

REPORT ON THE
STRUCTURAL CHANGE
SITE VISIT

California Lutheran
University
In the case of the Merger with
Pacific Lutheran Theological
Seminary

September 13, 2013

Team Roster
Margaret T. Bailey, Chair
Fran Horvath, Team Member
Steve Varvis, Team Member

The evaluation team in conducting its review was able to evaluate the institution under the Commission Standards and therefore submits this Report to the Accrediting Commission for Senior Colleges and Universities of the Western Association of Schools and Colleges for action and to the institution for consideration.

TABLE OF CONTENTS

SECTION I. Overview and Context	2
A. Description of the Institution and the Proposed Change	2
B. Description of the Team’s Review Process	4
 SECTION II. Evaluation of the Proposed Change	 6
A. Issue: Strategy	6
B. Issue: Financial	8
C. Issue: Educational Effectiveness	9
D. Issue: Faculty.....	9
 SECTION III. Findings, Commendations, and Recommendations	 12
A. Findings	12
B. Commendations	12
C. Recommendations	13
 APPENDIX 1: Schedule for WASC PLTS Site Visit	

SECTION I – Overview and Context

A. Description of Institution and the Proposed Change

Background Information

California Lutheran University (CLU) is a private Christian liberal arts university located in Thousand Oaks, California. The structural change under consideration is a CLU merger with Pacific Lutheran Theological Seminary (PLTS) in Berkeley, California. CLU is regionally accredited by WASC and PLTS is accredited by the Association of Theological Schools (ATS) but is not regionally accredited. Additionally, PLTS is a member seminary of the Graduate Theological Union (GTU) located in Berkeley which is regionally accredited by WASC. After the merger, the sole surviving entity and governing board with fiduciary responsibility will be California Lutheran University. However, the seminary will retain its unique and separate identity while coming under the governance and faculty structure of CLU.

CLU offers undergraduate programs in the Liberal Arts and Sciences and Professional Studies; a School of Management with undergraduate, graduate and professional programs; a Graduate School of Education with degree and credential programs for K-12 educators; a School of Psychology with two masters degree programs and a doctoral program; and adult degree and certificate evening programs. California Lutheran College (CLC) was founded in 1959 and began accepting students in 1961. CLC became California Lutheran University (CLU) in 1986 and was first accredited by WASC in February 1962. CLU and PLTS are both affiliated with the Evangelical Lutheran Church of America (ELCA) which is the third largest Protestant Church denomination in the United States.

The University currently offers baccalaureate degrees with 39 undergraduate majors and 34 minors, in addition to professional preparation programs in specialized areas. Undergraduate enrollment consists of approximately 2,500 traditional undergraduate students and an additional 300 undergraduates enrolled in the Bachelor's Degree for Professionals program. CLU offers 11 masters degrees and 13 credential /certificate programs to students on campus and at off-campus centers. CLU has three

regional centers including Woodlands Hills just east of the main campus, Oxnard west of the campus, and the new Central Coast location in Orcutt, California.

CLU has approximately 1,400 students in graduate programs in Business Administration, Computer Science, Information Systems and Technology, Economics, Education, Marital and Family Therapy, Psychology, and Public Policy and Administration. The merger with PLTS will immediately grow the graduate population by about 80 students and provide CLU additional access to programming options: Master of Divinity, Master of Theological Studies, Master of Christian Ministry, Master of Arts, Doctor of Theology, and Doctor of Philosophy.

Relevant Accreditation History

The following is the institution's recent accreditation history, leading up to this Structural Change Team visit. It begins with January 2010 since several of these accreditation issues are relevant to institutional capacity and to the merger under consideration.

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| 01/10 | Subchange Commission Ratification: On January 21, 2010, the Commission acted to ratify the approval of the following proposal: Doctor of Psychology in Clinical Psychology (New Degree Program). |
| 09/10 | Substantive Change Committee Action: At its September 23, 2010 conference call meeting, the Panel of the Committee acted to grant <u>Interim Approval</u> of the following proposal: Bachelor of Science in Organizational Leadership (Distance Education Program). |
| 10/10 | Subchange Commission Ratification: On October 26, 2010, the Commission acted to ratify the approval of the following proposal: Bachelor of Science in Organizational Leadership (Distance Education Program). |
| 12/10 | Substantive Change Committee Action: At its December 15, 2010 conference call meeting, the Panel of the Committee acted to grant <u>Interim Approval</u> of the following proposal: Doctorate of Higher Education Leadership (New Degree Program). |
| 1/11 | Subchange Commission Ratification: On January 25, 2011, the Commission acted to ratify the approval of the following proposal: Doctorate of Higher Education Leadership (New Degree Program). |
| 2/12 | Substantive Change Committee Action: At its February 17, 2012 conference call meeting, the panel of the Committee acted to grant <u>Interim Approval</u> of the following proposal: Central Coast Learning Center (Regional Center Recognition). |

- 2/12 Substantive Change Commission Approval: On February 24, 2012, the Commission acted to grant Final Approval of the following proposal: Central Coast Learning Center (Regional Center Recognition).
- 8/12 The CPR scheduled for spring 2014 and the EER scheduled for fall 2015 have been changed to an off-site review in fall 2014 and a visit in spring or fall 2015. Institution advised by email 8/29/12.
- 8/13 Substantive Change Committee Action: At its August 22, 2013 conference call meeting, the panel of the Committee acted to Proceed to a Site Visit prior to Commission review of the following proposal: Merger with Pacific Lutheran Theological Seminary (PLTS).

Describe the change that is the subject of this visit, including the nature of the change and the impact on the institution if approved.

The substantive change under consideration is a structural change involving the merger of CLU and PLTS where the surviving entity will be CLU. Pending WASC approval, PLTS will merge into CLU and be the disappearing corporation effective January 1, 2014. All assets, property, rights and powers will be vested in the final surviving corporation. The officers of the surviving corporation shall be the officers of CLU. CLU Board will create a PLTS Advisory Board prior to the merger to advise the CLU Board on matters related to PLTS operations, policies and strategy. CLU shall appoint a Chief Administrative Officer and Dean of the Seminary who shall report to the CLU Provost on issues related to academics and to the President on issues related to church relations. The CLU Board of Regents will be the sole remaining governing board.

B. Description of the Team Review Process

The visit team members served on the original substantive change panel and have worked with CLU and PLTS since the original submission in summer 2013. Members reviewed the submission, along with all relevant correspondence, reports, and documents, in preparation for the visit. Working with the ALO, the team members developed an agenda for the day-long visit designed to verify institutional capacity for the merger as well as the alignment of the two institutions that has taken place in preparation for the merger. The areas under review include but were not limited to: strategic considerations, mission alignment, financial capacity, sustainability, educational effectiveness, institutional culture, and faculty.

The team prepared for the Structural Change visit according to a standard visit protocol. The institutional report was received well in advance of the visit. The team conducted a conference call and followed-up with additional communication to prepare an initial plan of approach. The team chair had a follow-up call with the CLU ALO, reviewing suggestions for the visit schedule. The team did extensive preparation in advance of the meeting, including analysis of the evidence made available electronically. The team also reviewed the University and seminary websites, catalogs, and other documentation provided to WASC.

The team agreed on the main issues under consideration and met during the visit for an organizational team meeting. The team was able to meet with all of the key parties involved in the merger including those from CLU, PLTS and the Graduate Theological Union (GTU) in order to explore the issues identified for the visit. The day's activities on Friday, September 13, 2013, included meetings with the Presidents of CLU and PLTS, the CLU Provost, PLTS Dean and PLTS faculty, relevant staff from both institutions, the interim President of GTU and members of the GTU staff including the Director of the library and CIO (Appendix 1: Visit Schedule).

The Structural Change visit was hosted by PLTS in Berkeley, California and included a visit to GTU. The visit was well organized and presented a full assessment of the changes anticipated with the merger as well as the current situation and issues leading up to the merger. CLU leadership and staff and the PLTS leadership, faculty and staff grasp the importance and complexity of the merger, and successfully addressed the issues of the Visiting Team with an in-depth and transparent analysis, particularly those issues related to strategic planning, financial sustainability, student support services (e.g. registrar, admissions, and technology), educational effectiveness, and faculty. The visit engaged all of the key stakeholders including the administration, faculty and staff. The supporting documentation was presented electronically, and it was well organized and easy to access. The Visiting Team concluded that the discussions were wide ranging, transparent, and thorough. (CFRs 1.5, 1.6, and 1.7)

SECTION II – Evaluation of the Proposed Change

This section describes the key issues the substantive change reviewers identified in its September 3, 2013 letter, and issues they explored during their site visit at PLTS in Berkeley on September 13, 2013. The issues noted below are in the broad categories of: Strategy, Financial Sustainability, Educational Effectiveness, and Faculty. Questions addressed in each area are listed below, followed by commentary on evidence, commendations, findings and recommendations.

A. Strategy (CFRs 1.5, 1.7, 1.8, 3.4- 3.8, and 4.7)

The reviewers addressed the following questions during the site visit:

1. Discuss the CLU strategic planning assumptions (e.g. enrollment projections, revenue, capital campaign, costs, employee relations, risk management, etc.) going into the merger projections.
2. Mission alignment between CLU and PLTS, and the way GTU will support the mission of the merged university and seminary.
3. What is the strategic value of the Berkeley campus to CLU? What various alternatives have been envisioned for the PLTS property?
4. What gains in synergy can occur from the CLU and PLTS merger both strategically and operationally?
5. The fit between the CLU higher education culture and the seminary culture. How will PLTS faculty, staff, alumni and donors be integrated into the CLU culture?
6. The role of ELCA in the merger and the potential benefits and challenges to CLU having the seminary as part of the university.
7. How the merger will support and create additional educational opportunities for students.
8. Analysis of the operational requirements in the area of IT, registrar, admissions, enrollment management, student support services, library, etc.
9. What will be the academic “home” of the seminary? Is there a cooperative relationship between the School of Religion and Seminary?

Comments

CLU and PLTS have been working together for three years in preparation for the merger. During this timeframe the leadership, governing boards, faculty and staff have carefully examined each impacted area of their respective institutions and the best way to optimize efficiencies. The visit team was impressed with the full range of discussion and the due diligence that has been undertaken to ensure a smooth transition for students. In many cases, processes were already harmonized through the use of similar technology, software, or systems. It was concluded that PLTS will experience significant improvements due to the economies of scale in merging with the larger institution. For example, manual processes will be transferred to electronic databases which will greatly enhance the current PLTS reporting systems.

CLU is also able to enhance the capacity and sustainability of PLTS through the merger by extending professional consulting services such as strategic planning and advancement. PLTS will immediately benefit from the services of the CLU Advancement Office, including the addition of a donor relations officer in northern California reporting to the PLTS development office which will in turn report to and rely on the support services and database of the CLU Office of Advancement. Additionally, CLU's Office of Advancement has a very well developed team and office for capital campaigns, donor relations, and alumni relations.

The CLU President has paid particular attention to the cultural challenges of the merger and has thoughtfully weighed the speed, capacity and approach to merging the two communities. While the current plan is that CLU will not subsidize the operations of PLTS, it was understood by the visiting team that there will be a period of time required for a turnaround. The team appreciated the careful balance of focusing foremost on the steps needed for a successful merger while not overburdening the current planning with overly ambitious ideas for the future. The team appreciated the conservative and measured approach of the CLU leadership.

B. Financial Sustainability (CFRs 3.4-3.6)

The reviewers requested the following of the institution during the site visit:

1. Discuss the strengths and weaknesses of the PLTS financial situation including the balance sheet, note payable, endowment, line of credit, investment policy, statement of activities, etc.
2. How does the CLU Advancement team engage and merge the PLTS donor base, and extend CLU operations to include northern California?
3. If CLU decides to retain the PLTS facilities, how will they address the issues of deferred maintenance and capital improvements? Are there significant physical plant maintenance and construction projects needed for safety, earthquake standards, and ADA compliance?
4. Will CLU subsidize PLTS operations? If so is there a timetable?
5. Is a capital campaign planned for PLTS after the merger?
6. Discuss the financial relationship between PLTS and GTU? What support services are provided by GTU that CLU will continue to purchase from GTU or end after the merger?

Comments

In recent years, CLU has been operating with a financial surplus, and maintains an operating budget of \$99.1 million, compared to PLTS's operating budget of \$3.1 million. The strength of the CLU financial staff, advancement operations, leadership and governing board oversight will strengthen PLTS without creating a drain on the fiscal resources or financial stability of CLU. For the first time in its history, the PLTS Board approved a deficit budget for the 2013-2014 fiscal year. While this is not ideal, CLU and PLTS are already working together to identify new revenue streams and additional efficiencies. PLTS provided the audited financial statements certified as an accurate and full disclosure of the seminary's financial condition.

The visiting team examined the budget projections for the two scenarios presented by CLU. In the first scenario, the seminary would operate at a loss for at least four years, and in the second scenario, the PLTS property would be sold and the proceeds be used for the

seminary operations and endowment. The visiting team appreciated the very conservative estimates in both scenarios. In the first scenario, where the seminary would operate at a loss, the CLU leadership discussed with the visiting team several changes in operational efficiencies and new programing that could serve to close the fiscal gap. The university and seminary have already begun some modest efforts in academic exchanges to enhance the academic options for the students at both institutions.

The one area of concern for the visiting team was complexity and financial sustainability of the GTU and PLTS arrangement. In conversations with GTU, it was clear that the current revenue and cost sharing model is not financially sustainable and should be carefully evaluated at the time of the merger. The visiting team observed that students take courses across the GTU consortium where tuition dollars from those students may not necessarily offset the faculty costs. While there appears to be significant benefit to PLTS students for maintaining the relationship with GTU, it is recommended that CLU review the financial arrangement for equity, sustainability, and fiscal prudence.

C. Educational Effectiveness (CFRs 2.2b, 2.3, 2.4, 2.6, 2.7, 4.4, 4.7)

The reviewers requested the following of the institution:

1. Provide a description of the evidence of PLTS student learning outcomes assessment and where the seminary is in fully embedding outcomes assessment.
2. The way the CLU Institutional Learning Outcomes will be adopted and aligned with seminary outcomes.

Comments

PLTS has been moving to an outcomes-based approach over the past few years but still has more work to do in fully incorporating assessment in a systematic fashion. At this time, PLTS faculty are crafting syllabi with course outcomes and rubrics. With the merger, CLU will help the PLTS faculty move more strongly into educational effectiveness. CLU has a clear set of institutional outcomes and

uses Taskstream for its e-portfolios. These efforts will be extended to PLTS programs. Meanwhile, PLTS has been providing development opportunities to its faculty to increase their knowledge and understanding of assessment concepts. At the same time, CLU is interested in modeling PLTS' approach at mapping outcomes down to the assignment level.

The PLTS faculty, in its meeting with the visiting team, indicated that a small group of faculty have been working through the syllabi and while there is some reluctance in some faculty to new assessment processes, it is not significant. Faculty have found that working with outcomes measurements have increased the learning experience for the students.

One area in which PLTS will benefit from the merger is in program review, which is only in its beginning stages. CLU maintains a system for gathering assessments and feeding this into the program review cycle. Staff from the two institutions are already working together to determine how and when to bring the two systems together and PLTS will be brought into the program review cycle.

Once the merger is complete, PLTS will become a seminary within the larger University, adopting its institutional outcomes but not becoming part of the academic department of Religion within the College of Arts and Sciences.

D. Faculty (CFRs 2.2b, 2.4, 2.8, 2.12, 2.13, 3.1, 3.2)

The review team requested the following of the institution:

1. The CLU Provost has met individually and collectively with the faculty. What is her assessment of the readiness of the CLU and PLTS faculty for the merger?
2. What faculty governance challenges have been considered and addressed? How are personal connections among CLU and PLTS faculty being made and how would the Provost characterize these initial efforts?
3. How will the PLTS faculty participate in faculty governance from a distance? Does the PLTS faculty understand the higher education governance and structure?
4. How will CLU harmonize the PLTS promotion and tenure policies, faculty handbook,

committee structure, administrative services, etc.?

Comments

The orientation of PLTS faculty into the faculty and governance structure of CLU has begun with sensitive deliberation and respect for both of the faculties. The Provost of CLU has met individually with each faculty member of PLTS. The Religion faculty of CLU has met with the PLTS faculty at least for initial discussions. The President of CLU has also deliberately approached the integration of the faculty of the two institutions, noting that the Religion department of CLU is committed to the advanced academic study of religion, while the PLTS faculty concentrates on preparing students for pastoral ministry. Both Provost and President noted that the faculties are theologically aligned, and that they are committed to encouraging personal connections, to value the traditions of each and to bring the PLTS faculty into the governance structure of the faculty of CLU.

According to the faculty of PLTS, conversations and meetings between the two departments have already begun with good success. Stereotypes that the faculty indicated they anticipated of university and seminary faculty have been remarkably absent, noting in particular that a number of the CLU Religion faculty hold seminary degrees and understand practically the work of the PLTS faculty. The PLTS faculty have visited CLU, met with the faculty there and felt warmly received. The chair of the Religion department of CLU has already traveled from Southern California to Berkeley to teach a PLTS course. In addition, the PLTS faculty that the visiting team met with (four, about half of the full number) are committed to PLTS and to this merger. Three of the four have each been with the PLTS more than fifteen years and are committed to the long term mission of the seminary and have welcomed being a part of CLU. They voiced a firm commitment and optimism about the future and their new colleagues. PLTS faculty policies will, with the merger, follow CLU policies. The PLTS faculty have compared the policies of the two institutions and have found the new arrangements very acceptable.

All of the reports the Team heard (though the Team did not speak with CLU faculty directly) whether from the administration or faculty spoke of their commitment to the support of the distinctive

mission of each institution (soon to be just two different religion/theology programs within one institution) and to collaboration to forge common connections and ongoing mutual personal and professional relationships. There may indeed be issues and questions that arise that have not been anticipated. However, the careful planning and personal commitments already demonstrated by both the administration and faculty led us to anticipate that there will continue to be both a successful integration of and appropriate distinction between the religion programs and faculty of PLTS and CLU.

SECTION III – Findings, Commendations, and Recommendations

A. Findings

Overall, CLU and PLTS presented strong evidence of their transparency and ability to address WASC standards and concerns for all aspects of the planned merger. Since beginning to work toward the merger, CLU and PLTS have demonstrated a strong commitment to a successful merger that will strengthen the university and the seminary. This includes engagement of the governing boards, administrative leadership, student support services, faculty, and students.

In conclusion, the visiting team members believe that both institutions demonstrate a commitment and resources to successfully complete and solidify the merger while giving specific attention to providing students with additional opportunities and services.

B. Commendations

The team commends California Lutheran University for the following:

1. The attention to thoughtful planning and communication at every level of the university and seminary. The visiting team was impressed by the due diligence that has gone into reviewing all aspects of the merger and preparing the key stakeholders and communicating the benefits of the merger.
2. The respectful attention given to the challenges of merging the two cultures. It was apparent to the visiting team that CLU and PLTS administration, faculty and staff they met are eagerly looking forward to the changes and have been fully engaged in the success of the merger.
3. The governing boards and executive leadership teams at CLU and PLTS are to be commended

for the cooperative spirit, thoughtful consideration and strategic preparation for the merger.

C. Recommendations

1. Financial Sustainability. (CFRs 3.4-3.6)

The team recommends that further attention be given to the financial complexity and sustainability of the GTU contractual arrangement with PLTS and in the early stages of the merger, CLU explores the fiscal viability of the current cost and revenue allocations. (CFR 3.4)

The team recommends the continuation of the excellent work already begun by CLU leadership, including those in the Office of Advancement, for the advanced planning for fund raising and for the awareness of the needs of the PLTS facilities including deferred maintenance, plant safety, ADA compliance, and technology. (CFR 3.5)

2. Educational Effectiveness. (CFRs 2.2, 2.2b, 2.3, 2.4, 2.6, 2.7, 4.4, 4.7)

The team recommends that the PLTS faculty continue their work in building out their Student Learning Outcomes model based on a cycle of continuous improvement of curricular programs. In closing the assessment loop, the faculty should move quickly to a full program review for each program including an analysis of student support services and co-curricular programs. (CFR 2.2-2.4, 2.6, and 2.7)

APPENDIX 1: Schedule for WASC PLTS Site visit Friday September 13, 2013

Time	Event and People	Place
8:00 - 9 a.m.	<i>Breakfast</i>	
	WASC team meeting	Pres. Anderson's Office
	CLU/PLTS team meeting (Phyllis Anderson, Alicia Vargas, Chris Evans)	Great Hall
9 - 9:30 a.m.	<i>Introductions and overview</i> -- Leanne Neilson, CLU Academic VP & Provost; Phyllis Anderson, PLTS President; Alicia Vargas, PLTS Dean	Great Hall
9:30 - 10:15 a.m.	<i>Tour of PLTS</i>	
10:15 - 10:45 a.m.	<i>Mission and Learning outcome alignments</i> -- Rodney Reynolds, CLU Dir. of Ed. Effectiveness; Chris Evans, Assoc. Dean PLTS; Leanne Neilson, CLU Academic VP & Provost; Chris Kimball, CLU President	Great Hall
10:45 -11 a.m.	<i>Break</i>	
11 - 11:30 a.m.	<i>Advancement, fund raising and development</i> -- Stephen Wheatly, CLU Vice President for University Advancement; Brian Stein-Webber, PLTS Dir. of Seminary Relations	Great Hall
11:30 a.m. - 12 noon	<i>CLU Financial planning and budgeting</i> -- Tom Marsh, CLU CAO; Chris Kimball, CLU President	Great Hall
12 noon - 1 p.m.	<i>Lunch</i>	
	WASC Team meeting	Pres. Anderson's Office
	CLU/PLTS team and PLTS faculty	Great Hall
1 - 1:30 p.m.	<i>Registrar and Enrollment Management</i> -- Maria Kohnke; Leanne Neilson; Chris Evans, Assoc. Dean PLTS/Amber Remillard, Dir. Admissions PLTS	Great Hall
1:30 - 2:30 p.m.	<i>PLTS Faculty panel</i> -- Carol Jacobson, David Balch, Tom Rogers. Moderated by Alicia Vargas	Great Hall
2:30 - 2:45 p.m.	<i>Break</i> (snacks available)	
2:45 – 2:55 p.m.	<i>Drive to GTU</i>	
2:55 - 4:00 p.m.	<i>Tour of GTU's other schools, GTU library and meetings</i> with GTU Administrators and IT	GTU-lower campus
4:00 p.m.	<i>Departure</i>	