



**NORTHWEST NAZARENE
UNIVERSITY**

Ad Hoc Report

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Response to 2016 Recommendations

NNU received five recommendations following the review of the Fall 2016 Year Seven Self-Evaluation Report. As requested by the NWCCU, this Ad Hoc Report provides an update on progress the institution has made this past year to address Recommendations 1, 2, 4, and 5. As instructed by the NWCCU, Recommendation 3 will be addressed in an addendum to its Fall 2019 Mid-Cycle Self-Evaluation Report.

Recommendation 1

The Evaluation Committee recommends that as the institution works to clarify governance policies, roles, and responsibilities it pay attention to developing an effective and widely understood system of governance with clearly defined authority, roles, and responsibilities and that its decision-making structures and processes make provision for the consideration of the views of faculty, staff, administrators, and students on matters in which they have a direct and reasonable interest (Standard 2.A.1).

Addressing this recommendation has been the product of a wide effort by the Board of Trustees, administration, and faculty leadership to review and understand the shared governance principles of board governance and then effectively implement these principles at various levels throughout the institution. While these principles existed in the University's governing documents, investigation in 2015-16 revealed that understanding of these principles was not uniformly practiced or widely understood. The University is pleased to report that we have made substantial progress in this area.

Even prior to receiving this recommendation, the University was aware of the need to clarify governance policies, roles, and responsibilities related to shared governance and improve its decision-making structures. As a result, in fall 2015, the Board of Trustees' chair appointed a Shared Governance Task Force to develop clarity on matters related to shared governance, tenure, and academic freedom.

Composed of six faculty members and six trustees, the task force has been the primary body responsible for developing clear policies and ensuring that institutional practice matches the principles of shared governance recommended by the AGB (Association of Governing Board) statements on shared governance. In the past year, the Board Policy Manual was revised to incorporate these principles. Currently, new policies are being drafted for the Faculty Policy Manual related to faculty contracts, tenure, and academic freedom, and these policies are incorporating these principles as well.

The initial work of the Shared Governance Task Force included producing a revised policy on shared governance that was adopted by the Board of Trustees during its fall 2016 meeting. This policy, which has been implemented over the past year, defines shared governance as a clearly defined set of roles, but moves beyond this understanding to promote:

- A culture of transparency
- Joint consideration of difficult issues and strategic plans
- Decision-making based on shared metrics and available data
- Accountability to keep each sector of the university mission-focused.

Following a task force recommendation, the Board of Trustees also created a Conflict Resolution Committee, not as a general mechanism for personnel issues, but as a significant "safety valve" to mediate future conflicts between the faculty and staff, and the administration. This Conflict Resolution Committee consists of the University president, Board of Trustees chair, faculty chair, and Faculty Policy Council chair.

The Shared Governance Task Force has met three times in 2017 (January, March, and August), with a final meeting scheduled for October. Working in concert with President Pearsall, the Board of Trustees,

and the Faculty Policy Council, the task force will bring forward additional policy recommendations to the Board of Trustees at its October 2017 meeting to clarify definitions and processes related to shared governance, tenure, and academic freedom.

As a part of the efforts to promote academic freedom at NNU, the Shared Governance Task Force is revising the Faculty Policy Manual section 4.25.11 (Policy Governing the Termination of a Faculty Contract) to ensure that decisions about layoffs and strategic planning that might result in the termination of a department or restructuring of a program include appropriate involvement from the relevant faculty. Although the official policy language has not been finalized, the task force has agreed in principle to the new policy. When the final language has been agreed upon, it will emerge as a recommendation to the Faculty Policy Council. Given the controversy surrounding the layoff decision of March 31, 2015, the expectation is that a clear and specific layoff policy will significantly improve the decision-making structures and clarity of roles involving faculty contracts.

In the March and August task force meetings, the work of the task force shifted from policy-making to implementation, focusing on changing the committee and meeting structure of the semi-annual Board of Trustees meetings to ensure that the board evaluates educational quality of the institution based on the principles of shared governance to keep the institution accountable to its mission. In turn, faculty and staff have been invited to participate with the trustees in institutional strategic planning. The remaining work of the task force includes planning the orientation of new faculty and trustees to include orientation as to the University's system of shared governance so that future leaders are well trained in our system of governance. The task force will also discuss metrics and assessments so that university leaders will have appropriate metrics to evaluate the success of these reforms in the future.

To further promote shared governance, two separate faculty and staff committees have been combined into the Community Activities and Care Commission. The purpose of this commission is to nurture a culture of "caring" among NNU employees; plan and supervise activities that encourage community building; and coordinate responses to situations in which expressions of assistance, celebration, or concern would be helpful. In addition, faculty meetings this past year have incorporated presentations on implementing shared governance in the council and committee structure of faculty governance, which has seen significant implementation in our three academic councils, as well as the Faculty Policy Council.

Recommendation Two

The Evaluation Committee is concerned as to the sufficiency of cash flows and associated unrestricted reserves, among other factors, to support NNU's program and services. The committee recommends that the institution complete the process it has initiated to analyze meaningful data (including financial data) and utilize the data and input to inform strategic planning and institutional decision-making in order to effectively sustain the mission (Standards 2.F1-2, 3.A, 5A).

In an effort to ensure financial sustainability, NNU has closely examined unrestricted cash being generated from operations and has implemented several tracking and reporting processes. The budgeted annual reserve in the 2017-18 budget is \$1.3M, which reflects a 3.1% reserve. This is part of the institution's multi-year plan to arrive at an annual Net Income Ratio of 3-4%. Operating revenue and expenses are tracked on a monthly budget report that is sent to every budget manager on campus. In an effort to encourage transparency and accountability, this report is also shared and reviewed monthly at budget manager meetings led by the President's Cabinet. Further, the president and the Cabinet regularly review this report and make adjustments as necessary throughout the year in order to achieve the reserve.

To lengthen the University's line of sight as to the cause and effect of budget decisions over time, the institution has adopted a two-year rolling budget process. Since the strategic plan covers multiple years, it is not sufficient to budget annually. Revenue and expense is now forecast on a two-year rolling basis

with the first-year budget organized in a detailed format and the second-year budget in a high-level format that aligns closely with the implementation of the strategic plan. Approved by the Board of Trustees in 2016-17, this change in the planning process enables the institution to take a longer view of the revenue, expense, reserve, and cash balance of the University. As a result, when the Board of Trustees adopted the 2017-18 budget, they also adopted the 2018-19 high-level budget.

The controller, who manages operating cash balances to make sure that all expenses are covered and the University does not incur unnecessary bank fees, performs a monthly operating cash forecast to ensure that the readily available liquid cash accounts can support the expenses of the University for the given month. This approach is a more conservative look at cash balances as it doesn't include all unrestricted funds; instead it only considers liquid cash accounts and monthly expenses.

The vice president for finance and operations and the controller have constructed and now regularly publish a cash balance report. The president and the finance committee of the Board of Trustees review this report twice a year. The University has developed a goal for the year-end working capital cash balance to equal three months of cash usage, or approximately \$9 million. Although the University has not met the \$9 million working capital goal since March 2015, the institution is trending in the right direction. As of January 2017 (as reviewed at the March 2017 Board of Trustees meeting), the working capital cash balance was \$2.9 million, which represented a \$1.9 million increase since January 2016. The next update will be as of August 2017, to be reviewed at the October 2017 Board of Trustees meeting.

The Board of Trustees has approved the allocation of the Howard and Mary Conrad gift into four designations, one of which is working capital needs. The trustees made this designation in recognition of the need to replenish the working capital and cash balance of the University. The working capital designation is for the 'remainder' of the gift after the other three designations, which will likely result in an allocation of \$3-4 million for working capital (This gift is estimated to be approximately \$20 million; however the final distribution is yet to be determined, which will impact the amount allocated to working capital needs).

The impact of these initiatives is already providing positive results. Although the University's 2016-17 financial statements have not yet been audited, we anticipate there will be more than a \$2.5 million improvement in the fiscal results from operations in the 2016-17 fiscal year as compared to the 2015-16 fiscal year. This is a true representation of operational efforts and improvements as it does not include one-time unrestricted gifts from either fiscal year. Through the collaborative work of campus budget managers, the University is well on its way to achieving an annual Net Income Ratio of 3-4%, which will necessarily allow the University to achieve its working capital goal of three months of cash usage.

Recommendation Four

Although the University publishes its human resource policies and procedures, conditions of employment, rights and responsibilities, and procedures regarding Title IX, it was clear in interviews with faculty and staff and surveys provided by the institution that there is confusion regarding the policies. The Evaluation Committee recommends that the University engage in an educational effort to ensure transparency in all human resource policies (Standard 2.F.1).

In the past year, the University has commenced multiple initiatives to strengthen its human resources policies and procedures, as well as enhance communication and training opportunities for its personnel. The University is in the process of implementing a new human resource information system (HRIS) that will enable the institution to streamline a number of HR processes including managing job descriptions, recruiting employees, tracking performance evaluations, monitoring salary requests, and providing statistical information to assist administrators in strategic planning. This HRIS will provide a self-serve

portal for employees and help facilitate communication to all personnel, as well as clarify how various personnel policies apply in practice to a particular employee.

In an effort to promote transparency and shared governance, the Faculty Policy Council and University Staff Policy Council this fall are beginning a review of the University's personnel policies in an effort to affirm or amend those policies, as appropriate, and to then clearly communicate those policies to all affected employees. This level of review of personnel policies has not occurred for several years, and will enhance both understanding and acceptance of the policies.

The Office of Human Resources is making a renewed effort to communicate regularly with campus personnel, informing and reminding employees of enrollment deadlines and keeping them apprised of important information they need to know. The Office of Human Resources also schedules annual benefit meetings with multiple offerings each spring for employees to attend.

The President's Cabinet and the Office of Human Resources are committed to providing increased transparency related to the establishment of salary ranges for employee positions across campus; this is particularly applicable with regard to staff salaries, which are set by position as opposed to within "bands" or "ranges" for multiple positions. The University has for some time used the data from several external salary surveys (the College and University Professional Association for Human Resources or "CUPA"; the Council for Christian Colleges and Universities or "CCCU"; and the Idaho Bureau of Labor) to benchmark staff salaries. In an effort to obtain relevant data applicable to a wider range of staff positions, the University recently decided to contract with Western Management Benefits, a company used previously. As salary ranges are determined for each staff position, this information will be communicated to each employee for that employee's position. In addition, with regard to faculty salaries, the Faculty Policy Council and Office of Human Resources will be reviewing the faculty salary range system this year. All of these efforts will lead to improved understanding and transparency with regard to key personnel policies and practices.

Over the past year, the Office of Human Resources has also conducted training sessions for different employee designations to help supervisors understand the difference between a student employee and students who are participating in student activities. This training included reminders about Fair Labor Standards Act (FLSA) standards, reporting all hours worked, etc. The Office of Human Resources will provide additional training sessions in the coming months.

In April 2017, the University established a new Title IX and grants compliance coordinator position. Although the coordinator also has responsibilities related to grants, the primary responsibility under the new job description is Title IX compliance. During summer 2017, this new coordinator provided oversight for an extensive review and revision of the University's Title IX policy with assistance from outside legal counsel. During 2017-18, the coordinator will provide Title IX training and education to the entire campus community. Earlier this fall, the Title IX Coordinator met with faculty during faculty orientation and with staff during an all-campus staff meeting to review Title IX policy updates and answer questions related to the process. The University's Title IX webpage is being updated to include a link to the new Title IX policy, provide information regarding University Title IX resources, and specify additional resources to make Title IX easier to understand by employees and students.

Additionally, the University is implementing campus-wide online training for all employees and students during fall semester. This training will cover Title IX policy as well as employee and student responsibilities under Title IX. The online training module provides the Title IX coordinator with information to track who has completed the training to ensure that all required parties have gone through appropriate training.

Recommendation Five

The Evaluation Committee recommends that the University address efforts to ensure that principles of academic freedom are well understood and accepted at its campus (Standard 2.A.27 and 2.A.28).

Similar to Recommendation 1, efforts to address and clarify principles of academic freedom were initiated by the University even prior to receiving this recommendation. The Shared Governance Task Force (including President Pearsall), the Faculty Policy Council (which includes the vice president for academic affairs (VPAA) as an ex-officio member) and the Committee on Rank and Tenure have led this effort.

Based on the work of these groups, in 2016-17, the institution adopted and implemented a new process that impacts the timing of when the Board of Trustees provides input into the decision to grant tenure, as well as how the board engages the process at that time, and what the board's role is at the spring Board of Trustees meeting when the president's recommendation comes forward. The intent of this new process is to increase the trustees' confidence in the institution on granting tenure, while also increasing the clarity and due process safeguards for the faculty. The university president now invites feedback from trustees on individual tenure candidates before making a recommendation to the Board of Trustees to grant tenure. The president also interviews each individual candidate for tenure to ensure his or her concerns about the process are given a voice. Once the president makes a recommendation for tenure, the trustees' task is to evaluate whether the administration properly followed the established process.

Throughout the adoption and implementation of this new tenure process, members of the Shared Governance Task Force observed that both faculty and trustees engaged in healthy conversation, and reported increased understanding and acceptance of the role of tenure in academic institutions. Initial reports from implementation in spring 2017 indicate that the new process worked smoothly and helped to allay concerns of faculty and trustees about the tenure process.

This past year, the Shared Governance Task Force has drafted a revised academic freedom policy to be included in the Faculty Policy Manual. This policy clarifies and details how the principles of academic freedom will be expressed at NNU. In developing this new policy, participants have engaged in healthy conversations about the theological and disciplinary boundaries around academic freedom, aiming to make the definitions much more clear. In this policy, academic freedom has been closely tied to the principles of shared governance, and clearly expresses how the institution itself, faculty members, and all members of the NNU community enjoy academic freedom for the common good. The draft policy also includes a grievance process to clarify how complaints will be dealt with if conflicts arise. It is anticipated that this policy will be considered for recommendation by the Shared Governance Task Force in October 2017. Once recommended, it will then be considered by the Faculty Policy Council and the faculty as a whole. Since this policy is an amendment to the Faculty Policy Manual, it will be subject to the approval of the university president, which we anticipate will occur during fall 2017.