

Presentation by Jeffrey Straits of Wesley Theological Seminary
Applicant for Zoning Hearing, Case No. 05-40B
July 14, 2016

Chairman Hood and Members of the Commission,

Good evening. I am Jeffrey Straits, VP of Finance and CFO at Wesley. Thank you for this opportunity to speak to you about Wesley Theological Seminary's request for modification of our approved 2012 campus plan. As noted in Exhibit B of our Applicant's Prehearing Statement, our President, Rev. Dr. David McAllister-Wilson could not be with us tonight, as he is teaching in our Doctor of Ministry program in Moscow. In his absence, I have been asked to provide you with some background information related to the Seminary and the critical importance of the requested modification to Wesley's sustainability in its current location.

Wesley Theological Seminary has been in our location in Spring Valley since 1958. We strive to be a good neighbor and community partner to our surrounding neighborhoods. We provide green space for neighborhood use and establish a landscaped buffer between our buildings and the surrounding residences.

Wesley's activities at our main campus serve two basic educational programs: Masters and Doctor of Ministry or DMin. I will provide some background on each of these programs.

Our Masters program is by far our largest program and only program where students are potentially on campus year round. Wesley's master's student population is a diverse group. Age's range from the low 20s to over 70, with students from 20-29 represent 33% of the master's students and 54% are 39 or younger. Gender is reported as almost equal and the masters students are 48% ethnic minorities. Diversity also continues into religious affiliation with 28 denominations represented in the FY16 masters class.

The masters degree program has three degree types: Master of Arts (36 hrs), Master of Theological Studies (60 hrs) and Master of Divinity (81 hrs). The Master of Divinity degree is the degree for students who are interested in continuing on to ordination in their denomination and is the most popular, with 67% of the masters students enrolled in the MDiv degree. The remaining students are split evenly between the other two degree types.

As shown on Page 3 of our Prehearing statement, our fall masters course student headcount has decreased from a peak of 569 masters students in FY2007 to 427 in FY2016. For the current fiscal year (fall FY2017), we are projecting a masters student headcount of 400 to 415.

Our Doctor of Ministry degree is a 30 hour program with a final project seminar requirement. The course work is completed in two week intensive course sessions, with normally two sessions per year. The DMin students are separated into tracks based on the focus of their DMin program. Some examples of the most popular tracks include: Leadership, Global Asian, Military Chaplains, Public Engagement and Church Renewal. Some of the courses are held on Wesley's campus during holidays or breaks for Master's students. Other courses are held in various locations. Global Asian courses have been held in Korea, Vietnam, Russia, Africa and other far-east locations. As another example, our Church Renewal track is located in Cambridge England.

Enrollment in the DMin program has not declined as much as the Masters programs. This is due to the continual work in developing track focuses that align with the needs and interests of pastors. The DMin programs highest fall student headcount was 188 in FY2010, with a decline to 150 in the fall of FY2016.

As you have heard, Wesley's student headcounts have declined since the recession of 2008. Unfortunately it isn't just Wesley who has had these decreases in seminary enrollment. Research by Barbara G. Wheeler and Anthony T. Ruger of the Auburn Center for the Study of Theological Education in their report entitled "Sobering figures point to overall enrollment decline" discussed the overall decrease in seminary enrollment.

<http://www.intrust.org/portals/39/docs/it413wheeler.pdf>

Following are a few excerpts.

- "A shrinking population is the most corrosive problem a school can face. It inflicts financial damage on campuses that rely primarily on tuition payments, and even schools with generous endowments find that undersubscribed courses dampen the morale of faculty, staff, and students"
- "In the forums where the leaders of theological schools meet, there is candid conversation about enrollment problems: lower student headcounts and decreasing full-time-equivalent (FTE) enrollment numbers, especially in longer programs like the master of divinity. At the same time, presidents and deans report some good news: Their schools are attracting excellent students, including, in some schools, a growing number of recent college graduates..."
- "What factors drove growth and then contributed to decline? No one knows for sure. Growth occurred when evangelical groups were expanding and becoming a majority presence within the theological school community. Today all religious groups, including evangelicals, are losing strength, and seminary enrollment patterns track this change rather

closely. Broader social forces and trends may be in play as well, such as economic constriction and changing patterns of participation in higher education.”

Our only new construction since the build out of our campus in the late 1950s was our New Residence Hall, which was occupied in August of 2013. This new modern dormitory was needed for a number of reasons. The most important reason is our students coming to Wesley from undergraduate programs, were demanding a modern dormitory with central HVAC and modern amenities. Our major competitors have modern dormitory facilities and in order to maintain competitiveness for our new students we needed to provide these accommodations. Our other main reason was modernization of our central plant, in particular moving to a centralized chiller plant and cooling tower to provide chilled water to our new dormitory, as well as our existing library and administration building for air conditioning. We have experienced utility savings from chiller, cooling tower and central plant operations of approximately 40% since the installation of this new equipment and elimination of two old standalone chiller and cooling tower installations and accompanying equipment.

After completing the new residence hall in August of 2013 we were able to fill it to 100% occupancy with Wesley students in FY14. With the exception of commuter students needing overnight rooms, demand for Straughn hall from existing students was basically non-existent, as they were attracted to the new facility and its modern amenities. We continued to use Straughn hall for some of our DMin students, who were on campus during our winter and summer breaks.

The decrease in student enrollment in FY15 and FY16 were especially difficult for the Seminary, as we had hoped that the FY14 enrollment growth would continue. Wesley is a tuition, room and board revenue driven school. In our current budget, we are projecting that 54% of our revenue will come from tuition (41%), room (12%) & board (1%). Because of this, any change in enrollment has a large impact on our revenue for the year, with limited change to our expenses.

To further our sensitivity to changes in enrollment we do not have the level of endowment funds that many of our competitors have. The small size of our endowment fund prevents us from having the ability to draw higher levels of endowed funds to cover our deficits, as some other schools can. Perhaps more importantly though is how our small endowment has hindered our ability to attract some new students. In the recruiting for this fall's incoming class we were surprised when some of our competitors with large endowments greatly increased offers being made to new students. One of our competitive schools was offering full tuition, housing, meal plan, moving reimbursement and a cash stipend for selected new MDiv students. Unfortunately we cannot compete with these types of scholarship packages and we lost some incoming students that we believe were interested in attending Wesley.

Due to the competitive pressures for new students, our incoming FY2017 class is smaller than we had planned for, causing our new residence hall to be projected to only be 80% – 85% full this fall and tuition and related revenue lower than projected.

Due to the reduced tuition and related services income, as well as reductions in some other revenue streams, we were not able to balance our budget without cuts in expenses. Wesley has gone through multiple rounds of expense cutting and currently has a freeze on all open positions. To produce additional revenue for the Seminary we began leasing open Straughn dormitory rooms to AU graduate students in 2014. As part of this process we verified enrollment with AU, ran background checks on all potential residents, had the graduate students agree to Wesley's housing agreement and student covenants and pay deposits for room leases. The students are not allowed to have automobiles on Wesley's campus. The AU graduate students are allowed to use the library, mail room, computer lab and participate in many of the Wesley student events on campus. They have been well integrated into campus and some students even attend our weekly chapel services. Wesley provided two resident managers for these students. Our office of Student Life has reported that there have been no dismissals of the AU grad students from housing for disciplinary reasons.

In our current budget situation for FY17 and moving forward without the revenue received from the graduate students in Straughn hall, the seminary would most likely be forced to institute a major reduction in force, suspend all salary increases and suspend 403(b) retirement plan matches. The reduction in force would be very detrimental as it would affect our ability to provide the level of service to our students that we feel they deserve and need, which in turn would further decrease our ability to attract new students and retain current ones. It could also lead to a spiral of lower enrollment and a worsening financial condition.

We are an extremely small administrative team at the seminary and we do not have any legal counsel on staff. As noted in Rev. Dr. McAllister-Wilson's letter (Applicant's Prehearing Statement – Exhibit B) we were not aware of the need to amend our campus plan when we began offering space to AU graduate students. We however should have been aware and consulted with our neighbors and the Zoning commission. We regret this error and offer our apology to our neighbors and the Zoning Commission.

Wesley continues to comply with our enrollment, employment and housing caps. We want to continue to be a vibrant school of theology on our current location in Washington DC and ask for prompt approval for the requested limited modification to the 2012 campus plan.

Thank you for your time.