

16 November 2005

Mr. Fred Hagemann, Chair
Wartburg College Board of Regents
1406 Cedar River Drive
Waverly, IA 50677

Dear Mr. Hagemann:

Thank you for your letter of October 31 responding affirmatively to our October 18 request that the board consider involving faculty in its next periodic review of the president.

As was the case with our October 18 letter about the president's evaluation, those of us whose signatures appear below are writing as the elected representatives of the Wartburg chapter of the American Association of University professors, the members of which comprise more than half the full-time faculty.

On November 16, following an AAUP-sponsored faculty forum, the chapter held an emergency meeting at which members reviewed the content of this letter and voted to authorize its immediate transmission. And while we speak officially only for the chapter, we have good reason to believe that AAUP members are not the only Wartburg professors who would concur with the opinions expressed in this letter.

These opinions pertain to the college's proposal to construct a new wellness center in partnership with the city of Waverly. And while we are aware that it is the administration that has been entrusted with advancing and implementing this proposal, we are directing this letter to you rather than to the president because we recognize that it is the Board of Regents only, as the final institutional authority, that bears the ultimate responsibility for the decision to undertake this ambitious project.

With this fact in mind, we wish to state emphatically that we are wholeheartedly in favor of constructing a new health and wellness center that serves both city and college, the need for which is obvious to all. We are impressed by the architect's plans for the proposed facility. We can appreciate the possibility that such an attractive structure will enable Wartburg to compete successfully for more affluent students. And we can sympathize with the wish to initiate such a project when interest rates are still relatively low.

Nevertheless, we have concerns about both the process by which the college reached the decision to construct this new facility and the method by which the project is to be funded.

Regarding process, as you must be aware, neither the faculty as a whole nor any standing committee thereof was ever officially informed, much less consulted, about the

decision to undertake this project until *after* the decision was made. Although there had been rumors that a wellness center project was in the works, the faculty did not receive details of that project until 5:06 p.m., Monday, October 24, when President Ohle sent an e-mail memorandum about the wellness center to all faculty and staff. That very evening vice president for administration Gary Grace gave a Power Point presentation to the Waverly City Council outlining the college's proposal for a joint wellness center. Several faculty attended that meeting, including members of Faculty Council, and it was there for the first time that they received the details of the college's plan.

According to the concept of shared governance, excellence in academic decision-making depends on joint thought and action, involving governing board, administration, faculty, and students. As you know, the classic expression of that concept is set forth in the 1966 *Statement on Government of Colleges and Universities*, itself the joint production of the AAUP, the American Council on Education, and the Association of Governing Boards (AGB). The principles of shared governance are widely observed in American higher education, most particularly by institutions that make claims to academic quality.

In reference to joint effort in internal operations, the *Statement on Government* says this:

The framing and execution of long-range plans, one of the most important aspects of institutional responsibility, should be a central and continuing concern in the academic community.

Effective planning demands that the broadest possible exchange of information and opinion should be the rule for communication among the components of a college or university. The channels of communication should be established and maintained by joint endeavor. . . .

A second area calling for joint effort in internal operation is that of decisions regarding existing or prospective physical resources. The board, president, and faculty should all seek agreement on basic decisions regarding buildings and other facilities to be used in the educational work of the institution.

A third area is budgeting. The allocation of resources among competing demands is central in the formal responsibility of the governing board, in the administrative authority of the president, and in the educational function of the faculty. Each component should therefore have a voice in the determination of short- and long-range priorities, and each should receive appropriate analyses of past budgetary experience, reports on current budgets and expenditures, and short- and long-range budgetary projections. (AAUP, *Policy Documents and Reports*, 9th ed. [2001], p. 219)

Regrettably, it would appear that none of these principles was honored by those responsible for launching this project. Since these principles are faithfully mirrored in Sections 1.5.1, 1.5.2, 1.5.5(d), and 1.7.2(b)(2) of the *Wartburg College Faculty Handbook*, it would also appear that those who made this decision did so in violation of board-approved college policies.

But, policies and principles aside, it is astonishing to us that a decision to undertake the largest building project in the history of the college, a decision with enormous implications for the college's mission, identity, and academic quality could have been finalized without consulting the faculty.

Our second area of concern pertains to the method by which the college has determined to fund this undertaking, the details of which we have obtained from the two information sessions that Gary Grace and Rich Seggerman gave on campus last week. Although we applaud the strategy of asking the city to commit from \$1.2 to \$6 million over the first eight years, we are troubled by the lack of initial fund-raising, which, according to Rich, will require that the college borrow \$35 million. This, again according to Rich, will increase Wartburg's total long-range debt to approximately \$88 million.

It is our understanding that sound business practice dictates maintaining a debt-to-assets ratio under 30%. And according to their IRS Form 990s, most of the colleges with which we like to compare ourselves have managed to cleave pretty close to that mark: Gustavus Adolphus (19%), Simpson (20%), Buena Vista (21%), Augustana-Sioux Falls (25%), St. Olaf (25%), Luther (29%), Nebraska Wesleyan (32%). Yet, as of the 2004 fiscal year, Wartburg's debt-to-assets ratio was 43%, almost twice what it was seven years ago. If the project goes forward, under the proposed funding method, that ratio will increase to approximately 54%, a debt-load that is surpassed in the state of Iowa only by Ashford University, William Penn, and Waldorf.

Our concerns are intensified by additional information that suggests that our financial condition is more precarious than any of us had suspected. For example, according to the current edition of *Peterson's College Guide*, the value of the college's endowment currently stands at \$35 million, which, in terms of endowment per student (\$19,401), ranks us below the vast majority of our benchmark and sister institutions, including Augustana-Sioux Falls (\$19,435), Concordia (\$23,400), Luther (\$28,605), Simpson (\$29,698), Gustavus Adolphus (\$30,384), Central (\$35,428), Augustana-Rock Island (\$37,852), Coe (\$42,141), Cornell (\$55,238), and St. Olaf (\$62,639). Only Nebraska Wesleyan and Loras are lower. It also appears that the college's endowment has grown only \$3.6 million in the last six years, despite a Commission Wartburg goal of reaching \$100 million by the year 2010.

Mr. Seggerman also told us that the college's current bond rating is BBB, which, as you know, is close to below investment grade, and we wonder if the rating might be downgraded even further when the college encumbers itself with additional debt. We also wonder how the college's increased debt-load and relatively weak bond rating will affect its ability to borrow further funds should exigent circumstances require it.

In their presentations, the administration has placed much weight on the feasibility study produced by Murray and Company, whose worst-case scenario seems to indicate that the proposed wellness center will at the very least pay for itself. Indeed, the feasibility study constitutes the only basis for the expectation that the proposed wellness center will generate enough revenue to prevent it from becoming a financial drain upon the college. Yet, several faculty members who asked more probing questions about the suppositions and data underlying the projections in the study were given answers that left them with further doubts about its reliability. Others wondered why the feasibility study did not include an actual survey of Waverly residents to determine how many of them would be willing to spend \$600 a year to use the new facility.

In an effort to reassure themselves about the study's soundness, faculty asked last week if at least Faculty Council could be given the study for the purpose of further scrutiny. The final answer, which came from Dean Menzel on November 15, was that only the executive summary and the methodology, not the complete study, would be available for viewing in Gary Grace's office. We think it is fair to say that our confidence in the

reliability of the revenue projections for the proposed facility depends on our being able to examine closely the study upon which those projections are based. Given the potential risk, would it not be advisable to subject the study to careful scrutiny? There are a number of faculty members with the requisite skills to perform such a task. Or perhaps a second opinion by a disinterested party is in order.

While we hope that our fears are groundless, the process by which the decision was reached has so far done little to bolster confidence. And we recognize that even the best-laid plans often do go awry. At the University of Northern Iowa, for example, the highly-touted new wellness facility not only has failed to generate enough revenue to pay for itself, but has been siphoning millions of dollars from the instructional budget. Presumably, UNI did not go forward with this project without conducting a feasibility study that contained rosy predictions of future revenues.

The administration tells us that the plan is fiscally responsible, that the amount of risk involved is acceptable. We are not convinced, but we would like to be—because much is at stake. As one of our non-tenured colleagues recently remarked, “This wellness center will set the course of the college, for good or ill, for the next thirty years.” When asked what contingency plan was in place should the study’s most pessimistic projections prove to be overly optimistic or should some unanticipated crisis emerge, vice president Grace said that the college would “decrease expenses.” What might cutting expenses mean for the academic program of this college? Some possibilities come immediately to mind: even smaller raises or perhaps a salary freeze, higher employee contributions to benefits, no new faculty positions, larger class sizes, more part-time and temporary full-time faculty appointments. It’s a familiar scenario, followed by other consequences: a decline in academic quality and reputation, a decline in the academic profile of entering students, lower retention rates, falling enrollments, and budget shortfalls. As the financial crisis deepens, the college would be forced to take drastic measures to survive.

Finally, even if this doomsday scenario never materializes, we wonder how the college’s increased debt-load will affect its status with the Higher Learning Commission (HLC) of the North Central Association, which will review the college for reaccreditation next year. HLC Criterion Two requires that a college’s “allocation of resources and its processes for evaluation and planning demonstrate its capacity to fulfill its mission, improve the quality of its education, and respond to future challenges and opportunities.” If the new wellness center is funded as proposed, we fear that the task of demonstrating that the college has fully satisfied this criterion will prove difficult.

Conscious of the commitment to the college that Board of Regents members have consistently demonstrated, we are confident that they will give serious consideration to the issues we have raised. We believe that it would not be in the college’s best interest to go forward with the wellness center project until faculty, board, and administration engage in substantive conversations about the implications of the plan for the college’s future and until further study can establish with greater certainty that the method of funding the project is fiscally prudent.

Sincerely,

Gregory Scholtz

Josef Breutzmann

Paula Survilla

Paul Hedeem