FIXER ★ UPPER

Attempting An Extreme Makeover of A School

Providence, A Santa Barbara Christian School

Dr. R. Scott Lisea, Head of School

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Consultants Employed:
Steen Hudson, Hudson Consulting—CAPITAL CAMPAIGN
Chuck Evans, Better Schools LLC—FINANCIAL STRATEGY
Jim McKenzie—MARKETING
Coatney West—HUMAN RESOURCES
Suzanne Elledge—LAND USE
Dan Underwood—CONSTRUCTION MANAGEMENT

The School

Providence, A Santa Barbara Christian School is the result of a recent merger between Providence Hall (Grades 7-12) and Santa Barbara Christian School (Grades PK-8). Providence Hall is only eleven years old, and Santa Barbara was the last city of its size in California to have a Christian high school. The upper school has had tremendous academic, athletic, and artistic success reflected in college admissions, cohesive curriculum, relational faculty, creative outdoor programing, athletic championships, and a first-place finish for our choir in a national competition. The successes are bigger than the school ought to produce, and that is a testament to the very excellent teachers.

Our lower school has been around since 1959, and has a long history of faithful ministry and education. It has endured many seasons and challenges. The new preschool has completed its third year, and enjoys a loyal community, even though it suffered through a major setback at the end of its second year, which continues to affect future enrollment.

The Problem

None of the schools have ever been on a permanent campus. Both campuses consist of temporary trailers, which are less durable than permanent structures, and both campuses operate under conditional use permits. The upper school campus is past its official conditional use on that site, and the City of Santa Barbara is extending some patience with us as we seek a permanent solution. Both schools need permanent buildings on a permanent site to build enrollment and tuition revenue, to reach more families, and to become sustainable. Securing permanent campuses requires the school to embark on our first major comprehensive capital campaign.

I was hired two years ago to be the first Head of School over the multiple schools. While it was clear that my main duties would include a property search and capital campaign, what was not evident through the interview process was the need for an entire restructuring of the financial model of the school. Each of these initiatives has its own challenges. Property in Santa Barbara is at a prime, and is extremely expensive. Capital campaigns almost always require prayer, weight gain, and hair loss, but the viability of the school has emerged as the greatest priority. The fact that we were structured to fail became evident to me during last year's Van Lunen summer session. Since 2008, approximately 25% of the Christian schools in the United States have closed their doors. Providence has been structured to join their ranks, and once I understood our financials it became apparent that we were going to join those schools this year unless something changed.

The merge was an attempt for both schools to strengthen, and, at least for the lower school, to avoid being dissolved. While the lower school has a long history of fulfilling its mission, it has done so on a shoestring budget, in the face of great adversity, and with a long nomadic history on various campuses which severely affected enrollment. Likewise, the upper school has had academic and programmatic success, but has done so on the frame of a insoluble financial structure. The upper school had never raised tuition in its first nine years, and was expending over 45% of its budget in tuition assistance and discounts. Most of the teachers had never had a raise, and, at least on one occasion, were instructed that the school's closure was immanent.

The Solutions

My focus during this year included creating a new model for financial sustainability, which would work along with our comprehensive campaign to purchase and develop 1-2 new campuses. During Chuck Evans' presentation, I emailed him, and invited him to come to Santa Barbara one month later for our board retreat. He agreed to take us on as a client, studied our financial realities, came to our board retreat, and worked with us to begin to construct a financial plan forward. It entailed raising tuition, reducing aid, constructing sound financial policies, communicating the school's plan, and reinforcing the board of directors to carry out our mission.

Because each frailty affects the whole school as well as our ability to move forward, I raised money specifically so that I could hire consultants to work with me in each area of concern. I retained concurrently: a campaign consultant, marketing consultant, land use consultant, construction management consultant, a contract attorney, and a human resources consultant. Each consultant is working with us to address our highest priorities. The consultants included the following:

- Steen Hudson, Hudson Consulting—CAPITAL CAMPAIGN
- Chuck Evans, Better Schools LLC—FINANCIAL STRATEGY
- Jim McKenzie—MARKETING
- Coatney West—HUMAN RESOURCES
- Suzanne Elledge—LAND USE
- Gregory Faulkner—CONTRACT ATTORNEY
- Dan Underwood—CONSTRUCTION MANAGEMENT

The Plan

The specific plan that Chuck created with us was based on the assumption that there are 3 main levers in the "new economy" of private education. The first lever has to do with price and cost, and assumes that increasing value is more important than managing cost. The second has to do with the relationship between tuition and enrollment, and makes the countercultural claim that increased tuition actually increases diversity, and does not adversely affect enrollment. The third lever is related to advancement, and assumes that gifts flow into profitable and successful schools.

These levers are reflected in our plan in several significant ways. We are creating a comprehensive plan to add value and communicate focusing on value over cost. We had a "One-derful Night" event with our families in the fall, where we shared stories of how students and families are being touched by God in our community.

Our comprehensive financial plan consists of three strategies. We created a four-year plan to raise our tuition by approximately 26%. The most recent study from NBOA

(2016) included 259 schools, and included schools of all types, tuitions, grade levels, sizes, locations, and affiliations in North America. This allowed them to explore the relationship between tuition and enrollment changes for subsets of schools – big and small schools, high price and low price schools - and still found no impact on application number, retention rates, or yield.

The second strategy is to reduce the amount and percent of overall budget that is reflected in tuition assistance. As we examined the history of the school's approach to financial aid, we uncovered several discouraging habits. The school had never managed a budget, its accounting for tuition assistance was inaccurate, and the amount of tuition assistance was so far out of the norm as to boggle the consultant, which is a little bit like hearing your surgeon say, "Wow!" when looking at your x-rays. Our enrollment next year does not appear to be affected by this year's largest tuition raise in our history.

The third strategy is to reduce the amount and percent of budget from "founders gifts" (major gifts) that are used for our operating budget. The school has been structured so poorly in finances, that over half of the income has come from major gifts. One on hand, the sheer amount of money that this little school has brought in is impressive. The fact that the school has had to use it to "keep the lights on" is mind-boggling.

Conclusion

This entire process has caused us to better handle enrollment, take a look at our admissions yield/retention, therefore moving to a Strategic Enrollment Management model and an Enrollment Management structure to support the value of our school. The jury is out as to our ability to survive turning the ship around. If we close on a property, then I have a high confidence that the campaign will allow us to make it through the transition. As of the writing of this paper, we are in escrow and permitting process on a campus for our Upper School, but are at the mercy of municipal government as to its completion. We are negotiating with the church that hosts our Lower School campus, and are making slow headway. We are in the quiet phase of a $25M campaign, and have raised $5.7M in cash and pledges to this point, and are waiting for more significant requests after securing properties. The longer that those properties are not identified the more eminent the threat to our financial plan and survival. I believe that we are pursuing the only path toward sustainability.