mindful and rigorous and build a sustainable work environment for faculty and staff.

Naropa is not immune to declining investment values and the market meltdown that is happening across the country; it is happening at Denver universities. You can read the paper and you will see announcements regarding fiscal and financial well being of higher education.

Colleges and Universities across the country are reducing budgets, they're reducing their workforces, and they are freezing salaries. We are not immune to this reality.

Our goal is to move toward sustainability. We often use that word in this community because it defines our goal for the future and our hopes for the world. Now it's our time to ask, "Will we use those same principles for the sustainability of this institution; principles that illustrate regard for its employees and financial accountability?"

I have been charged by the Board of Trustees to align our expenses and revenues in order to create a more stable economic environment for the foreseeable future that will help us to deliver our mission of contemplative education.

To lead this university in transforming; to rethink the way we budget,

To turn the tide.

We are invited by this initiative to turn the tide of the story of Naropa University. That story so many of you have shared with me; a story that is about cuts after cut after cut. How do we change that story so 5 years from now, 3 years from now **that** is an old story? It's an old record of how we do business in this place.

Are we willing to align our short term goals and long term goals to our strategic plan and imperatives?

Are we willing to do the work to make sure our academic plan is thriving and growing?

Are we prepared to move our desires and dreams forward?

Building a financially stable model for the University requires attention and honest conversation. It requires an honest conversation about our budget reality. Your stories are clear; based on our past practices we continue to erode employee confidence and working standards and morale. That is part of our story.

Can we work together to change that story?

Can we work toward long term permanent solutions that alter this pattern and ensure a sustainable future? Are we willing to address our needs? Do we love this place enough? Do we care for this place enough to work hard toward a sustainable model for doing business?

(overhead)

A review of our financial history reveals a pattern of economic challenges. If you look at our expenses and revenues you can clearly see from this chart – there is a gap. Our expenses are here and our revenues are here. There is a gap in how we do business. This gap didn't just happen overnight.

There have been a series of events over the years brought us to this point. Regardless of past circumstances, we are faced with that reality today of bringing our expenses in alignment with our revenues. We can no longer, if we care about this place, have misaligned finances.

Over the years we have been involved in using temporary measures to fill the gap between expenses and revenues. The next few slides reminds us of our stories in filling the gap.

(Overhead)

In 2004/2005 there was a gap.

We decided to make some reductions, and then when it came time to make those reductions we clearly did not make those reductions.

(Overhead)

In 2005/2006 there was a short fall. And how did we compensate for the shortfall? We were fortunate to sell some real estate and we used the real estate to fill the gap.

But what happens when those real estate dollars are no longer available?

(Overhead)

You begin the next year – with a gap.

2007/2008 we used the health insurance formula. We reduced it.

We sold some more real estate and there was a hiring freeze. We used the words *hiring freeze* but did we really follow through?

(Overhead)

2008/2009, again there is a gap as we began and we used gift funds to fill the gap.

(Overhead)

2009/2010, our story again: employee retirement contribution was suspended to fill the gap.

Can I do that this year? Can I do that next year?

Can I take away our employment retirement to fill the gap?

This year, to balance the budget? Next year? The year after that?

I know what it will mean if we do that. You will lose confidence in this place because the place will demonstrate to you that we have lost confidence in you. That you will seek to leave this place to go across the street because across the street will offer you a retirement package.

I know these are hard decisions to make but I also know it's a onetime decision. I'm also confident as we move forward that we can do the work to balance the short term adjustments. One could argue – why don't we get more revenue? And the pattern has been that if you have a gap and I will call the gap a hole – and you get more revenue - what do you do with that revenue? Where does it go? Does it go to your strategic priorities? Does it go to your strategic plan? And, does it go to your academic plan? Or, where does it go? Can someone please tell me where it goes?

(Audience)

To the hole

President Lord: It goes to the hole to fill the what?

(Audience)

The Gap

You can do that for a period of time but guess what happens? It catches up with you. In our environment, the economic climate that we live in – it is clear that we can't continue.

If we care so deeply about this place, if we believe in our mission and if we know that our mission is right, and if we know that America so desperately needs a place like Naropa where people have an opportunity to study, and learn, and yes, wake UP!

We are stewards of this place – all of us; the stewards of a brighter tomorrow. To make sure the place we love and have given so much to will continue and thrive, and grow: that's the business we have to take up. As you can tell – look at our expenses.

(Overhead with pie chart of expenses)

This is where we spend our money.

One has to ask, "What would it look like if we were to change that pie chart?" Over a period of ten years, the percentage of our wages and benefits has grown from 50% to 80% of our overall revenues. This equals, without benefits, 12 million dollars for 2009/2010.

So what SHOULD it look like? How do we line up with other universities you may ask?

We should probably be at 60%. (Over head) That's what it looks like in higher education.

We're at about eighty percent and most universities, are at sixty percent.

(Overhead)

So what are we asking ourselves to do? Can we right size our institution so that it allows us to grow? Right sizing allows us to be priority driven. Right sizing allows us to get out of the business of temporary adjustments and line our priorities up with our economic reality.

As we move forward we are committed as Senior Staff and The Board of Trustees to reduce our budget by 1.2 million dollars out of a budget of roughly 21 million dollars. Reducing our expenses will require looking at everything. This will require a re-examination of what we do as an institution and most likely will require some reduction in our workforce and consolidation and/or elimination of programs and services.

I wish I could say it a better way. We can no longer continue to fill the gap. Right sizing, getting to a sustainable business model and turning the tide means that there will be some reductions.

To begin to do this work we have put together a Budget Resource Group. This group will provide data, analyze scenarios, and offer input to senior staff and the University Budget Committee

The University Budget Committee (UBC) is made up of constituencies from throughout the University; of faculty, staff, and students. In the past, University Budget Committee has been charged to evaluate and weigh the options presented by senior staff to balance the budget. The UBC is expected to make recommendations to Senior Staff by early April.

Our hope is for this work to transform us into a stronger vibrant institution. This is our collective journey to embark upon this difficult task. We require our good thinking and our creativity in order to align our mission with our academic purpose. Can we demonstrate that we will and can make difficult decisions to stream line our operations and create sustainability? Some of you have probably asked: “Why do we do this?” “Does it really fit within our mission?” “Does it move us forward?”

This process must be centered and rooted in integrity and credibility with our external and internal audiences. We commit to a transparent process. The goal is: this process will help us to be more mission driven. In order to assist us in the process we invite you to visit often our web page [www.Naropa.edu/budget](http://www.Naropa.edu/budget)

We hope you will go to that web page and ask questions and give us your suggestions.

We are asking for your questions and we need your suggestions and we will report back to you the suggestions we receive from the community. It is important that we work decisively and quickly toward our sustainability. We are not in a financial crisis, but we can no longer continue to do work and run our business by filling the gap.

I've asked Sue Evans, the Vice President of Business and Finance, and Stuart Sigman, our Vice President for Academic Affairs and Dean of the Faculty, to work as leaders of this process. To lead this initiative ensuring that this important work is conducted in a timely manner and that it

represents our inclusive, collective, and creative thinking. They will be working with The Budget Resource Group and the University Budget Committee.

Following their comments we will take questions and provide some answers. Thank you.

(Applause)

Stuart Sigman

(Overhead)

I want to begin by acknowledging my own humility, my trepidation, in accepting the president's assignment. And, the recognition that as the Academic Vice President, and now the initiative leader, I wear multiple hats at the institution – and, it will be my responsibility, my own practice, to ensure that when I'm speaking, it's clear from which vantage point, from which perspective, I am speaking. I am a budget manager. I will be engaged in the budget reduction exercise along with all other members of the senior staff. But, I'm up here at this moment not as the decider about budgets but as the leader, facilitator, project manager, of this overall budget initiative.

The concept is the following: in deep conversations between the Trustees and the President as you'll note on the top left of the overhead, there is agreement with Trustee members to give charge to the President for reducing the budget.

The President has asked Sue Evans and me to serve as the project managers and the initiative leaders. We will be coordinating this overall effort that will be making use of all of the governance, management, and advisory systems, that we currently have in place.

The University Budget Committee which has been up and running for a couple of years and especially was quite robust last year, has met with the President this morning. As they receive budgets from Senior Staff they will view them with a strategic eye towards how to best meet the needs of the community and work toward the distribution of the 1.2 million budget reduction.

Sue and I will also be working with an additional committee called the Budget Resource Group (BRG). This Budget Resource Group that Sue and I will be working with, I think of as a Think Tank; it's not a decision making body – it is a think tank. It will take the suggestions, the ideas, the hypothesis coming from the community, coming from senior staff, coming from the UBC, and it will model out the financial implications of those suggestions. So the BRG is an analytic team trying to work across the various constituencies.

The third key unit or group in this budget initiative is Senior Staff. Senior Staff has traditionally been charged with preparing budget proposals that are sent to the CFO based on operational goals within our own area of responsibility – rather than revenue. All of Senior Staff has been

charged with preparing budget proposals for next year that model the potential for reductions. As Sue and others can talk about during the Q & A – in order to reach that 1.2 million dollars – and in order to do that in a strategic (meaning mindful) way rather than just across the board it's possible that the UBC will look at different scenarios where some units will be able to absorb greater percentages of cuts than some others.

Senior Staff will be meeting over the next six to eight weeks putting together their individual budget proposals; working with the managers and the direct reports within their units. Academic affairs will be working with Chairs Council and with Cauldron in shaping our budget for going into next year.

We've asked the University Budget Committee to begin meeting to work out what principles – what ethical principles – what institutional values should be the guidelines for their decision making around the various budget proposals. By the end of January they should be able to communicate how the recommendations for budget decisions for next year will be shaped.

By around the end of January beginning of February the budget proposals coming from Senior Staff will be transmitted to the University Budget Committee. They will have six to eight weeks to review those budget proposals, to confer with the Budget Resource Group on the impact and consequences of the various scenarios to the overall mission and operation.

As in the past, the University Budget Committee (UBC) will submit their recommendations back to senior staff. When Senior Staff receives the final recommendation from the UBC, the expectation is that Senior Staff will finalize their budget submissions. Senior Staff will make a recommendation to the President for what the budget should look like for the following year and then the President's charge is to work with the Trustees, for them to discuss or perhaps modify it and ultimately to adopt a final budget going into the Fiscal Year that begins July first twenty ten.

Conversation and interaction will take place between the various groups throughout the entire process. The Budget Resource Group will have at least one member of the Trustees. It is healthy for us to provide opportunities where the hypothesis and the analysis that are being discussed can be conveyed to different constituencies. There will be conversations coming from UBC to Senior Staff to BRG, from BRG to Senior Staff to the UBC and some representatives of the Trustees. Obviously when it comes time to discussions about redemptions in particular personnel, some of that information may need to be held confidentially, but in terms of the broad strokes of what this over all initiative will be doing, our aim is for transparency in information dissemination.

One final note, the President noted a web site where you'll be able to post questions and comments. Those questions and comments will be sent to Sue and me and if they're relevant to the BRG, they may be sent to senior staff if they are relevant to senior staff or the UBC. A formal, written response will get made and then we're hoping within a 48 to 72 hour period to

respond back with a post. We will also in some cases simply acknowledge that a suggestion has come forward and then make sure the relevant planners or analysts are taking that suggestion into account. We're aiming for the maximal use of our existing management governance processes. With the exception of the Budget Resource Group, we are not at this point adding any additional layers of deliberation or decision making. We, the constituency based representation of the UBC, is committed to making this process inclusive, transparent and finally it will be iterative.

Again, I enter this process with a fair amount of trepidation, of concern for the community and a belief that we will survive and work through this with a degree of compassion for each other and for building a stronger university.

That's our process.

(applause)

### **Closing Remarks by President Lord**

So, when I signed up for this position, when I took on this wonderful opportunity to serve as President; this is not what I wanted to do in my first year. I've listened to your stories. I want what you want and I want us to do it together. We will need to support each other, we will need to care about each other, we will need to hold each other's concerns, and we will need to hold each other's passion and heart to get through this.

It will be painful. It will be the hardest thing we will do as an institution. But at the end of the day, it's the right thing to do because our children and our grandchildren will have an opportunity to come to Naropa and we can say we made that possible, that we turned the tide.

We can make this place stronger than we ever imagined. It will take our creative thinking, it will take long conversations. As we move forward, we will have listening circles every Monday and Friday. You can find those dates on the web for the months of December and January. We will be holding update meetings for the whole community to provide information. We need your suggestions and questions on the web.

As we move forward, the Dean of Students Bob Cillo and Stuart Sigman will be holding meetings. The first one is tomorrow evening at 5:30.

We will be sending letters to students and letters to parents. I hope that we hold people's concerns with compassion, with clear insight, practice, and transparency. I am committed as we move forward to protect the Naropa experience and to enhance our investment.

We will hold budget meetings the rest of this week. On Wednesday we will be at Nalanda campus. Please encourage other members of this community to join in these other meetings.

Please remember we do not have all the answers. We will work together as a team to find the answers.

I look forward to your insight, your passion, your spirit of community, because what affects one of us, affects all of us. This is our opportunity, this is our time.

Thank you for your time, for your talent, your clear thinking, and your love of this place.

(Applause)