

Opening Statement
Maine Maritime Academy Town Hall Meeting
Dr. William J. Brennan
President
November 18, 2015

In April 2011, in my State of the Academy report, I outlined a course of action to address three principle areas: People, Places and Things. Under each of those categories, I laid out a plan to address certain concerns brought to light during the President's Sustainability Project which took place during the preceding year. I am half way through my fifth year as president and I believe that significant achievements have been realized on the issues you brought to my attention.

As I've mentioned in the past, the academy that I saw when I became president had attributes of a state agency and was operated with a command and control management approach that was more consistent with its foundation and regimental tradition. That was not a model that would enable a contemporary college to thrive well into the future. I hope that you have been able to see that over the past few years, I have been very methodical in addressing what I consider to be pressing needs, including changes in the senior leadership and organizational changes.

We all know that we must manage with the resources that we have available, and that is why I reorganized the Department of Finance and Administration back in 2012. I felt that the span of control was greater than was appropriate for one division at the time. With the changes that have been made since then, I can now right size the organization more appropriately to the scale of this college to capitalize upon the strength of its fundamental mission, to prepare young people for careers in the Merchant Marine.

Today I want to share with the full community two important organizational directions the Academy intends to pursue as we seek to optimize the structure of the institution and ensure its fiscally sound future. Both of these initiatives have been developed through a deliberative, iterative process with the singular goal of optimizing our position for success in a constrained environment. You have undoubtedly heard something about each of these, and I want to make sure you have the full and complete picture as it currently stands, as that is part of upholding my commitment to you that MMA be governed through processes that are inclusive. The two initiatives are a restructuring of portions of the reporting organization, and an exploration of establishing a comprehensive Offshore Technology and Ocean Safety Program and its relationship to our budgetary outlook.

Last week, I addressed the Academy Council concerning key organizational changes I am implementing including: the elimination of the Vice President for Operations position and the Division of Operations, with a realignment of the functional units presently located there. I am renaming of the CFO position to Vice President for Financial and Institutional Services. And, I am making clear that Dr. Gardner's position is that of Vice President for Academic Affairs and Provost by elevating the Associate Dean to Dean of Academic Affairs and the Associate Dean of the Loeb-Sullivan School to Dean of the Loeb-Sullivan School. The Director of Research will

continue to report to the Vice President for Academic Affairs while we refine the position announcement and consider further where it would be best located within the organization.

The maritime education component of the Academy, and specifically that which is articulated in federal law and statute would benefit from realignment within our organization and doing so would enable the realignment of other functional units to make for a more balanced, efficient and effective organization. With this in mind, I am establishing a new position called Dean of Maritime Education & Commandant, who will dual report to the Vice President's for Academic Affairs and Enrollment Management.

Within the new organization, several departments and offices are being realigned as follows: The Waterfront, the Training Ship, the Regiment, the Director of Offshore Programs and Continuing Education will report to the new Dean of Maritime Education. Because a primary responsibility of our Department of Campus Safety is the safety of our students, that department will now report to the Vice President for Enrollment Management. By the way, we have posted to the portal the new Campus Emergency Action Plan. I urge you to familiarize yourself it and I also ask that if you have copies of the previous Campus Emergency Management Plan that you return those to Campus Safety.

And then lastly with respect to the reorganization, several institutional functions will report to the Vice President for Financial and Institutional Services including Information Technology, Facilities and Human Resources. By year's end, the net effect of what I'm doing is contracting and flattening the organization, eliminating two leadership positions and creating a new Dean's position. This new organization looks like the structure on the screen, which will also be posted on our portal after this meeting.

I have said before that I believe a contemporary college should be managed with a shared governance approach, where decisions are taken at the level of the organization with the most pertinent information, and that is not always at the top of the hill. In fact, given the complexities of this college, I believe that the best management approach is one that is collegial and collaborative and that is the kind of institution I am attempting to build here.

Over the past couple of years since it was established, the Academy Council has assumed a significant role in the management of the college, including policy formulation, budgeting and strategic planning. The planning process we have developed is not static, bound in a notebook and sitting on a shelf as is so often the case. We have adopted a process engineering approach to our planning that will continuously review, as part of an ongoing cycle of planning, programming, budgeting and execution, where we stand relative to our plans. We validate on an ongoing basis the plans that guide us and we modify as necessary our approach to ensure that we are improving continuously.

As mundane as departmental planning may be to some, it is something that we all need to involve ourselves with to ensure that we appropriately and contentiously allocate and use our limited resources. And to be involved means to be informed, which is why I have worked to develop an open and transparent budget process; a key and necessary aspect of effective collaborative management. We have a process that becomes stronger each year and one that

enables open assessment of various priorities and candid discussion about their merits relative to the overall mission of the college.

In thinking about what I would say to you today, it occurred to me that as open and transparent as our budget has become, there are perhaps some of you who just haven't seen the information for one reason or another. So I thought it worthwhile as we begin the fiscal year 17 planning process to share with you the information you may not be getting elsewhere. Specifically, I'd like to provide a clear explanation of what our budgetary outlook is and why I believe that the Offshore Technology and Ocean Safety program we presented to the Board of Trustees recently is important to our future.

With this organizational realignment that I just presented, I have put in place all the necessary components that I addressed in my State of the Academy report to position the Academy to be successful well into the future, meaning that we have the institutional systems, attitude and an organization that can adapt to changing circumstance. What we don't have is the income sources to carry our current success for much longer.

In a minute, I'll present on the screen a chart that shows our income and expenses so that you can see graphically where we are financially. We are in a very sound position presently, but I'm concerned that our sources of income are static while our expenses will continue to grow. With our present budgetary forecast, we will begin running a deficit by the end of the next fiscal year. This is not something new as we have operated with a structural deficit for several years. That has been offset by adding students or increasing tuition and fees. But that approach to management is no longer sustainable. Let me explain why.

Our budget is presently \$38 million. On the income side of the ledger, 71 percent comes from students in the form of tuition, room, board and fees. Another 25 percent comes in the form of state and federal appropriations and grants. The state's appropriation continues to decline as a percentage of our budget and I believe we have tapped out our students because our form of education is expensive. So in essence, 96 percent of our income stream cannot grow. On the expense side of the ledger, however, costs continue to increase by at least 3 percent a year. Eighty percent of our \$38 million budget goes to pay salary, benefits, utilities and fees, which are structural expenses that will continue to increase as will the cost of maintenance. That leaves little more than \$7 million where programmatic change can occur meaning where we can reduce costs if needed.

What I'm concerned about is enrollment. In the past the college has adapted to address financial challenges by increasing the number of students, thus tuition-based income. We are at capacity and cannot pursue that approach. Furthermore, we are fairly sensitive to changes in the industries we support through career placement and any economic downturn in those sectors can lead to placement declines, making us less attractive to prospective applicants and our high tuition cost will cause a downward enrollment spiral.

I've already said that we cannot balance the books on the backs of our students, nor can we balance the books on the backs of alumni either, even if we can bring in \$700 thousand in the annual fund, we still need to bring in a total of about \$2.6 million a year just to break even.

My point in all this is to help you to understand why the Offshore Program we presented to the Board is so important. The program that we envision is not just a curricular matter, it is indeed a significant auxiliary enterprise that is absolutely mission appropriate and portends the opportunity to raise significant revenue to augment our operational income needs.

The program as is presently being developed includes components that will better prepare our students for the offshore technology sectors, including a new undergraduate minor. But it is also predicated upon recent changes to STCW, which will become effective in 2017, creating a significant demand for training centers to enable an estimated 1.6 million mariners worldwide to meet upgrade and refresher requirement every 5 years.

The new STCW requirements for refresher training can generate revenue that will off-set the cost for initial training of Cadets, the MMA Brand continues to grow, MMA graduates enter the industry with better training and, the Academy's structural deficit can be eliminated with the auxiliary revenue. Now clearly, this is a significant undertaking that will require the same methodical approach that I have used in addressing other needs of the college.

We will develop a business plan that will include staff and faculty analysis of existing programs, as assessment of facility needs and our present capabilities, an assessment of site and location requirements and construction cost assessments. This will require a significant fund raising effort on the scale of our last capital campaign and, as more is learned and understood about this initiative, I will keep you apprised.

My goal today has been to accomplish four things: to present to you the organizational changes I am implementing, to remind you of the important role that strategic planning plays in our success, to ensure you have information about our true financial capability and what it costs to manage the college, and to present to you why I believe it is critical that we control our costs and that we develop an auxiliary income stream through the offshore program.

Over the next several weeks and into the New Year, I'll continue to visit with you on campus, in your offices and classrooms as I've done since even before I became president and I hope you continue to share with me your thoughts about where we are headed.

Now, I'm ready to respond to any question you have about what I've presented today or any other matter of interest or concern to you.