



January 28, 2023

WASC Senior College and University Commission  
1080 Marina Village Parkway  
Suite 500  
Alameda, CA 94501

Dear Commissioners:

We are grateful to the WSCUC Commission and to our peers in the review team led by Dr. Hall and Dr. Tang for the partnership in our shared commitment to excellence in education and mutual learning. The work of accreditation and assessment is always important, but this kind of peer evaluation is particularly invaluable during such a demanding moment in higher education.

We greatly appreciate the visit team's commendations in recognition of PSR's considerable progress since the last reaccreditation visit in 2016. PSR is shaped by strong and clear mission alignment, student satisfaction and academic progress, leading edge innovation, and increased diversity at every level of the school. In order to resource our shifting programming and tend to the increase complexity in higher education, we have built a strong internal team and engaged key outsourced providers. Meeting our double bottom line has met matching our mission fulfillment with improved financial performance. Our financial progress is succinctly captured in the nearly doubling of our primary reserve ratio from 1.62 in FY2015 to 3.45 in FY2022. We have been able to strengthen our financial position by diversifying revenue sources, nearly doubling our endowment, stabilizing tuition revenue, and aligning our campus facilities with our evolving mission. We are on target to eliminate deficit spending in this coming fiscal year. Given these key indicators, we value the visit team's assessment that PSR meets all the standards of accreditation and look forward to answering any further questions as the Commission evaluates the team's conclusion in this regard.

PSR is committed to continuous improvement and ongoing strategic planning that is responsive to the shifting realities at the intersection of higher education, faith communities, and social change. We are glad that the recommendations from the visit team align well with the key priorities we have identified in our strategic plan, particularly around remote instruction, continued enrollment growth, and improved assessment.

**Remote Instruction:** Having effectively pivoted during the pandemic to provide remote instruction, we have made strides towards ensuring excellence in concurrent instruction. We must now continue to make similar progress towards full regulatory compliance with the changes this adaptation has demanded. All of our courses are now offered in a concurrent modality, with students having the choice to participate in person or remotely in a



synchronous course. We received approval for fully remote instruction from our professional accreditor, the Association of Theological Schools on June 9, 2022. We pursued the same approval from WSCUC in November 2021, but learned during the team's visit that we had not submitted the right paperwork. We are following up again with the office responsible for sub-change to request some clarification on the process, but plan to submit the necessary application in advance of our meeting with the commission in February.

As recommended by the team, we have begun the process of ensuring full compliance with state authorizations by engaging Educational Advisors (<https://www.educationaladvisors.com/>) to implement the process. We plan to have obtained all the needed authorizations by the end of this current semester. In addition, we have identified staff time and processes to ensure continued compliance as new students join our programs or current relocate during their program.

**Enrollment Growth and Tuition:** As we stated in our institutional report, the COVID-19 pandemic, together with a tectonic shift in the religious communities we serve, resulted in major changes to the way students pursue their education at PSR. The innovation in our curriculum and investment in marketing and recruiting has resulted in first stabilizing our unduplicated headcount enrollment—we stayed around 120 students between FY19 and FY22. This level of stability was very significant given more than one decade of enrollment declines prior to that period. A further sign of progress is the nearly 20% increase in unduplicated headcount from last year to this year, with 145 students taking courses this academic year.

	2018-19	2019-20	2020-21	2021-22	2022-23
Headcount	122	115	129	122	145

As the team noted, our total credit hour enrollment has been slow to recover in spite of growth in headcount. A persistent challenge has been that student engagement across the sector of theological education continues to shift from primarily full-time to primarily part-time enrollment. Additionally, we have seen growth in the percentage of our student body who is enrolled in our Doctor of Ministry program, which requires significantly fewer credit hours than our Masters of Divinity. This has created more volatility in total credit hours each year. To respond to that reality, we regularly revise our projections on tuition revenue as part of our budgeting and forecasting and closely manage our tuition discount. This approach has helped us ensure we meet our tuition revenue projection each year.

	2018-19	2019-20	2020-21	2021-22	2022-23
Credit Hours	1556	1507	1535	1269	1380
Net Tuition	650K	626K	735K	678K	750K*

\*Includes projected 2023 Spring semester tuition



**Assessment:** A significant strength in the expertise of the visit team was around assessment, with two of the team members' work and experience being specifically focused on this area. We appreciate the team's recommendations to complement our extensive indirect assessment processes with more direct assessment. We have already begun to implement their recommendation as the Faculty Development Committee and the Academic Team are establishing processes for collecting and assessing key artifacts of student work across programs. Working closely with Dr. Diandra Erickson, Associate Dean of Teaching, Learning, and Assessment for our consortium at the Graduate Theological Union, we are developing a more consistent assessment program informed by the team's recommendation and reflective of the size and nature of our institution as primarily a graduate program.

In response to the team's concern—expressed several times in the review—we want to restate that we are in the process of conducting a full program review. We regret the fact that we were unable to effectively communicate to the team our process for program review. While the last full program review was conducted in 2015, we were unsuccessful in communicating the extensive evaluation of our programs we have conducted in the interim. As our professional accreditor, ATS places significant emphasis on program assessment within the field of theological education. Therefore, we considered the reaccreditation process with ATS in 2017 to be an internal and external process—and the implementation of significant changes with the introduction of our stackable curriculum—as the starting point for the 5-year review we are currently conducting. The team's perspective, coming from larger institutions that are primarily focused on undergraduate education, is helpful. However, we hope the commission will appreciate the on-going review and adaptation that characterizes our work in preparing primarily graduate students for a significantly shifting educational and work environment. We have begun a full program review, which will extend through the 2023-24 academic year—following the fifth year of our new stackable curriculum—and will include an external review of all degree programs during fall 2024.

**Development:** A week after the team visit in November, we hired our new executive in development, Andrea Vecchione. Andrea brings nearly two decades of experience in higher education fundraising. With her arrival we have a full internal team in place. Andrea and her team will build on the success of the last few years, where we have met and exceeded our fundraising goals each year. The school's significantly improved financial position and recognized innovative programming has resulted in significant philanthropic investment in the last two years. This is evidenced by the receipt of the largest foundation and individual gifts in the school's 157-year history over this last calendar year. In addition, we have been working for almost two years with an outside consultant, Phoenix Philanthropy Group (<https://phoenixphilanthropy.com>), to assess our readiness for a campaign and to articulate both goals and the case for support as we move forward. Allocating the needed resources for the next phase of this engagement will be part of our budgeting process this spring. We are

currently negotiating the cost of the next phase of campaign counsel with Phoenix Philanthropy Group and the board will be discussing allocating cash reserves towards this important project.

While we appreciate the visit team's insights and recommendations, we do want to share with the commission our disagreement with some of the conclusions included in their report regarding planning, monetization, and capacity.

**Planning:** We must confess to be perplexed and somewhat frustrated with the visit team's statement that, "Leadership was not able to articulate a clear plan for operational objectives, evaluative metrics, monetization strategy, enrollment, and marketing." We provided the team with detailed planning documents and a clear articulation of our adaptive approach to strategic planning. Our progress around innovation, finances, institutional culture, and enrollment provides evidence of the effectiveness of our approach. Perhaps the team was expecting a more traditional 7-10 year strategic plan best suited for continuity. As we stated in our institutional report and following documents, theological seminaries like PSR sit at the intersection of three systems in significant transition: higher education, religious communities, and social change organizations. Our adaptive strategic planning process has brought about results. More importantly, we believe this approach is best suited to the kind of innovation—rather than simple preservation—that we understand is needed to achieve our double bottom line of mission fulfillment and financial wellbeing.

PSR is led by an experienced executive team. We have spent our careers—from 25 to over 40 years—in higher education. Given the size of our institution and our personal approach to leadership, we work very closely together as do our teams. We take seriously the team's recommendation to ensure greater systematization of our data collection and reporting and have incorporated those recommendations into our planning. However, we also want to emphasize that the way we approach institutional research must be guided by the size of data samples and the integrated approaches of our work.

**Monetization:** The team's specific concern about monetization focused on our work with Ignite Institute. Ignite Institute has been our "skunk works." We have experimented with various delivery and monetization models. Each "minimum viable product" has been tested and the insight has guided our planning and adaptation. Two weeks before the team's visit to campus in November, we were delighted to receive a \$5M grant from Lilly Endowment Inc. to support Ignite's innovative work. This significant grant provided both an affirmation for our work as well as the necessary resources to fund it over the next three years. Grants this size are by no means common in our field. In order to attract such a significant investment, our concept and proposal needed to be selected from hundreds of entries across the US and Canada. A key factor in the selection was ensuring the sustainability of the project beyond the

grant. As evidenced by the receipt of the grant, the reviewers found that our proposal clearly articulated our monetization plans including earned revenue (from membership fees, coaching, and organizational contracts) as well as the value it would have in strengthening our ability to attract students into our graduate programs.

Ignite Institute and the development of the ecosystem platform is the culmination of several years of experimentation, partnership, and collaboration at PSR. PSR has invested significant resources in research, human resources, and innovation in piloting elements of the ecosystem platform through Ignite, to create a groundbreaking and interactive platform for the preparation of spiritually rooted leaders. In response to the learnings from our initial phases, Ignite Institute's overall strategy shifted from an on-line cohort, certificate program revenue model, to the development of a membership platform. Concurrently the business model strategy shifted from purely earned revenue to earned revenue plus a capital-supported model. This was the proposal we made to Lilly Endowment Inc. While this shift in strategy will result in Ignite not meeting the original 4% earned revenue in 2023, income for this area will be more than replaced by the resources from the grant. The \$5 million grant from the Lily Endowment in October 2022 has allowed PSR/Ignite to accelerate the development and full implementation of this platform in three years (2023-2025). This opportunity required a redirection and focus of Ignite's efforts towards the development and execution of this project. A strong business strategy and financial model has been developed for administering the development phase and subsequent years to follow. The table below captures the projected growth for the platform to become self-sustaining following the end of the grant period through a three-tier membership model:

	Grant Period			After Grant	
MEMBERSHIP	2023	2024	2025	2026	2027
Basic	200	300	350	500	750
Full	100	120	500	1,000	2,000
Premium			100	200	300
	<b>300</b>	<b>420</b>	<b>950</b>	<b>1,700</b>	<b>3,050</b>
REVENUE					
Basic (\$9/month)	20,000	30,000	35,000	50,000	75,000
Full (\$40/month)	50,000	60,000	250,000	500,000	1,000,000
Premium (\$180/month)	-	-	200,000	400,000	600,000
	<b>\$ 70,000</b>	<b>\$ 90,000</b>	<b>\$ 485,000</b>	<b>\$ 950,000</b>	<b>\$ 1,675,000</b>

We would expect income to increase as the program matures. Because of the inherent scalable components of the ecosystem platform, a more extensive network of partners and the life-long learning journeys of participants will result in extended customer lifetime value. We are confident that the shift in strategy funded by the Lilly Endowment Grant will ultimately drive



more revenue, mission-fulfillment, and growth opportunity for PSR than previous projections built on the traditional models first assumed. The full proposal to Lilly Endowment Inc., which contains a fuller articulation of Ignite's financial plan, was provided to the team and can be found in our reaccreditation materials.

**Capacity:** At various points throughout its report, the team raises concerns about PSR resources to achieve our stated goals. Each institution must find the right balance between investment and available resources. We respectfully, but strongly, disagree with the committee's conclusion regarding "Realistic Plans for Any Deficits" (page 28). That extended paragraph calls into question PSR's ability to deliver on its commitment to reach and remain at breakeven operation and respond to potential future deficits. The last couple of years have certainly tested every educational institution's ability to project and achieve its goals. However, as our institutional report and follow-up materials provided to the team fully capture, we have demonstrated our ability to achieve the goals we set and significantly improve our financial positioning. We stopped the practice of borrowing against the endowment to fund deficits, repaid previous borrowing, reduced the draw rate, and nearly doubled the endowment. The board set aside funds from property sales to set up an innovation fund which has covered any deficit spending in the last few years. We are on target to eliminate deficit spending this coming year. Also, we have clearly articulated plans and resources in place around the areas of concern raised by the committee.

- **Development:** As stated above, we have a strong development team in place, including a new executive, and have earmarked time in the schedule of the president and executive leaders of the centers to ensure proper attention to development. We have already been working with Phoenix Philanthropy Group, a well-established and successful fundraising consultant in higher education, for two years. Their work has been focused on helping PSR strengthen its fundraising systems and capacity and setting goals and priorities for a campaign. As we prepare next year's budget, we are finalizing our contract with them for the next phase of their contract.
- **Human Resources:** Our decision to outsource our HR function was not guided by cost-savings as understood by the team, but rather in order to deepen the expertise provided. We identified CliftonLarsonAllen (<https://www.claconnect.com>), one of the leading outsource providers in higher education, for this partnership based on an extensive RFP process and guided by the integration with other services they provide us. The cost of outsourcing HR is similar to what it would be to provide it internally, but it provides deeper knowledge and continuity. Contrary to the conclusion the team arrived at, policies are regularly reviewed and updated to be compliant with all regulations, particularly those of our home state of California. Our staff manual is undergoing its regular 5-year review, which will be completed this coming spring, to incorporate the changes in policies. We annually review our contract and services with CLA to address the kinds of concerns articulated by the team.

- **Cybersecurity:** We are unclear about how the team arrived at their determination regarding insufficient safeguards around cybersecurity, since we do not recall conversations with them regarding this concern. Five years ago, driven in part by concerns for efficiency and cybersecurity, PSR moved its IT operations fully to the cloud and engaged Endsight (<https://www.endsight.net>) to provide our outsourced IT. As we move into our new platform with Ignite, we are working closely with Endsight as we integrate the platform through a Software As A Service (SAAS) model with Mighty Networks (<https://www.mightynetworks.com>). Cybersecurity was also among the key features we were looking for in identifying a SAAS provider, and Mighty Networks meets and exceeds those safeguards. The document that guides implementation of our platform—including in the proposal funded by Lilly Endowment Inc.—earmarks funding for addition of in-house technical expertise to manage the integration.
- **Deferred Maintenance:** We are keenly aware of the need to address deferred maintenance. This is most clearly evidenced in our audit reports, which show that we have cut the age of our plant by half from 44.69 years in 2015 to 19.07 years in 2022. We have accomplished this guided by the work of our board-appointed Property Task Force and has included the sale of buildings we no longer need and investing significantly in those we are retaining. The remaining deferred maintenance is concentrated in two of our buildings. As we shared with the team, the board's Property Task Force is currently engaged in a process to determine improvements in these two buildings. This process will be informed over the next year as we gain more clarity about the future programmatic needs for our plant and advance conversations with potential partners interested in leasing space from us. It would be unwise to move forward with improvements without that further clarity. We are not alone in this process given the impact of the pandemic on educational models and hybrid work patterns across the country. Funding future improvements will include a mix of existing resources (the board has retained funds from the sale of property that the board could elect to use for this purpose), fundraising (we are preparing a comprehensive campaign that will include some capital improvements), partnerships (two previous projects were funded by partners that now lease those spaces and we are in conversation with various potential leasing partners), and borrowing (currently we have no debt of any).
- **Resources for Growth:** The team expressed concern that we have not sufficiently planned for growth in allocating resources as our five-year projection remains fairly flat. The reason for this is that we have front-loaded capacity in the areas that drive growth. Over the last few years, we engaged in a long-overdue process of realigning resources. A trend away from a primarily full-time residential student body towards a mostly part-time and hybrid approach to education was accelerated by the pandemic. To respond to that change, we shifted resources away from operating a large residential campus towards greater focus on hybrid models of education, development, enrollment and marketing, and earned revenue and increased visibility through Ignite. This shift has also positioned us well to attract stronger philanthropic investment as demonstrated by our performance in development in



the last two years. In addition to maintaining a strong investment in faculty and academic support staff and the strengthening of the development staff articulated above, we have also dedicated nearly 30% of our budget to two key areas of growth:


	2016 FTE	2023 FTE	2016 Budget	2023 Budget
Enrollment and Marketing	2.5	5	366,987	747,777
Ignite Institute	2	6.5	304,152	1,104,637

The accreditation process has been instrumental in helping us gain perspective on our progress as well as focus our attention on areas that need further improvement. We appreciate the way this partnership has helped us track our course as we navigated the demands of the last several years and come out with a clearer articulation of our mission to be unafraid, a reimagined graduate program that better responds to the needs of our students, and a bold vision for a distributed network of partners on campus and online.

We look forward to the opportunity to answer any remaining question in these final steps of the reaccreditation.

Respectfully,

  
Rev. Dr. David Vásquez-Levy  
President

  
Dr. Susan Abraham  
ALO, VP of Academic Affairs and Dean