May 11, 2020

Dear Highlanders,

Since early March, I have shared with you more than a dozen updates describing LHP’s actions in response to the COVID-19 pandemic. This communiqué will address vital issues we are currently facing, and significant operational decisions made in last Friday’s Board of Trustees meeting. Additionally, I will outline plans for summer programs and our evolving plans for the 2020-21 school year. Regrettably, this is an unusually long message, but an important one about the school’s readiness and approach to the COVID-19 crisis, as well as a look ahead.

First, however, I want to applaud and express my profound gratitude for the outstanding response to the crisis to date by Team Highland – our students, parents, and employees. I continue to be awed and energized by our school family’s remarkable resourcefulness and resilience, inspiring aspirations and boundless goodness, its caring humanity, and consistent excellence in all endeavors. It remains crystal clear to me that our mission is important and valued, and the school remains a trusted foundational centerpiece for thousands of children, families, and employees. To be sure, LHP has responded brilliantly to the many challenges of this crisis, and the school remains a point of pride for all Highlanders.

Background:

The challenges brought on by this pandemic are real and significant. The original health crisis is now accompanied by an economic one, here in America and over 200 other counties around the world. We watch with horror as diagnosed cases and deaths climb. The number of unemployed Americans is also rising to levels not seen in decades. Coronavirus testing is a critical component of re-opening the country, and current efforts to ensure adequate testing supplies are a vital focus. Finally, despite many advantages as an independent school, LHP is subject to both state and local government guidelines that control many of our actions - most importantly, we cannot re-open the school until both the state and county declare they have achieved Phase II conditions.

Possible scenarios in 2020-21 school year:

In spite of the health and economic turmoil around us, the school’s leadership team, employees, and Board of Trustees are confident in our future. Our overarching strategy in all planning remains student-centered, beginning with an unqualified commitment to the health and safety of all members of our school family. The absolute focus on our people is followed by our commitment to our profound mission as a school – equipping our dedicated, caring teachers and staff with the resources they need to deliver the best academic content and the most enriching educational experience possible.

Our evaluation, planning and strategic thinking about how to deliver the LHPS education in this COVID-19 environment embraced four possible scenarios:

- A return to normal operations.
- A continuation of full-spectrum remote learning operations.
- A hybrid educational approach.
- A transitional approach that may evolve or alternates between the three primary approaches depending on how the pandemic cycle plays out.

Approach and Operational Readiness:

LHPS will tackle this multi-faceted challenge as we approach all aspects of our mission: with our primary focus on the health, safety, and welfare of our school family - students, employees, family members, and alumni.
Fortunately, we entered this crisis with a robust financial position, and for the past 15+ years, we have operated with a positive budget surplus. However, our budget margin is slim, and any significant change in a major component of our budget – expenses or income – impacts our fiscal well-being. Our expenses grow when we expand programs, hire more employees, or incur unanticipated expenses; our income drops if fewer children enroll or donations to the school decline. Our endowment is small, and its value has fallen in the declining market; therefore, endowment contributions to our operations are minimal. Each school division manages its own budget, but we operate as a single entity. As an independent school, LHP does not receive operating funds from the state or federal government.

More than 64% of our operating budget is used to pay and provide benefits and professional development for our incredibly dedicated, experienced, and talented faculty and staff. They are our vital front-line warriors responsible for delivering the high quality, rigorous, varied academic, and co-curricular programs that make the LHPS education uniquely robust and inspiring. They lead and deliver the incomparable LHP “engine of excellence”!

We continue to evaluate many elements in several different scenarios – adjusting programs and plans – to determine the impact to our overall budget.

**Anticipated COVID-19 Challenges:**

The pandemic has caused broad spread lay-offs, business shutdowns, and furloughs, which we are anticipating will impact our enrollment and reduce our tuition and other program revenues. At the same time, we have invested heavily in distance learning and “return to campus” preparations, and we have extended special financial considerations for all families, including creation of the Highlander Relief Fund to expand our financial aid support for students and families in need. We project lower philanthropic support and smaller income from our endowment next year.

Our current projections indicate we will end the 2019-20 school year with a small operating loss due in large part to intentional technology upgrades, targeted staffing changes, and other unanticipated costs resulting from our COVID-19 response. Ultimately, what happens in the next several weeks with COVID-19 will determine which scenario among our options will become our reality in the 2020-21 school year. We are confident, however, that we will deliver to all families the best Highlander experience possible next school year.

As you know, the financial pressures we are experiencing are not unique to LHP. Our peer schools, as well as colleges and universities, are struggling with the very same challenges.

**Plan for Mitigation and Recovery:**

Over the past two months, LHP’s senior leadership team and I have been in close consultation with our Board of Trustees, the Finance and Development Committees, our Foundation Board, Department Chairs, and representatives from across the school to assess our operational goals, performance metrics, and the financial impacts facing LHP in the near term and the years ahead.

To be sure, there is much we do not know in this evolving and unpredictable situation. However, we all agree we must thoughtfully assess and carefully plan for the future using research, best estimates, significant “caution,” and a judicious set of prudently-designed measures to ensure the health and safety of the entire Highlander family, to help us withstand unavoidable economic shocks, and to fully protect the strength and future aspirations of the school.

We are unwaveringly committed to operational and budgetary decisions guided by our core values and our evolving strategic plan. More specifically, we will:

- Keep the health and safety of our students, employees and families front and center.
- Value and support our employees.
- Ensure thoughtful, responsible decision-making based on the best available data and expertise.
- Prudently pursue external support where deemed appropriate.
- Remain attentive to the unique circumstances and challenges of all school divisions—academics, athletics, and arts.
- If necessary, reduce administrative costs before academic activities wherever possible.
- Consistently reflect our long-term strategic priorities, the value we place on the learning experience for our students, and our commitment to excellence.
- Approach all decisions and actions in a measured, balanced, and thoughtful manner.
Major actions and decisions:

With these principles in mind, we are taking the following actions which will reduce expenditures and help ease immediate financial pressures on our families while allowing time for thoughtful planning.

Major actions affecting LHP’s budget include:

- Freeze all employee salaries for SY 2020-2021 (no COLA or merit raises).
- Institute hiring freeze for new employees – will hire replacement employees.
- Assess our ability to avoid suspension of employer year-end contributions to 403(b) retirement accounts.
- Assess our ability to maintain current employee salaries, and to avoid furloughs and lay-offs driven by enrollment shortfalls.
- Suspend all non-urgent capital expenditures except for critical safety, system, or mission requirements. (We will continue with limited infrastructure upgrades, maintenance actions, and other projects tied to safely re-opening the school.)
- Review all active studies, design activities, and other planned or pending construction projects.

Major actions affecting families include:

- We have refunded (or are in the process of refunding) almost all of the outstanding school fees from SY 2019-20. The one major exception is for Spring Academies and Summer programs which will be addressed in mid-June when Ms. Gomez and her staff have completed a total restructuring of LHP’s Highlander Summer.
- We have decided to suspend all planned tuition increases for SY 2020-21 – specifically, we will NOT charge the previously-announced tuition increase for next school year. (Tuition levels will remain the same as in 2019-2020.)
- We have established the “Highlander Relief Fund” as a supplementary source of financial aid - details of this new program will be released later this week.

Additionally, we share the following decisions about Highlander Summer:

Highlander Summer:

- We will not offer any summer activities which might risk students and employees returning to campus for the Fall 2020 term.
- We will offer summer school academic programs to LHP students only via our Learning Continuity Plan (remote) beginning June 8, 2020. This will include “Virtual Enrichment Programs” for Lower and Middle School students.
- We continue to assess the feasibility and interest (via two surveys) of in-person summer programs.
- As a community, we must achieve Phase II for the school to offer on-campus summer programs. State and county authorities will authorize and announce when Phase II has begun.
- If we are allowed by state and local authorities to offer on-campus programs, the earliest start date will be the week of July 6-10. Specific decisions and/or program details will be announced when available.
- We are independently assessing when we might be able to open the Highlander Aquatics Center.

New Task Forces:

Finally, we are implementing several task forces to study specific issues, evaluate options, regularly assess our progress, and adjust our plans in light of evolving circumstances. These task forces will initially focus on the major issues surrounding the re-opening of our campus for 2020-21, the health and safety of all Highlanders, and the resources and training needed to deliver our educational plan in 2020-21.

Closing:

I thank you for your loyal support and steady patience with the LHP Administrative Team. Like our faculty and staff members, they have been working hard to support your children/our students, in this unique and complex set of circumstances. Undergirding their efforts is our shared desire to provide all Highlanders with the best possible education in Central Florida by imbuing them with the knowledge, skills, discipline, work ethic, compassion, and character to be successful in college and life, wherever their dreams and passion may take them.

This crisis has already demanded great sacrifice from each of you, and it is unsettling to consider what may be required of us in the coming months. However, since our storied beginnings in 1970, the history of Lake Highland Preparatory School has been rooted in the pursuit of excellence, determination, innovation, and most importantly, impact. Furthermore, unwavering resourcefulness, grit, grace, and abiding collegiality continue to set us apart from our peers. No matter the
struggle or strain, we have always weathered the storm emerging stronger with our mission not merely intact, but healthier and more capable.

I offer my profound gratitude again to all of you for your determination, loyalty and steadfast support in the face of adversity, and firmly resolve to carefully and compassionately steward our great school through the difficult times ahead.

With highest confidence, unbounded hope and warmest regards,

Alfred G. Harms, Jr.
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Celebrating 50 Years: A Tradition of Success