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July 28, 2016

Chairman Greg Patterson
Arizona Board of Regents
2020 N. Central Avenue, Ste 230
Phoenix, AZ 85004

Dear Chairman Patterson,

Attached are reports on my individual performance incentives identified for FY 2016. Each represents a strategic area of emphasis necessary for Northern Arizona University to continue to meet the Enterprise 2025 goals and for the university to achieve its mission of providing access to an increased population of students.

The FY 2017 budget appropriated by the State is a step in the right direction, and this investment is critical to the continued success of Northern Arizona University with a student population comprised of approximately 70% Arizona resident students. While NAU would have been very successful under a performance funding model, had the model been funded, I was pleased to work with the EEC and the Board to propose a new funding model based on Arizona resident students to the State last fiscal year. Continued state investment based on this funding model is important to NAU's financial structure if we are to remain an institution with an emphasis on serving Arizona resident students, through various delivery models and price points, including the guaranteed Pledge tuition program which is very popular with our students and families.

Efficient management of current resources remains critically important for NAU and ABOR to continue to expand our community outreach, increase Arizona's educational attainment level and broaden the type and scope of external resources brought to this state through grants, contracts and philanthropic investments. As an accountant, I have brought a heightened level of attention to investments and outcomes at NAU. In the attached report, key efforts have been highlighted to identify organizational changes necessary to reduce costs and provide for reinvestment in key areas, including faculty recruitment and retention, capital investments, programming to meet workforce demands, and services to support an increased student population with higher retention expectations.

NAU has specifically identified serving Native American students and communities as a strategic part of our mission and it was one of the priorities which attracted me personally to NAU. I take great pride in the organizational changes we have implemented this year to increase our outreach and coordination of this effort. This performance incentive builds on last year's incentive as it is a multi-year effort which first required analysis of current programming and efforts and then an action plan. A detailed action plan was submitted to the Board in November of last year and I am pleased to report that as proposed, NAU made dramatic gains in closing the retention gap between Native American students and all other student populations in Fall 2015.

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In addition, my initial contract with the Board upon being hired in 2014 included multiple year performance incentives which I will report on in full next year as originally proposed. Inclusion of multiple year incentives has provided the time necessary for assessment, organizational changes, strategic planning and implementation/coordination of initiatives. This is critically important to a new president assuming leadership of an institution, but also to continuing presidents as we regularly identify and update goals for our leadership teams to elevate the performance and position of the institutions we lead. I have attached a brief update on my multiple year incentives and look forward to a full review of these areas next year.

The Board has requested annual disclosure of all organizations with which I am affiliated as well as any additional compensation provided to me by outside sources. Attached is the list of organizations with which I am currently affiliated. With a continued focus on my primary responsibility serving as the President of Northern Arizona University, these additional organizations enhance the visibility of NAU locally, regionally or nationally and/or help to connect the university with critical policy discussions in higher education and economic development. I do not receive any additional compensation outside of my contract with the Arizona Board of Regents.

I look forward to continuing to work with the Board, my colleagues, and the Northern Arizona University team of dedicated faculty, staff and administrators to continue to achieve great things for our individual students and the State of Arizona.

Sincerely,



Rita Hartung Cheng
President

c: Eileen Kline, President, Arizona Board of Regents
Nancy Tribbensee, Senior Vice President for Academic , Legal and External Affairs, Arizona Board of Regents

2015-2016 PERFORMANCE INCENTIVE REPORT SERVING NATIVE AMERICAN STUDENTS & COMMUNITIES

Last fall, I submitted a detailed action plan to the Board for serving Native American students and communities. This outreach plan included concrete action steps to reconfigure and reorganize NAU's Office of Diversity and Affirmative Action as well as evaluate and redesign the role of the Special Advisor to the President on Native American Affairs to expand our efforts and improve our service model. Most importantly, the Board approved metrics related to my priority for increasing Native American student enrollment and retention at NAU.

As reported in an update on this performance incentive on November 5, 2015, we met the goal to increase Native American student enrollment and enrolled over 5% more Native American students in Fall 2015 than enrolled in Fall 2014. This was a banner year for NAU and I am proud of our success in this area. Our retention rate for all entering freshman student populations from Fall 2014 to Fall 2015 was 72.5% and for Native American students it was 70.5%. From Fall 2013 to Fall 2014 these numbers were 72.7% and 61.1% respectively. We measure full-time freshman retention rates as a subgroup and from Fall 2014 to Fall 2015 we retained full-time Native American students at a rate of 73.1% compared to 74.4% for all full-time freshman students. Last year's retention rate of the 2014 full-time freshman cohort of Native Americans to Fall 2015 represented a ten percentage point gain from the previous year and an eight percentage point gain over the average of the five previous years. Given this early success on the performance metric, I committed to reporting on other critical metrics to demonstrate a continued commitment to Native American student success at NAU. In particular, continuing the trend of closing the retention gap between non-Native American students and Native American students while increasing enrollments was agreed to as an area for impacting significant university outcomes and an update to be included in this report. The retention gap between all freshmen and Native American freshmen as a percent will continue to have ups and downs as we grow. This is particularly true as we continue to expand the population we are serving.

While we anxiously await the first day of the Fall 2016 semester and the census count to provide our official retention numbers for the Fall 2015 cohort, we are pleased to see an increase in the number of students retained year-to-date although this larger cohort may create challenges in the retention rate. The YTD retention rate for our largest Native American freshman student cohort recruited to NAU is currently over 66.7% (70.6% for full-time) compared to 74% (76.2% for full-time) for all students. This current YTD number represents an increase of 18 Native American students retained over last year's retention of new Native American freshmen. Given that we increased our Native American cohort size by over 35% in Fall 2015 (from 88 students in Fall 2014 to 120 students in Fall 2015), we consider this retention number successful. We can see from the comparison that full-time enrollment status positively affects retention for all student groups with an increased positive result for Native American students. This cohort of 120 Native American freshman students at NAU in Fall 2015

represented the largest freshman cohort of Native American students in an Arizona public institution. Overall, more than 1,300 Native American students are enrolled at NAU representing 120 tribes.

Growth in Native American student enrollment does not happen by accident. Prior to the Fall 2015 semester we instituted targeted Native American student recruitment seminars for potential students and their families on the NAU Flagstaff campus. I asked our Athletics Program to take games out to the reservation to help develop a community connection through athletics, and last year we played a men's basketball game in Fort Defiance and our women's soccer team played in Tuba City. In March of this year we hosted a Tribal Leadership Education Summit to seek input on better assisting tribal communities. Tribal representatives and individuals who work with Native Americans throughout the southwest participated in information-sharing sessions on education, economic development and tribal leadership.

The Scholars Program in Native American Student Services (NASS), serving 22% of the 120 of the freshman student cohort, is a key component of our Native American student retention strategy. Ninety-five percent (95.2%) of NASS Scholars' Fall participants were retained from Fall 2015 to Spring 2016, and the YTD retention rate of Scholars participants is 73.1%. An additional 48 Native American students in the cohort were supported by NASS through one-on-one mentoring meetings. Beginning next fall, the Office of Native American Initiatives and NASS plan to develop agreements with Arizona tribes tying tribal scholarships to participation in NASS programs. Much more work needs to be done to close the retention gap between first year Native American freshman and their non-Native American peers, but with our added capacity in the Office of Native American Initiatives and the Native American Cultural Center, we are confident that the gap will be closed.

NAU continues to seek external resources to serve Native American students and Native American communities. This year's performance incentive required demonstration of my personal involvement in directing opportunities to increase external resources in support of serving Native American communities and continuing to make progress on Native American student success. These efforts are described below in my outreach and visits over the last year, but I would like to first highlight the outcome success of our efforts. Overall, new funding in support of Native American focused projects above awards and gifts as of July 1, 2015 totaled an additional \$15,782,675. These funds were secured through programs and departments across campus, including Dental Hygiene, Nursing, the Institute of Environmental Professionals, the College of Education, College of Health and Human Services, the Vice President of Research, Anthropology, and Chemistry. Competitive grant highlights include: NIH grant of \$1.4M for the Partnership for Native American Cancer Prevention, NIH grant of \$1.2M for the Center for American Indian Resilience, an EPA grant of \$1.6M for Tribal Training and Outreach Support for the American Indian Air Quality Training Program, a HRSA grant of \$650,000 for Underrepresented Medical Professionals, a Bureau of Indian Affairs grant of \$1M for Facilitating Tribal Climate Change Adaptation Planning, and \$702,000 from the U.S. Department of Education for the National American Indian Rehabilitation and Technical Assistance Training Center. On the philanthropic portion of this growth, NAU benefitted from a legacy gift from the

estate of Betty Quayle who gifted \$2.3 million to NAU to establish an endowment for Native American graduate student scholarships (\$90,000 a year). The total awards and gifts to support Native American initiatives at NAU almost doubled this year from \$8,169,440 to \$15,782,675 due to a strategic emphasis in our efforts and the significant outreach to our tribal communities.

In May, NAU submitted a proposal to the San Manuel Band of Mission Indians for \$1,000,000 to implement innovative recruitment and retention programs administered through our new Office of Native American Initiatives, the Native American Cultural Center and NASS. We hope to receive a positive review on this latest submittal this fall and I will update the Board as we receive information. I worked with the Johnson Scholarship Foundation representative to commit institutional match for their student scholarship fund that was established in the NAU Franke College of Business but not adequately performing. Philanthropy has been added to the new Executive Director of the Native American Cultural Center, Dr. Ora Marek-Martinez's, job responsibilities as she is charged with identifying and pursuing funding opportunities that will benefit Native American students and build bridges to Native American communities.

As detailed in other initiative and performance reviews, efforts in this area reflect NAU's critical need to advance beyond programs and strategies operating in a silo. Advancing a comprehensive outreach and service strategy reflecting NAU's mission to serve Native American students and communities and to integrate the spirit and practicality of this priority university-wide was necessary. A first step in adopting a comprehensive approach was to reorganize the way NAU serves our Native American students and coordinates outreach to our tribal partners. In the spring of 2016, I established the Office of Native American Initiatives (ONAI). ONAI will bring an unprecedented level of coordination in our efforts to support Native American students and their communities. Dr. Chad Hamill, formerly Special Advisor to the President on Native American Affairs, has been appointed Vice President of Native American Initiatives and will coordinate all efforts through this new office. We have also completed key recruitments and reorganizations, including the hiring of an Executive Director of the Native American Cultural Center, Dr. Ora Marek-Martinez. Dr. Marek-Martinez most recently worked for the Navajo Nation Historic Preservation Office and brings years of community building and philanthropy experience. The reorganization also includes appointing the former Executive Director of the Native American Cultural Center, Kathleen Frank, as the Assistant Director of Special Programs and Alumni Relations to create a direct link for Native American alumni. This new organizational structure, focused on coordination of efforts and collaboration across campus units, provides an opportunity to consolidate key programs across campus for efficient use of resources while maximizing outcomes. The Tribal Leadership Initiative is a new effort to provide tribal leaders with skills needed for native nation building. We are currently exploring the potential bringing the Institute for Tribal Environmental Professionals, who provide workshops and trainings to tribes throughout the US, under this umbrella organizational structure. The Office of Native American Initiatives represents my personal commitment of leadership, structure, resources and talent supporting Native Americans, giving NAU unparalleled capacity to achieve our goal to "become the leading university serving Native Americans."

A key step in our success with Native American students and tribal communities is to expand our partnerships. We are expanding our tribal outreach by reinstating the President's Tribal Advisory Board and coordinating site visits with our tribal partners. On February 29, 2016, I signed a joint Memorandum of Understanding (MOU) with Dine College. This discussion had been occurring for eight years between the two institutions and I firmly believe it took active work by the two presidents and our leadership teams to bring it together. This effort is aimed at smoothing the pathway for bachelor degree attainment at NAU in partnership with Dine College through enhanced program articulation, curriculum development, joint support of learning resources, transfer orientations for students and staff, integrated academic degree progression plans, tutoring and skill development assistance. I have also spent many hours working with the Navajo Nation leadership, President Russell Begaye and Vice President Jonathan Nez, identifying ways to partner on Native American student success, supporting both of these institutions. On August 9, 2016, I will travel to Tohono O'odham Community College to sign an MOU with Tohono O'odham Community College President Paul Robertson to similarly commit the joint resources of our institutions to benefit our shared students. Not only is coordination of resources efficient in serving students and to our bottom line, but it is critical to establishing a more cooperative network of higher education with tribal colleges.

We also look for opportunities for collaboration in research and earlier this year I signed an agreement with Navajo Technical University (NTU) to facilitate our U.S. Department of Health and Human Services, Administration on Community Living, Administration on Intellectual and Development Disabilities, Diversity Fellowships and Partnership Planning grant. This grant and corresponding agreement between NAU and NTU reflects a collaboration of knowledge, experience, skills, faculty/staff, curricula resources and technology between our institutions. NAU is providing training and leadership experience to NTU to establish a University Center of Excellence in Developmental Disabilities (UCEED), including core functions, capacity building and the developmentally disabled network. NAU will also provide forums for training and information exchange on graduate student programs whose graduates work in areas with individuals with disabilities (e.g. PT, OT, Speech, SPED, Psychology). NAU will benefit from enhanced training in recruiting and retaining Native American graduate students.

Just as a reminder, NAU is a leading university for Native American students. We are:

- First in awarding education master's degrees
- Second in awarding master's degrees in all disciplines
- Second in awarding engineering bachelor's degrees
- Fourth in bachelor's in health professions and related programs
- Fifth in physical science bachelor's degrees, and
- Ninth in all bachelor's degrees awarded to Native American students

This commitment to students overlaps into efforts to recruit Native American faculty and staff with whom Native American students on our campuses can identify and seek mentorship. Since arriving at NAU, I have spearheaded efforts to recruit Native American faculty and researchers. We recently hired Dr. Ray Austin, a retired Navajo Nation Supreme Court Justice.

Dr. Austin will be teaching in our Applied Indigenous Studies program on Navajo courts and tribal governance. Dr. Julie Baldwin continues to build her outreach to our tribal partners and I have committed to launching a Center for Health Equities Research, specifically related to Native American communities. Dr. Emily Cope joined NAU working directly with Dr. Paul Keim on genomics and physiology of pathogenic microbes. In our newly created School of Informatics, Computing and Cyber Systems (SICCS), Dr. Delbert Willie will be joining NAU and bringing his expertise on applied electromagnetics, RF microwave engineering and signal processing.

When Dr. Chad Hamill joined the President's office, his first charge was to use his background to better coordinate our Native American programs at NAU. Dr. Hamill was instrumental in highlighting the need in NAU's Admissions Department for Native American-specific recruitment materials and methods, leading to two positions dedicated to recruitment in Native American communities and Native serving schools. During the 2015-2016 academic year, this Native American recruitment team attended over 200 recruitment events (including high school visits and college fairs). The Native American Recruitment Activities group, comprised of staff and faculty from across the campus, is a direct result of this renewed emphasis on Native American recruitment at NAU. We are also working with deans and directors to collect data on all Native American serving programs at NAU. When faculty return in the fall, data will be compiled to identify areas of coordination that can best serve our Native American students and partners.

I am pleased to report that we are making significant progress on the action plan which has resulted in increased student recruitment and retention and the expansion of our partnerships with tribal communities.

2015-2016 PERFORMANCE INCENTIVE REPORT NAU ORGANIZATIONAL EFFECTIVENESS INITIATIVES

At the close of last fiscal year, having served as President of Northern Arizona University for a full year during a time of significant state divestment, I proposed a performance incentive based on developing increased areas of efficiency within NAU's operating systems. This was necessary for the fiscal health of the institution as it existed at that time and is critically important to NAU's future in achieving the Enterprise 2025 goals.

As identified when this performance measure was proposed, Northern Arizona University grew very quickly over the previous decade and was also at the forefront of several new initiatives, including expanding its research portfolio and advancing new educational delivery models, including competency based degrees. As I have previously noted, the accomplishments of NAU during this time of rapid enrollment growth and weathering of the great recession is a testament to the faculty and staff dedication. NAU has, however, continued to operate like a small university in many of its business practices, despite the fact that in over one-half the states in this nation, it would be the largest university in that state. Our continued success is highly dependent on developing systems and processes which streamline our work and eliminate outdated or bureaucratic processes while focusing on accountability.

With these priorities in mind, I am happy to update the Board on the significant progress that has been made in this area. Several of these items have been highlighted during regular reviews of assignment.

One of the most critical priorities for any CEO is the establishment of a dedicated leadership team with expertise in their own areas of responsibility and commitment to the overall efforts of the organizational mission and goals. As was reported in my last performance report, much of my first year included replacing individuals who retired or returned to faculty early in my administration. Critical leadership positions were filled and much of the team was developed in that first year, consistent with the structure that was in place. This second year has included retirements and relocations which have led to strategic reorganization of several key units and functions. These reorganizations include consolidating budget and finance under a single vice president for a CFO model of leadership. This is consistent with my colleague's structures and therefore allows for more collaboration and reduces confusion. Most importantly, my Vice President for Strategic Planning will be providing budget recommendations and have a staff of direct reports responsible for details on revenues, expenditures and overall university data. This restructuring allows for the consolidation of other functions including oversight of all facilities under a single vice president, a position for which we are currently advertising. This position's oversight includes the Flagstaff Campus, no matter the purpose or operating revenue source, as well as leases and facilities off the Flagstaff Campus including the Phoenix Biomedical Campus, commercial leases and office/classroom partnerships with community colleges. Space utilization, campus grounds, parking and transportation and procurement will also report to

this single vice president. Initially, I instituted a hiring review process requiring all position postings, replacement or new positions, to go through the President, providing an opportunity to discuss why units are organized in historic ways and to look for opportunities to consolidate for both improved organizational performance and cost savings. With personnel representing the single largest university expenditure, I have now moved Human Resources to report directly to the President's Office. Significant changes to NAU's Extended Campus enterprise are underway and detailed below.

An extensive review of NAU's Extended Campus operations was initiated this spring. While the original justification for establishing a parallel "university within a university" is understandable during a time when faculty may have resisted the significant use of technology in distance education, this current practice has resulted in significant duplication at the university, inconsistencies in policy implementation and has not facilitated operating in the student-centered way considered a hallmark of NAU. Initial steps were taken during the budget reductions of FY2016 to move to a regional service model and close 13 NAU education sites in communities throughout Arizona. While a necessary budget reduction strategy, it was not followed up with the critical attention necessary to programming, delivery options, and student and community workforce demands in each area to move NAU's extended campus operation forward and serve the communities where we continued to reside. A committee representing units and departments across the university was tasked to review the operations and has worked on recommendations which will be implemented over the next year. These steps will include folding the functions of our extended campus operations back into NAU's overall enterprise so that all academic programs are handled in the home college and department with oversight by the Provost, all facility issues will be handled by our facilities department, and leases will go through a single contracts department, not a separate structure under a separate vice president. All technology support will be coordinated within the University IT department, not through a separate Extended Campuses unit. Incentives are being developed for colleges and departments who are innovative and aggressive in addressing student needs outside of the Flagstaff Campus and the Provost will be responsible for ensuring deans and chairs balance demands of Flagstaff and non-Flagstaff students in allocating resources. I am replacing the Senior Vice President of Extended Campuses position with several mid-manager positions under existing vice presidents in order to move forward as One NAU. A review has been started on our tuition elasticity and competitiveness regarding online programming, competency-based degree subscriptions and our community based courses. Recommendations will be presented with the next tuition-setting cycle for the following academic year. This topic has also been incorporated into my personal incentives for this next year.

Upon joining NAU, I noticed that there were various modifications to the identity and branding used throughout the university. Units of the university and its affiliates had adopted unique logos and our messaging was not following any consistent themes. While communications and marketing were organized under a single Vice President, collaboration between the units was minimal. In conjunction with the university focused rebranding efforts over this past year, I have further consolidated the marketing efforts across all units to ensure a strong linkage between all of our activities.

Information and technology services and support is a highly competitive and ever-changing field with employees in this area highly sought after and often having specialty areas. Upon arriving at NAU I learned that overall university server, software and email were centralized, but much of the direct college and program support was decentralized. What this created was a university-wide core team stretched thin, individual colleges and units purchasing software and hardware without review or consultation, resulting in limited benefits from bulk purchases and often software systems that would not talk to each other to provide comprehensive data. Over the last year we have consolidated our IT staff and hired a new Chief Information Technology Officer with extensive experience in higher education at a university that also provided dispersed off-campus learning. The new consolidated model will allow for the entire university to access IT staff with various areas of expertise and the colleges will have consistent coverage due to a team, rather than individual, approach. Initial estimates for centralizing IT purchases and taking advantage of bulk purchase discounts is about 10% of our annual expenditures in this area, or approximately \$200,000. Many new efficiencies are projected into next year allowing resources to be redirected to modernizing the IT infrastructure.

Student fee simplification was initiated this year and a first step brought to the Board during the 2016-2017 tuition setting cycle. Consistent with discussions by the Board about increasing transparency for students and families in the total cost of education, I am pleased that NAU was able to recommend eliminating 350 course fees and increase the current IT fee applied consistently to all students. In addition to transparency, this effort will result in more consistency among classroom technology available to enhance a student's education. General education classrooms are being standardized with technology rather than having a division with some colleges or programs that "have" technology and those that "have not" depending on whether program or course fee had been instituted to include technology.

On December 3, 2015, after review and consultation with an expert in the area of Grant and Contract management, retired Vanderbilt University Vice President Jerry Fife, I announced a reorganization of NAU's Office of Sponsored Programs (OSP). Maximizing grant applications and awards to increase external resources and providing services to manage those resources that exceed expectations are the expected outcome from this reorganization which combines the Office of Grant and Contract Services (OGCS) and Post Award Accounting Services and Fiscal Compliance (PAASFC). After a review of current expected workloads, the plan requires adding OSP staff both in the central office and at the college level, funded by growth in our grants and contracts revenue exceeding these incremental costs and this investment is critical to a successful in the future. The more coordinated structure under this new model includes five service teams being deployed to serve specific Schools/Centers so that faculty/staff will have all of their sponsored projects needs met by the same team. Each team has a Grant and Contract Administrator, a Post Award Administrator, a Fund Manager, and a Grant and Contract Coordinator. This new team approach is focused on better serving all faculty and staff involved in applying for and managing externally sponsored projects. This model looked comprehensively at our needs to provide a consistent model for the university and added

consistency to the teams of people working on contracts with specific colleges. The addition of a clear “who does what” for each step of the process has been developed and is on the NAU grants and contracts website to help faculty and staff involved in this process. This project remains in the implementation phase as teams are currently being trained and outstanding positions are filled. These positions include a report writer and data analyst to oversee the submission of grant reports and provide consistent and accurate data with a high level of data integrity. Automation has been integrated where possible to streamline and improve business processes and university reports. While metrics continue to be under development to better manage overall workflow, the areas of compliance, human subjects, safety and effort reporting have been completely reorganized to support the research enterprise.

Universities are overflowing with data! We collect data, we generate new data and we research and report historical data. We make decisions informed by data on a regular basis, and we have trained our leadership teams to do the same. This is the right direction, and awareness about the use of data has increased as the accountability measurements which use this data, and the decisions informed by this data have become increasingly high stakes. What was not anticipated during the early stages of the data-driven decision-making movement, was that leadership teams would invest in separate systems to maintain and analyze the data collected by their teams with systems not integrating well with each other in many cases. Additionally, the specific definitions on what is included or excluded when data are captured can lead to great differences in the report outcomes. NAU has had an Office of Planning and Institutional Research for quite some time and it is led by a terrific team. This group has not always been consulted in the development of data sets by individual units and teams within the university, however, and this has the potential for significant problems for optimal decision making and consistent reporting. With the addition of a new Chief Information Technology Officer and the awareness of this current void in NAU’s practices, I have established a Data Governance Committee which will be co-led by my Chief Information Officer and Associate Vice President for Institutional Research, Laura Jones. Elevating this discussion and assessing the current tools used to generate data throughout the university will allow for better planning across the university as protocols are adopted to ensure data quality and reporting consistency. This effort ties into our marketing efforts, our management of grants and contracts, our student records management and accurate measurement by all of our internal teams on progress toward their goals in a manner consistent with how the administration is reviewing progress.

As you have witnessed, NAU’s student enrollment growth has been tremendous and while this has been much celebrated, there are a number of stresses which result from sudden, large and repeated influxes of students. It is much more important to prepare course capacity in a timely manner to anticipate and address the needs of a larger number of students, as you cannot add one student here and one there at this volume, and it is important to address overall course scheduling in a coordinated manner. One key factor in this planning lies at the heart of the university’s primary purpose – to provide the educational content students seek. Timely course

capacity reviews began last spring (2016) and we continue to evaluate all dates associated with course scheduling decisions as well as student admission and enrollment dates to improve planning.

Addressing a growing student population with limited facility expansion also results in a variety of challenges. We have 18% less square feet of academic space per student today than we did in 2007. This requires us to be increasingly creative, not only with the integration of technology, but also with our course scheduling. College is not only a Monday through Friday, 8:00 am to 5:00 pm, activity for our students and it cannot be for our faculty and staff. We also cannot afford to have “assigned or preferred classrooms” which may not allow us to utilize our space in the most efficient way possible to meet our student capacity constraints. NAU has purchased a software program called 25Live, which will allow for faculty to enter a course with the number of students and identify rooms of appropriate size with a variety of open times. We are excited to pilot the implementation of this new tool this fall and plan on full implementation in the spring.

NAU’s commitment to student success has been and will remain a high priority. This is a priority for the university as we work to increase student retention through to graduation, and it is of course an individual priority for most of our students. We know that any number of issues can arise during a student’s path through college and having available support services to guide and assist students through a system that is new to many of them is important. While not part of the educational curriculum, this is one of the areas a university can positively impact a student’s personal growth into a mature, civically minded and self-sufficient adult. In 2010 NAU established University College in an attempt to consolidate a supportive, nurturing and high impact freshman year. While well-intended, this again led to a silo approach rather than a systemic and integrated system of expectations for all students, faculty and staff focused on student success. With the retirement of the Dean of University College, I had an opportunity to immediately begin to implement a coordinated approach based on best practices I have personally experienced, as well as recommendations from Theresa Farnum, a student retention and support services expert, whom NAU retained to assist in this effort. Elimination of the separate college approach as well as vacancy savings realized by combining and integrating efforts rather than duplicating predicts an annual savings of approximately \$1M. This savings can be reprioritized to other critical student success initiatives, most immediately, necessary investments to move our Honors Program into a fully defined and supported Honors College to recruit a growing number of high achieving students to join a campus focused on individualized programming and student success. Efforts around establishing an Honors College at NAU will be brought to the Board for review and consideration in September.

Finally, similar to steps the Board is taking to review its policies, I have asked my new General Counsel to review NAU’s current policies and procedures for modifications and modernization. I have also requested additional review of our risk assessments to determine where we do not have policies or standardized processes and need to them developed. One of the original areas tackled was limiting the signature authority provided throughout campus. I found that this

authority had been decentralized to a level where vice presidents were not consulted on significant purchases and I was concerned about investments that were unnecessary, duplicative, or not mission critical at a time when effective stewardship of resources is paramount. We have successfully implemented a higher level of scrutiny and accountability with individuals empowered to act on behalf of the university and have avoided delays or bureaucratic processes being added. We have reduced paper processes for many of our business practices and instituted electronic approvals, streamlining the record keeping of these approvals as well as expediting action.

I continue to review areas that must be addressed to effectively increase progress in student success, retention and completion. Many of the areas described above focus on structural, technological and staff changes needed for efficient management of existing resources in a limited resource environment balanced with a need to more effectively operate a modern university so that new initiatives or impactful practices can be appropriately funded.

2015-2016 PERFORMANCE INCENTIVE REPORT

NAU PROGRESS ON MULTIPLE-YEAR INCENTIVES 2014-2017

Northern Arizona University includes regular monitoring and evaluation of the ABOR Enterprise Metrics and adopted goals in our Executive Team discussions. This evaluation includes review of the current achievement levels, but more importantly, ongoing evaluation of the strategies involved and discussion of necessary adjustments to address shortcomings, challenges and emerging technologies and innovations to improve success. These conversations continue among the departments and units to engage the broader campus community in our goals, evaluation of challenges and celebration of successes.

Below is an update on NAU's progress on the Enterprise Metrics Performance Incentives due in final form to the ABOR in August 2017. Each area, with the exception of community college transfer students, shows a positive upward trend since the multi-year goals were established in 2013-2014 to evaluate years 2014-2017. Provided below is the 2013 starting point, the current 2015-2016 status report, and the 2017 goal established by the Board. The community college transfer student metric is highly correlated to NAU's individual performance incentive related to actively managing the growth in Extended Campuses and the effectiveness of delivering our competency-based Personalized Learning and all online programming. Information on this area is included in my performance incentive report on Organizational Effectiveness Initiatives and also further detailed in the university performance incentive report below. Additionally, this is an area of personal focus over the next year and factors included in my individual annual performance metrics. Please note that the information provided below reflects actual data available at the time of this report and in many cases does not reflect the current status for 2016. I look forward to discussing the timing challenges of providing actual data on these metrics by July 30th and evaluating the preferred course of action for a final report next year.

- Freshman retention:
 - 2013: 71.7%
 - 2016 report: 74.4% (fall 2015-FY16 actual)
 - 2017 goal: 76.5% President's Goal

- Research expenditures:
 - 2013: \$31.6M
 - 2016 report: \$35.2M (FY15 Actual) – early for an FY16 estimate
 - 2017 goal: \$39.2M/\$40.6M President's Goal(s)

- Bachelor's degrees awarded:
 - 2013: 4,513
 - 2016 report: 5,047 (FY15 actual) - early for FY16 prelim number
 - 2017 goal: 4,625 President's Goal

- Community college transfer students:
 - 2013: 2,523
 - 2016 report: 2,769 (FY15 Actual) – early for FY16 prelim number
 - 2017 goal: 3,200 President’s Goal

- Educational experience rated “excellent” in the graduating senior survey:
 - 2013: 43.2%
 - 2016 report: 43.5% (FY16 prelim)
 - 2017 goal: 43.2% President’s Goal

Additionally, progress on NAU’s individual university initiatives measured over multiple years due in final form to the ABOR in August 2017 is detailed below. These individual incentives include complex policy decisions and initiatives, not described solely by outcome data. A significant amount of university resources have been allocated to address systemic challenges in some of these areas during this second year of my administration. Organizational leadership and structure changes have occurred to facilitate a comprehensive and university-wide approach in achieving our goals. I look forward to further progress in implementation of new initiatives and structural changes over the next year to meet the goals outlined.

The Board keenly identified development and implementation of a plan to actively manage the growth of extended campuses as a multi-year performance incentive for NAU. As outlined in my Organizational Effectiveness performance report, I have assembled a cross-disciplinary and cross-departmental team to work on this issue. Leadership changes occurred as long-time Extended Campus Senior Vice President, Fred Hurst, left NAU at the close of FY16. While serving NAU to develop innovations for new initiatives, such as Personalized Learning, many of NAU’s historical partnerships with community colleges received less than desirable attention. This reduced focus was exacerbated by state budget reductions between 2008 and 2015 which resulted in the elimination of NAU’s ITV educational delivery to several remote areas as well as elimination of 13 statewide educational service sites. Recommendations from the cross-departmental team are currently being finalized for implementation during the 2016-2017 academic year and beyond. The implementation of these initiatives will require involvement and commitment by NAU faculty and staff throughout the university over a period of years, but I am excited about the direction and commitment demonstrated to date. This effort requires consistent attention to strategies, emerging markets and our relationships and the first step will be bringing on a new leader in the position of Educational Partnerships that will work with Christy Farley. The first priority of this individual is to assess our community college partnerships from the perspective of our partners and provide recommendations for changes. While we have numerous agreements and MOU’s in place, NAU’s personal touch which is so highly valued by our students, families and partners, has dwindled with our community college partners over the years and I am committed to rebuilding the strength of these relationships.

NAU’s financial stability was an attraction when I was recruited to the presidency during FY14. NAU had established a stable financial outlook with appropriate university reserves and was successfully balancing increased student enrollment and correlated necessary investments.

While the university had experienced significant decreases in state investments between FYs 2008-2011, the state had begun to reinvest through parity funding and the overall outlook was positive. Investments in the physical infrastructure of the campus had occurred over the prior 10-years, and while a continuing issue given NAU's location and growing enrollment, bond ratings, debt service payments and total net assets seemed to be in a very positive state. My first year at NAU concluded with a significant reduction in state investment-greater than the success which had been realized in the prior 3 years combined. This was a set-back to continued progress in improving the universities facility and technology infrastructure, personnel salary competitiveness and in launching critical programming initiatives. In short, immediate and focused attention to our overall financial structure was required to adapt to a changed fiscal landscape.

The NAU Foundation has a strong Board of committed individuals focused on the success of the university. I am grateful for their service and collaborative spirit in assisting the university achieve its priorities. The Foundation was engaged in its first comprehensive campaign when I joined NAU. I am pleased to announce the conclusion of that effort on-time and at goal to raise \$100 million! University presidents play a key role in securing philanthropic gifts and I enjoy working with foundations, non-profit organizations and individuals throughout the country to highlight the exciting work of NAU and our potential to expand our reach further with their help. Potential donor and foundation visits I have prioritized this year took me to Denver, Houston, Washington D.C., Phoenix, Tucson, Yuma, Sedona and Prescott Valley. Highlights of my personal effort in this critical university effort of fund-raising and friend-raising include:

- Building on an 18-year relationship with NAU, the **John and Sophie Ottens Foundation** shares NAU's deep commitment to the success of Native American students. Established in 1998, the foundation's focus is on the health and well-being of Native Americans in the Four Corner states. In 2016, contemplating the sunseting of the foundation, the John and Sophie Ottens Foundation naturally turned to NAU - with its outstanding reputation in educating Native American health professionals. NAU CHHS faculty had made several proposals for Ottens consideration for a large gift to close out their foundation, but matching priorities had not been achieved. Through the involvement of a reorganized Office of Native American Initiatives, a creative and outgoing interim dean whom I personally selected and a closing meeting with me, NAU secured the largest grant in the Ottens Foundation's history of \$3.45 million to NAU's College of Health and Human Services in support of health promotion, student success, and clinical services for Native Americans. The grant will support the following programs at NAU: American Indian Nursing, Dental Hygiene, Native Journey to Academic Success and other recruitment and retention programs aimed at Native American students studying to be health professionals.
- NAU has established an outstanding reputation for supporting first-generation college student success. In any given year, nearly 46% of NAU students are the first in their family to attend college, overcoming significant life challenges to achieve college enrollment. As a result, **The Suder Foundation** has invested nearly \$1M in first-generation student success scholarships and programming at NAU. This investment has established NAU as an affiliate university of the Suder Foundation's signature program,

First Scholars, as well as the creation of NAU's Office of First Generation Initiatives. The new office is one of only a few of its kind at colleges and universities across the United States, providing a breadth and depth of advising, mentoring, academic, social and community support services to ensure this unique population of students succeed in higher education. My relationship with the Suder Foundation from past universities helped facilitate and accelerate their grant to NAU and I personally attended a small pre-proposal event to discuss the importance of this investment in NAU. The Suder Foundation's investment has inspired numerous donors to give, garnering an additional \$1.8M in philanthropic support for first-generation students.

- The **W.M Keck Foundation** funds high-risk, high-reward, research that leads to groundbreaking discoveries in the fields of science and engineering and medical research. The Foundation made a \$1M investment in NAU's transdisciplinary research team led by Dr. Kiisa Nishikawa and their transformative study on muscle contraction. This investment was highly competitive; NAU received one of six national awards made in medical research programming. As a result of this investment, I committed to establishing the Center for Bioengineering Innovation at NAU. The mission of the Center for Bioengineering Innovation is to build Northern Arizona University's capacity to produce nationally recognized basic science discoveries in the area of bioengineering; to transform these discoveries into applications that improve lives and foster economic growth in Arizona and beyond; and to provide cutting-edge training in bioengineering research for undergraduates, graduate students, and post-doctoral scholars who will join the biotechnology workforce. The Center's research and discovery will generate exciting opportunities and developments in physiology, medicine, prosthetics, and robotics. As a result of the Keck Foundation investment, I worked with NAU faculty to launch a new PhD in Bioengineering, focusing on the areas of biomaterials and biomechanics. The interdisciplinary program provides a broad-based research perspective that draws upon the expertise of our faculty from unique disciplines in biophysics, informatics and computing, biomaterials, remote sensing and environmental endocrinology. Creating interdisciplinary teams and centers focused around new areas of science are critical to securing grants such as the one NAU received from the W.M Keck Foundation. Additionally, I committed new lab space for this team to expand their work under the successful grant award.
- NAU strives to increase enrollment, retention, and graduation of Native American students and is committed to positively affecting economic growth in Native American communities through capacity building for business and entrepreneurship. We believe that one of the best ways to help strengthen the economic future of our tribal communities is by investing in human capital, specifically the potential of tribal youth. The opportunity and challenge is to create early interest in entrepreneurship and provide the academic and scholarship resources necessary to support Native American youth to become entrepreneurial leaders in their communities. In partnership with **The Johnson Scholarship Foundation (JSF)**, we are advancing undergraduate and graduate student entrepreneurship and business education through an endowed scholarship at The W. A. Franke College of Business. Initiated in 2010, the scholarship program provides matching funds at the rate of 1:3, or one JSF dollar for every three NAU dollars

raised. With an endowment goal of \$2.6 Million that will provide a permanent stream of scholarships, we will increase the number of Native American students who complete their degree and potentially return to the reservation to start new businesses and drive economic opportunity and growth. Scholarships support undergraduate Native American business students interested in entrepreneurship or business related careers, from a federally-recognized Indian Tribe, who demonstrate financial need and academic accomplishment. Scholarships also support Native American MBA students interested in entrepreneurship and the Center for American Indian Economic Development (CAIED), which collaborates with tribal communities and nations to achieve self-sufficiency through community, economic and business development programs. Once endowed, the scholarship fund will provide more than \$100,000 annually to support Native American business students and key programs at CAIED. I worked closely with leadership of the Johnson Scholarship Foundation to achieve aggressive goals for fundraising success by our College of Business by January 2019 as efforts were not on track and the university was not succeeding in its commitment to the donor. Success of this program will create and foster transformative entrepreneurial activity and economic development within our tribal communities.

- For decades, the School of Music at NAU has been a leading institution in undergraduate and graduate music study. **Michael and Karen Kitt** have been supporting NAU's orchestra and opera programs for 2 years and their recent transformative gift to launch NAU's All-Steinway School Initiative was a natural compliment to their support of NAU. It is our fundamental mission to provide the highest quality experiences and instruments for every music student. Ninety-eight percent of piano soloists choose a Steinway piano for performances. This focus on student excellence, recruitment and retention is why we have prioritized the All-Steinway School Initiative in our fundraising efforts. This effort has allowed NAU to attract internationally acclaimed pianist Jeffrey Swann—Adel Artist-in-Residence and Steinway Artist—to visit campus twice a year to present solo and chamber recitals, give master classes, and teach private piano lessons. I personally have worked to raise his status and visibility at NAU by funding a President's Artist in Residence position for 2016-2017. Our community also benefits from this effort through professional performances presented by the NAU School of Music Horizons Concert Series, Flagstaff Symphony Orchestra, and Chamber Music Sedona, enriching the musical culture on campus and in the community.

I hope you will be able to join me and the NAU Foundation in celebrating the successful conclusion of our first comprehensive campaign during our 2016 Homecoming weekend in October. Philanthropy is a combination of relationship building, outlining a clear vision and investing the university's own resources to demonstrate commitment to success. We are seeing the positive outcomes of this commitment of time and resources and will soon be preparing for our next comprehensive campaign.

While philanthropy has the potential to catapult new initiatives forward, it is important that attention is always given to the State of Arizona as a vital partner and investor. I have engaged with our state elected officials both individually and as a member of the Enterprise Executive

Committee to advocate for both NAU and a strong system of public higher education in Arizona. Collectively we have made progress in the understanding and appreciation of Arizona's university system among many of our officials as well as in developing an external advocacy network to engage officials on our behalf. Below are some of the highlights of my personal work in these efforts:

- Personal regular meetings with key elected officials and retention of a high quality government affairs team to provide advice and engage in regular communications and relationship development.
- Direction in the development of materials to leave with officials and advocacy networks for easy reference of NAU's talking points and priorities.
- Presentations to critical advocacy networks and assistance in development of their agendas to include higher education. These include local, regional and statewide organizations.

The Phoenix Biomedical Campus has evolved as a comprehensive collaborative effort between Northern Arizona University, the University of Arizona, and Arizona State University to provide a broad spectrum of healthcare workforce preparation. NAU expanded its successful physical therapy program to add an additional Phoenix site, doubling the number of PT students prepared annually. Additionally, last year we updated this program plan and are growing our annual enrollments in PT by an additional ten students. Physician Assistant Studies successfully launched with 25 students and now has an annual entering class of 50 students as outlined in the strategic plans for NAU's presence on this campus. This program received full accreditation with no findings and an important hallmark to highlight is the fact that all PA clinical rotations are done within Arizona prioritizing medically underserved populations. In 2014 NAU added another new public program to the State of Arizona with our Doctorate of Occupational Therapy and this year we will admit our third year of students and reach our full cohort size of 45 entering students. We have completed the final phase of construction in the Health Sciences Education Building on this campus which allowed us to add a fourth program not in the original NAU strategic plan for this campus. Last month we launched a second site for our Master's in Athletic Training program with an enrollment of 11 students which will grow to a cohort size of 30 over the next 2-3 years. NAU's presence on this campus continued to develop amidst significant state budget reductions which required development of a self-supporting business model. I am proud to report that NAU's initial investments in this campus are paying off and the campus is currently projected to be operationally self-sustaining at full build-out as planned (FY19). We have grown from 49 students in 2012 to a projected 330 this Fall (2016) and 437 in Fall 2018. This year we successfully closed our budget over \$700,000 under projected costs. Costs are highly dependent upon our agreements with the University of Arizona for shared facilities, utilities and faculty/staff and these have varied by year and agreement. We have successfully managed this delicate discussion over the last few years and look forward to continuing a great partnership. We are updating our projections for the program budgets and overall campus operations costs and will include this information in my final multi-year incentive report. We are updating tuition revenue expectations as we are serving a higher than anticipated number of resident students, particularly in the Physician

Assistant Studies Program. We strongly support this direction as part of our mission to serve Arizona and are aligning revenue program fee projections and needs accordingly.

I look forward to the continued discussion of these important Enterprise metrics and goals and the individual performance incentives. I am committed to the success of Northern Arizona University on behalf of our students and their families, our faculty and staff, and NAU's many investors and supporters. These constituencies drive me to look for innovative solutions and initiatives every day to improve our performance and to build the team and infrastructure necessary to achieve each of the ABOR 2025 Enterprise Metrics while maintaining our hallmark brand of personal touch and commitment.