

MINUTES

BOARD OF DIRECTORS THE LUTHERAN Church—MISSOURI SYNOD Hilton Airport Hotel, St. Louis

204. Call to Order, Opening Devotion, Announcements

Chairman Michael Kumm called the meeting to order and called on Victor Belton for an opening devotion. All members were present except James Carter, absent due to health reasons. Chairman Kumm noted minor changes to the printed agenda before a motion to adopt the revised agenda was introduced and carried.

Chief Administrative Officer Ron Schultz briefly provided training on the use of the BoardEffect computer program with software updates in place.

205. Adoption of Consent Agenda

Chief Administrative Officer Ron Schultz called attention to the Consent Agenda section of the docket for the meeting. After the chair offered the members of the board opportunity to amend the action by requesting the withdrawal of any portions of the agenda, and after no amendments were proposed, a motion to adopt the Consent Agenda as proposed was carried, as follows.

WHEREAS, The Board of Directors has adopted a policy allowing for the use of a consent agenda; and

WHEREAS, The Board policy reads:

3.6.2 Consent Agenda

- 3.6.2.1 The board makes use of a consent agenda to expedite the conduct of routine business during board meetings in order to allocate meeting time to education and discussion of substantive issues.
- 3.6.2.2 The consent agenda should consist of routine matters that require board action. Typically, these items include approval of minutes, acceptance of officer and other written reports (excluding the quarterly financial/budget report), and acceptance of routine or non-controversial action items.
- 3.6.2.3 The board chair shall be responsible to approve the proposed consent agenda for each meeting upon recommendation of the Chief Administrative Officer. The consent agenda shall be distributed with the meeting docket no less than one week prior to the meeting. The consent agenda will be presented to the board for adoption as soon as practicable after the opening devotion on the first day of the meeting.
- 3.6.2.4 Any item which appears on the consent agenda may be removed from the consent agenda by a member of the board. Items removed from the consent agenda will be considered at another time during the meeting as determined by the chairman. The remaining items will be voted on by a single motion. The approved motion will be recorded in the minutes, including a listing of all items appearing on the consent agenda.

Therefore be it

Resolved, That the Board of Directors herewith accept this consent agenda which includes the following:

- Officer Reports
 - Report of the LCMS President
 - Report of the First Vice-President
 - Report of the LCMS Secretary
 - Report of the Chief Admin. Officer
 - Report of the Chief Fin. Officer
 - Report of the Chief Mission Officer

- Administrative Services Reports
 - Information Technologies
 - Building Operations – Facilities
 - Mail Room – Copy Center
 - Human Resources (Confidential)
- Financial Services Reports
 - Accounting
- Internal Audit
- Risk Management
- Board of Directors Committee Reports
 - Governance Committee
 - Personnel Committee
- Action Items
 - Approval of Feb. 19–20, 2016 Minutes

And be it further

Resolved, That the minutes of this meeting reflect the acceptance of the reports and other items as listed above.

206. President’s Oral Report

President Matthew Harrison called attention to his printed report before noting some of the key matters to be addressed by the 2016 convention, including the licensed lay deacon issue and the large number of candidate/non-candidate pastors available but not receiving calls.

He reported that the budget process has been difficult, but the International Center is “humming,” especially in the area of foreign missions. Interest by other Lutheran church bodies and other Christian groups wishing to become Lutheran in fellowship with the LCMS continues to grow.

He also spoke at length regarding same-gender issues which are likely to create challenges for our schools in the near future, before responding to questions from the board regarding the social media’s interest in ecclesiastical supervision and the report of the task force on dispute resolution.

207. Legal Counsel Report

A motion was introduced and carried to move into executive session to receive a report from general counsel Sherri Strand of Thompson Coburn LLP.

207X. Executive Session I

Following the legal report and return to open session, Chairman Kumm called for the financial report.

208. Financial Report

Chief Financial Officer Jerald Wulf called attention to the Accounting Department Activities Report he received from Accounting Executive Director Ross Stroh (Consent Agenda, pp. 53ff.), providing the interim financial statements for the nine months of the 2015/2016 fiscal year. He reported that the Synod had, at the end of April, 118 days of cash on hand (70 days when seminary cash is not included), with that number continuing to decrease slowly. He also called attention to anticipated bequest income, which prompted discussion of its handling when it exceeds budgeted expectations.

He also noted that income continues to be down, matched in nearly equal amounts by spending which is also down. The fundraising cost ratio stands at about 12%, which remains well below recommended allowable amounts for charitable organizations. He also showed two slides of graphs showing significant increases in congregational offerings but decreases in work-at-large offerings, demonstrating what he called a “distribution problem.”

209. Mission Advancement Unit

Mission Advancement Unit Executive Director Mark Hofman presented a high level overview of his unit's history and operations as part of a recurring cycle of briefings requested by the board, using a slide presentation developed around a board-specified set of questions and topics.

He provided a brief history of his unit to the present time, describing its present work as not only appealing for contributions but also caring for donors, creating structure while also training and team-building. He described his unit's financial position at present as, in short, "not good," citing multiple contributing factors. He also shared a vision for the future: "An expanding number of JOYFUL (satisfied, inspired, fulfilled) CONTRIBUTORS consistently experiencing deeper levels of spiritual and personal meaning in their lives from the act of giving," resulting in what he called "five big, hairy, audacious goals":

1. Be (overtly) Lutheran, even in fund-raising work.
2. Focus on the DONOR, not the money, in order to inject joy, fulfillment, and meaning into the act of giving (the return benefit – the VALUE).
3. Emphasize long-term, balanced (equitable) and sustainable revenue growth across the full spectrum of programmatic areas and special campaigns.
4. Be sufficiently capitalized (resourced) at levels necessary for balancing efficiency and effectiveness, and meet goals for long-term revenue growth...
5. Display four "markers" predictive of outrageous performance: *outstanding teams, outstanding structure, high-quality thinking, and culture of learning.*

He also listed his unit's external and internal goals for the current fiscal year, demonstrated its alignment with the Synod's mission priorities, noted its collaboration with other entities inside and outside the Synod, and noted some of the legal opportunities and challenges it faces going forward...before responding to questions from board members.

210. Officer Salaries

Chairman Kumm called on Personnel Committee Chairman Warren Puck for the presentation of its officer salaries proposed action. After the formal introduction of the resolution and after brief discussion of its timing in light of budget discussions to follow, the question was called by the chair and the resolution was adopted as presented.

Background

The Department of Human Resources conducts an annual review of local and national salary trends and compares them with the current LCMS salary ranges and actual salaries. The objective of this analysis is to measure the ability of the International Center employers to remain competitive with the local not-for-profit market.

Per Board of Directors' Policy Manual section 5.6.6.6, the Board approves the salaries of the Synod Officers.

WHEREAS, Surveys of national, regional, and LCMS organizations indicate an average salary increase trend of 2.8 percent; and

WHEREAS, The Board of Directors has considered a 3 percent salary increase pool for non-officer employees; and

WHEREAS, The officers of the Synod have been fulfilling the requirements of their positions; therefore be it

Resolved, That effective July 1, 2016, the President, the Secretary, the Chief Administrative Officer, the First Vice-President, the Chief Financial Officer, and the Chief Mission Officer receive a 3 percent annual salary increase; and be it further

Resolved, That the Fiscal Year 2016/2017 bonus budget be set at 0 percent for all officers.

211. Adoption of 2016/2017 Operating and Capital Budgets

1. Operating Budget

Chief Financial Officer Jerald Wulf introduced and Accounting Executive Director Ross Stroh provided a PowerPoint presentation of the 2016/2017 proposed budget for board consideration and approval (copy of presentation attached to the protocol copy of these minutes). It was specifically noted that the President’s auto and entertainment allowances and the monthly stipends for vice-presidents two through six are included in the approval of the budget.

After consideration and discussion of the proposed budget action, the following resolution was introduced and adopted by the board:

Resolved, That the Board of Directors approve the 2016/2017 (FY17) Mission and Ministry Operating Budget as follows:

Total Spending Plan	\$96,065,354
Total Revenue	<u>\$96,065,354</u>
Surplus (Deficit)	\$ 0

And be it further

Resolved, That the Board of Directors allow non-material deviations to be made by the CFO to set a final budget consistent with the intentions of a surplus/balanced budget.

2016/2017 Mission and Ministry Operating Budget

Programs	<u>2016/2017</u>	<u>2016/2017 Revenue</u>		
	<u>Total Expense</u> Budget	Materials & Services	Restricted Revenue	Undesignated Revenue
International Mission	\$ 38,502,295		38,178,668	323,627
Pastoral Education	2,890,984	102,000	1,726,992	1,061,992
National Mission	9,320,732	818,002	8,750,720	496,609
*Youth Gathering	8,622,026	7,819,870	237,831	564,325
Communications	4,707,511	437,239	67,826	4,202,445
KFUO	1,801,131		1,722,663	78,468
Mission Advancement	<u>6,393,831</u>	<u>23,329</u>	<u>4,793,537</u>	<u>1,576,965</u>
Total Programs	72,983,108	9,200,440	55,478,237	8,304,432
Grants to Related Entities				
University Education	5,004,000		2,300,000	2,704,000
Concordia Historical Institute	430,000			430,000
National Housing Support Corporation	<u>175,000</u>		<u>175,000</u>	
Total Grants to Related Entities	5,609,000		2,475,000	3,134,000
Ecclesiastical Services and Commissions				
Commission on Constitutional Matters	17,250			17,250
Commission on Handbook	12,000			12,000

Commission on Theol. & Ch. Relations	761,131			761,131
Conflict Resolution	58,200			58,200
Convention Committees/Task Forces	48,000			48,000
Rosters	851,369	67,310		784,059
Church Relations	<u>2,611,013</u>		1,965,691	<u>645,322</u>
Total Eccl. Services/Commissions	4,358,963	67,310	1,965,691	2,325,961

Synod Constitutional Officers and Administration

President & Vice-Presidents	2,580,202	7,800	758,376	1,814,026
Secretary	567,827			567,827
Board of Directors	66,647			66,647
Board for International Mission	34,309			34,309
Board for National Missions	33,067			33,067
Council of Presidents	158,000		25,000	133,000
Chief Administrative Officer	540,458			540,458
Chief Financial Officer/Treasurer	340,438			340,438
Chief Mission Officer	418,471			418,471
*Synod Convention	1,994,119	1,744,119		250,000
Contingency	<u>905,000</u>			<u>905,000</u>
Total Synod Officers and Admin.	7,638,539	1,751,919	738,376	5,103,243

General & Administrative

Property and Insurance	922,866	512,613		410,253
External Audit	85,000			85,000
Internal Audit	932,995	287,000		645,995
Accounting	2,361,911	326,368		2,035,543
State/Federal Tax Reporting	150,942	20,160		130,782
Legal	560,000			560,000
Information Technologies	4,425,677			4,425,677
Human Resources	1,519,845	589,661	35,000	895,184
Operational Services	2,835,681	592,909	29,200	2,213,571
Interest	95,800	329,436		(233,636)
Foreign Exchange	<u>10,000</u>			<u>10,000</u>
Total General & Administrative	13,900,716	2,658,148	64,200	11,178,369

Adjustments

Contra-Expense Adjustment	(8,424,885)			(8,424,885)
Unallocated G & A Expense	<u>(87)</u>			<u>(87)</u>
Net Contra-Expense Adjustment	(8,424,972)			(8,424,972)

Total	\$ 96,065,354	13,677,817	60,766,504	21,621,033
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Projected Unrestricted Revenue	\$ 21,040,000
Unrestricted Revenue Board Designated for Communications	<u>(914,500)</u>
Net Unrestricted Revenue	<u>\$ 20,125,500</u>
Budget Operating Deficit	(1,495,533)
Deficit Funded with Undesignated Funds:	
Innovative Communications	397,740
KFUO	78,468
KFUO Property	205,000
Convention	250,000
Youth Gathering	<u>564,325</u>
Net Budget Surplus (Deficit)	\$ 0

*Youth Gathering and Synod convention occur every three years.

2. Capital Budget

Executive Director of Accounting Ross Stroh presented the proposed 2016/2017 Capital Budget. After he responded to questions, the following resolution was introduced and adopted:

Background

WHEREAS, Board of Directors policy requires all Synod departments to submit their requests for capital items as a separate annual budget for approval; and

WHEREAS, The Chief Financial Officer has identified the source of funding to be general corporate cash or capital debt, as necessary; and

WHEREAS, Departments and other corporate entities are charged for the capital acquisitions over the economic life of the asset via depreciation; and

WHEREAS, The capitalization level is \$5,000. All items with a purchase price exceeding \$5,000 and a useful life of longer than one year or an aggregate amount exceeding \$5,000 when purchased together are capitalized; therefore be it

Resolved, That the Board of Directors approve the 2016/2017 capital budget requests totaling \$835,990 as shown following this resolution, with funding provided by general corporate cash, capital debt, restricted funding, or through allocations to other corporate users.

Capital Equipment & Facility Request
2016/2017 Budget

<u>Department</u>	<u>Description</u>	<u>Amount</u>
Information Technology	PC/Mac Purchases	\$320,326
	Network & Desktop Printers/Scanners	38,045
	Projects/Infrastructure	38,000
Office of International Mission	Leasehold Improvement—Kenya Office	<u>\$15,000</u>
	Subtotal	\$411,371
Potential Facility-Related Projects for 2016/2017. (The cost identified for each project is typically shared among the corporate and trust entities of the LCMS International Center using various methods of allocation. As such, the cost to corporate Synod is less than shown.	Replace Ceiling in Atrium	\$9,348
	A/V Upgrades	9,348
	Upgrade Conference Rooms	41,754
	Document Folder	7,075
	Conference Room A/V	18,696
	Security Cameras/Video Storage Upgrade	21,812
	Replace Conference Room Tables and Chairs	31,160
	Replace HVAC Automation Controls	31,160
	Front Lobby Reconfiguration	144,583
	Replace Catering Tables	7,478
	The FSMB has standing approval for a \$164,000 Annual capital budget for developing capital projects not specifically identified during the budget process. The General Services Executive Director may approve capital expenditures up to \$50,000. The FSMB must approve any capital expenditure Greater than \$50,000.	\$102,205
	Subtotal	<u>\$424,619</u>
	Total	\$835,990

211. Floor Committee and Convention Update

Secretary Raymond Hartwig provided an update on preparations for the 2016 LCMS Convention, beginning with the election of the President for the coming triennium, to take place June 11–14. First Vice-President Herbert Mueller provided an overview of the floor committee assignments and process.

212. International Schools Report

Chief Mission Officer Kevin Robson called attention to his printed report (attached to the protocol copy of these minutes), stating that there are currently a total of 4,100 students enrolled in the three schools, over half of whom self-identify as Christians. He provided an oral report regarding each of the schools which included the following information:

- Hong Kong International School is resource-rich, has two campuses and a strong well-renowned faculty, and is financially well off with an alumni base of more than 47,000 former students. Offering a world-class education, it is perhaps the premier Asian education institute. Efforts are underway to develop and maintain a stronger relationship with the Synod, defining LCMS-anticipated outcomes for the long term.
- Concordia International School Shanghai under the leadership of new Head of School Dr. Mary Scott is a “well-resourced school” on a trajectory to match that of the Hong Kong school. A new operations agreement is being worked on, and the use of Concordia Publishing House materials is being considered. Like the other schools, the Shanghai school is service-oriented and its association with the Synod and Christianity is evident.
- Concordia International School Hanoi, which currently meets in leased office space, will soon move onto its new campus, its dedication scheduled for September 15, 2016. An operations agreement is pending. Like Concordia Shanghai, while the school is service oriented, its association with the Synod and Christianity is evident.

213. Concordia University System Update

Paul Philp of the Concordia University System staff reported to the board regarding the status of the funding plan offered by the board at its last meeting to Concordia College Alabama (Selma), noting that its status will not be known until June 1, when a response and report are anticipated. A motion was introduced and carried to enter into executive session.

213X. Executive Session II

Upon exiting executive session, Paul Philp was thanked for his report and his ongoing efforts as a member of the CUS staff. After recessing for the evening and beginning the Saturday morning session with an opening devotion, a motion was introduced and seconded to reenter executive session to give attention to a CUS-related matter.

213XX. Executive Session III

Upon exiting executive session, Chairman Kumm recalled the board’s attention to the agenda for the meeting and its next item of business.

214. Board of Directors Floor Committee Weekend and Convention Activities

Chief Administrative Officer Ron Schultz provided an update on the board's involvement in Floor Committee Weekend and its convention activities, as well as its scheduled post-convention meetings. Board members were asked to reserve Monday and Tuesday lunch times and to plan to attend a recognition dinner for outgoing board members Wednesday evening.

215. Committee Reports

(A) Governance Committee

Governance Committee Chairman Christian Preus called attention to the sections of the docket that included a report of the triennial Board of Directors self-evaluation (attached to the protocol copy of these minutes) and addressed board orientation at the beginning of the new triennium, noting that the upcoming convention will elect up to six new members. Chief Administrative Officer Ron Schultz walked the board through a brief report of initial planning for the orientation. Additional suggestions were made and there was general consensus in support of the planning.

(B) Audit Committee

Audit Committee Chairman Keith Frndak provided a brief oral report of the highlights of his committee's meeting (committee minutes are attached to the protocol copy of these minutes). Also discussed was information received regarding differences between audit and finance committees, noting that currently the board's Audit Committee operates as an expanded audit committee with finance committee responsibilities.

216. Action Items

(A) Lutheran Center for Religious Liberty Board Member Appointment

Personnel Committee Chairman Warren Puck introduced the need for the board to fill a vacant position on the Board of Directors of the Lutheran Center for Religious Liberty upon the resignation of Mr. Bill Hecht. The slate of nominees consisted of two names: Timothy Hecht of Vienna, VA; and Scott R. Murray of Houston, TX.

Timothy Hecht was appointed to the vacant board position.

(B) Board of Directors—Concordia Plan Services/Board of Trustees—Concordia Plans Appointments

Personnel Committee Chairman Warren Puck introduced the need for the board to fill one ordained and five lay positions on the Concordia Plan Services/Concordia Plans Board. The slate of nominees for the ordained position consisted of three names of persons willing to serve if elected: Jamison Hardy of Finleyville, PA; William A. Northend of Sonoma, CA; and Derek J. Riddle of Rogers City, MI.

William A. Northend was appointed.

The slate of nominees for the five lay positions consisted of seven names of persons willing to serve if elected: Dennis C. Becker of Fort Wayne, IN; Brenda Blisk of Vienna, VA; Carol A. Huebner of San Antonio, TX; James R. Jaacks of St. Louis, MO; Susan L. Lewis of La Vista, NE; Robert W. Lubben of St. Louis, MO; Judy K. Strombeck of Minneapolis, MN.

Appointed were: Dennis C. Becker, Brenda Blisk, Carol A. Huebner, James R. Jaacks, and Judy K. Strombeck.

(C) Lutheran Church Extension Fund (LCEF) Members-at-Large

Personnel Committee Chairman Warren Puck introduced the need for the Board of Directors to appoint four LCEF members-at-large and two or three alternates, reminding the board of the duties and expectations of these members-at-large. The slate of nominees consisted of nine names of persons willing to serve if elected: Dennis Becker of Fort Wayne, IN; Scott Belyea of Turlock, CA; Sally Bucrek of Pinckney, MI; James Ingersoll of Orlando, FL; William H. Nau of Midlothian, VA; Charles Olander of New Holland, IL; James R. Saalfeld of Grand Rapids, MI; Sandy Thompson of Carmel, IN; and George Vincent of Cincinnati, OH.

Appointed to the four positions were: Dennis Becker, William H. Nau, James R. Saalfeld, and George Vincent. Appointed as alternates, to fill vacant positions in the following order, were: (1) James Ingersoll, (2) Charles Olander, and (3) Sally Bucrek.

(D) Historic Concordia University System Debt Authorization

Attention was called to the following action to authorize an increase in the historic Concordia University System debt. After the resolution was formally introduced and following discussion, it was adopted as presented, as follows.

WHEREAS, The LCMS Board of Directors in its February 20, 2016 meeting did authorize up to \$4 million to be granted to Concordia College Alabama upon its fulfilling certain conditions; and

WHEREAS, Funding for this grant was desired to be obtained, in part, with accumulated earnings of the CUS Risk Endowment Fund, and in part by increasing the principal amount of that certain loan from LCEF to CUS, Inc. known generally as the “historic CUS debt”; and

WHEREAS, The Concordia University System Board of Directors adopted the following resolution at its April 24, 2016 meeting:

Resolved, That the Concordia University System Board of Directors meeting in a regular meeting on April 24, 2016, supports the LCMS Board of Directors action with respect to Concordia College Alabama and recommends that The Lutheran Church—Missouri Synod Board of Directors finance its planned grant award with proceeds obtained by adding to Concordia University System, Inc.’s current loan amount held by the Lutheran Church Extension Fund, known as the “Historic CUS Debt.”

Therefore be it

Resolved, That the LCMS Board of Directors thank the CUS Board of Directors for their actions to secure the necessary funding; and be it finally

Resolved, That the President of Concordia University System, Inc., in consultation with the LCMS Chief Financial Officer, be authorized to add up to \$2.3 million to the outstanding principal of the historic CUS debt, and to renegotiate the terms of that debt, as agreeable to the Lutheran Church Extension Fund—Missouri Synod.

(E) Approval of \$3 Million Loan to Concordia University Nebraska to Continue Campus Renovation

Chairman Kumm called attention to the following funding proposal for dormitory and athletic field renovations by Concordia University Nebraska. The following such action was formally introduced and approved by the Board of Directors after brief discussion.

Background

In recent years, Concordia University Nebraska has been working to address campus deferred maintenance projects. In keeping with the university’s campus master facility plan, the next part of

the ongoing effort is to renovate a residence hall (the last without air conditioning) and replace the football/soccer field turf and track surface.

The university's current cash flow does not allow it to fund these projects from operating capital this year. The university therefore desires to finance them with a five year short-term capital loan. The Concordia University Finance Committee has already approved this plan, as has the Concordia University System Board of Directors. The latter has now requested that the LCMS Board of Directors also grant approval.

Therefore be it

Resolved, That The Lutheran Church—Missouri Synod Board of Directors approve a five (5) year capital loan in the amount of \$3,000,000 to fund the renovation of the Ruth B residence hall, the replacement of the synthetic football field surface, and the resurfacing of the outdoor track; and authorize the university to pursue financing terms with Cattle National Bank and Trust and Jones National Bank and Trust in Seward for a five (5) year loan of \$3,000,000 at 3.875% fixed interest and using \$3,000,000 of the quasi endowment funds for collateral.

(F) Board of Directors Policy Revisions for Making Appointments and Filling Mid-term Vacancies (5.7.2)

Governance Committee Chairman Christian Preus introduced this action on behalf of his committee. The following resolution was introduced and adopted without discussion.

WHEREAS, Board of Directors Policy 2.10.1.3.1 directs the Governance Committee to review policies of the board and to make recommendations for new or amended policies; and

WHEREAS, During the course of reviewing this section of the manual, the Chief Administrative Officer has solicited input and/or review from the members of the Governance Committee; and

WHEREAS, Board members are encouraged to provide comment and suggestions regarding these proposed changes and any other change they deem appropriate to raise for the board's consideration during the review of these policy sections; and

WHEREAS, Board policy 5.7.2, "Making Appointments and Filling Mid-term Vacancies," does not currently accommodate the uniqueness of the appointment/vacancy process for the Lutheran Center for Religious Liberty as identified in its Bylaws; therefore be it

Resolved, That the Board of Directors adopt the changes to The Lutheran Church—Missouri Synod Board of Directors *Policy Manual*, Section 5.7.2 "Making Appointments and Filling Mid-term Vacancies," as shown on the attached pages (attached to the protocol copy of these minutes); and be it further

Resolved, That the Board also direct that the Table of Contents, Index, and other references in the manual be updated as necessary.

(G) Concordia University Chicago Residence Hall Project Approval

Having seen an earlier draft of this proposal, and the Concordia University System board already having given its approval, the Board of Directors concurred with that approval action with the adoption of the following resolution.

Introduction

As noted above, the Board of Directors of Concordia University System already has taken action to:

1. Approve the residence hall project;
2. Approve Concordia University Chicago's obtaining financing in a total amount not to exceed \$12,000,000 provided that repayment shall not exceed 30 years and the rate of interest on that indebtedness shall not exceed LIBOR + 3% or, in the case of LCEF, Cost of Funds + 3%;
3. Approve the refinancing of the existing indebtedness of the university provided that (i) the terms shall be no less favorable (as determined, jointly, by the school's president and chief financial officer) than those in existence at the time of such refinancing and (ii) the principal amount of such indebtedness (including indebtedness for the residence hall project) may not increase by more than \$12,100,000 (to accommodate rounding and including, to the extent appropriate, the residence hall refinancing referred to in 2 above) above the principal amount of such indebtedness immediately before the refinancing.
4. Request that the LCMS Board of Directors approve the actions taken by the CUS board.

Therefore be it

Resolved, That the Board of Directors of The Lutheran Church—Missouri Synod concur with the action taken by the Concordia University System Board of Directors and herewith approve the Concordia University Chicago Residence Hall Project according to the provisions outlined in the background information of the Concordia University System Board of Directors approval action.

217. Approval of Executive Session Minutes and Annual Performance Review

A motion was introduced and carried to move into executive session to approve executive session minutes from the February 19–20, 2016 board meeting, and to receive the results of the annual performance review of the Chief Financial Officer.

217X. Executive Session III

218. Proposals for Convention Late Overtures

Chief Administrative Officer Ron Schultz presented three documents for possible submission to the 2016 convention as late overtures and explained their origins and purposes.

(1) The first proposed overture, "To Study and Recommend improvements to the Process to Consolidate, Relocate, Separate, or Divest a College or University," was presented and discussed, with suggestions made for changes to be incorporated into the overture prior to submission. A motion was introduced and carried to recommend that the overture be sent to a floor committee, as follows:

To Study and Recommend Improvements to the Process to Consolidate,
Relocate, Separate, or Divest a College or University

WHEREAS, The Synod is grateful for all of its higher education institutions, and at times those institutions fall into difficulties; and

WHEREAS, A process for addressing the matter of consolidating, relocating, separating, or divesting a college or university first appeared in the 1969 edition of the LCMS *Handbook*: "The board [for Higher Education], in carrying out its functions, shall...have authority, after receiving the consent of the Boards of Control of the colleges involved and with the approval of the synodical Board of Directors and the Council of Presidents, to consolidate colleges to the extent required by the church's professional needs and by its financial condition" (1969 Bylaw 6.05 [p]); and

WHEREAS, Since the original bylaw in 1969, the relevant bylaw has been revised six different times, most recently in 2010 when the wording was changed to: "...[T]he Board of Directors of Concordia University System shall... have authority, after receiving the consent of the Board of Directors of The Lutheran Church—Missouri Synod by its two-thirds vote and also the consent of either the Council of Presidents by its two-thirds vote or the appropriate board of regents by its two-thirds vote, to consolidate, relocate, separate, or divest a college or university" (2010 Bylaw 3.6.6.5 [k]); and

WHEREAS, The wording of the current bylaw includes some confusing terminology (*i.e.*, "have authority, after receiving consent," "divest," "separate"); and

WHEREAS, Over the past 35 years, a number of our institutions have experienced catastrophic financial difficulties, and yet in only one instance was the then-current bylaw successfully used; and

WHEREAS, The time necessary to bring the current process to completion can be a years-long undertaking at a time when, in the event of catastrophic financial difficulties, millions of dollars could be at stake each semester a school is allowed to continue operating under such circumstances; and

WHEREAS, The cost for closing a school according to the United States Department of Education's guidelines for closure is estimated to be a multi-million dollar activity; and

WHEREAS, The Board of Directors is responsible for the general management of the business and legal affairs of the Synod (Bylaw 3.4.4.3) and also serves as the custodian of all the property of the Synod as defined in Bylaw 1.2.1 (q), and has the authority and responsibility with respect to the property of the Synod as is generally vested in and imposed upon a board of directors of a corporation. It may and has delegated to the Concordia University System powers and duties with respect to property of the Synod for which such agency of the Synod (CUS) has direct supervisory responsibility. Such delegation shall be in (is in) writing and shall be subject to change at any time ... (from Bylaw 3.3.4.7); and

WHEREAS, In each instance in which our institutions have experienced catastrophic financial difficulties, corporate Synod was looked upon to reallocate millions of dollars away from other budgeted ministry activity either through direct emergency funding or by increasing the historic CUS debt; therefore be it

Resolved, That the LCMS Board of Directors with the concurrence of the President of the Synod appoint a task force to review and, if appropriate, propose changes to the process "to consolidate, relocate, separate, or divest a college or university" as is currently outlined in Bylaw 3.6.6.5 (k); and be it further

Resolved, That the task force also contemplate the possibility of a new bylaw delineating an expedited process in the event of a 'catastrophic financial crisis' at a college, university, or seminary; and be it further

Resolved, That the task force of nine (9) members be comprised of the following voting members: a member of the LCMS Board of Directors appointed by the board's chairman, a CUS national office staff member, the LCMS Chief Financial Officer, the LCMS Chief Administrative Officer, a CUS school president, a CUS school CFO, a representative of one of Synod's seminaries, the chairman of the Council of Presidents, and the President of the Synod or his designee. The task force shall also be assisted by the Synod's general counsel. The President of the Synod shall designate the chair of the task force from the members identified herein; and be it finally

Resolved, That the final report of the task force, including any recommendations, be delivered to the LCMS Board of Directors and the Synod President no later than 9 months prior to the 2019 convention and that the report be printed in its entirety in the 2019 Convention Workbook.

(2) Initial discussion of a second proposed overture, “To Encourage CUS Institutions to Request Religious Exemptions,” prompted the introduction of a motion to enter into executive session, which was carried.

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When the board returned to open session, the motion to submit the proposed late overture to the convention was defeated without further discussion.

(3) When the third proposed late overture was presented for consideration, “To Enable the Concordia University System to Maintain Doctrinal Integrity in the Event of Drastic Challenges,” a number of changes were proposed which, after discussion, were not approved. It was then agreed that this matter would not be carried forward at this time.

219. Committee/Officer/Board Time

Topics discussed included what the board can do to become better and earlier informed regarding issues that it will require its attention in due time; the importance of taking up officer salary issues during the next triennium; encouragement to include a “face of color around the table” when the board meets during the coming triennium; and the need to address budget concerns going forward, especially in light of the absence of KFUEO FM sale proceeds in four years.

Chairman Kumm used this opportunity to thank on behalf of the board the outgoing members of the board, Victor Belton and Warren Puck, for their good service. He also personally thanked the board for its indulgence as he chaired the board for the past three years, noting his evaluation that the work of the board has gone exceptionally well over the past triennium.

220. Adjournment

Chairman Kumm called on Victor Belton for a closing devotion. A motion was introduced and carried to adjourn the meeting.

Raymond L. Hartwig, *Secretary*