

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

November 21, 1997

The Regents of the University of California met on the above date at Sunset Commons, Los Angeles campus.

Present: Regents Atkinson, Bagley, Brophy, Bustamante, Chandler, Clark, Connerly, Davies, Davis, Eastin, Gonzales, Hotchkis, Johnson, Khachigian, Leach, Lee, Levin, McClymond, Montoya, Nakashima, Ochoa, Parsky, Preuss, Sayles, Soderquist, and Wilson (26)

In attendance: Regents-designate Miura and Willmon, Faculty Representatives Dorr and Weiss, Secretary Trivette, General Counsel Holst, Assistant Treasurer Stanton, Provost King, Senior Vice President Kennedy, Vice Presidents Darling, Gomes, Gurtner, and Hopper, Chancellors Carnesale, Debas, Dynes, Greenwood, Orbach, Vanderhoef, and Yang, Executive Vice Chancellor Golub representing Chancellor Wilkening, and Recording Secretary Nietfeld

The meeting convened at 11:35 a.m. with Chairman Khachigian presiding.

1. **APPROVAL OF MINUTES OF PREVIOUS MEETINGS**

Upon motion of Regent Montoya, duly seconded, the minutes of the meetings of September 19, October 16, and October 30, 1997 were approved.

2. **REPORT OF THE PRESIDENT**

President Atkinson presented the report concerning University activities and individuals.

Faculty Representative Weiss recalled that in May the Board charged the Academic Senate with looking into the issue of admissions which are potentially linked to institutional benefit. The Academic Senate established a committee which interviewed University officials about their admissions procedures. The committee has identified a range of potential options for addressing admissions practices within the University and has presented its report to the Board on Admissions and Relations with Schools. The Academic Senate will present a recommendation to the President which is scheduled to come before The Regents at the January 1998 meeting.

Professor Weiss recalled that last year the Senate established a task force on governance which consisted of three panels: one on shared governance, one on internal structure, and a third on resources. The panel on shared governance is about to conclude its report, which will be brought to the Board for discussion in early 1998. She noted that Regents Davies and Leach were consultants to the shared governance panel.

Then, upon motion of Regent Clark, duly seconded, the President's report was accepted, and it was directed that notes of thanks be sent to the donors of the gifts mentioned in the report, that congratulations be extended to those faculty and staff members who have been awarded honors, and that notes of sympathy and regret be sent to the families of those whose deaths were reported.

[The report was mailed to all Regents in advance of the meeting, and a copy is on file in the Office of the Secretary.]

3. **STATEMENT BY THE CHAIRMAN CONCERNING A PROPOSED CHAIR IN OTTOMAN AND TURKISH HISTORY, LOS ANGELES CAMPUS**

Chairman Khachigian read the following personal statement to the Board and to the public:

"In response to extensive inquiries I have received regarding the proposal to establish an endowed chair in Ottoman and Turkish History at UCLA, I want to make clear that no decision has been reached on this matter. The UCLA campus, like other UC campuses, has a rigorous, formal review process for the establishment of endowed chairs and appointments to such positions. This process relies heavily on faculty consultation and support and may or may not result in a recommendation from the campus Chancellor to the President of the University. The UCLA review process is currently under way, and I know the proposal for this endowed chair will be evaluated carefully and thoroughly with respect to its academic merit and value to the mission of the University of California. I am intimately familiar with the concern raised by this matter, especially within the Armenian community. However, to comment further or speculate at this time would be premature and inappropriate. The UCLA campus also is in the process of seeking a candidate to fill one of the two existing chairs in Armenian studies. I have been following this process closely and have full confidence that the UCLA faculty and administration are moving expeditiously to appoint a scholar of the highest caliber to this important position. I await the outcome of this process with great interest."

4. **RESOLUTION IN APPRECIATION OF TIRSO DEL JUNCO**

Upon motion duly made and seconded, the following resolution was adopted:

WHEREAS, the members of the Board of Regents of the University of California wish to express their deep and abiding gratitude to Tirso del Junco for his 12 years of dedicated service to the University and his many contributions to the people of California; and

WHEREAS, since his appointment in 1985 he has given generously of his time and energy to the University and the Regents as Chairman of the Board and as a member

of all seven of the Regents' standing committees, including ten years on the Committee on Health Services, where his clear understanding of the challenges facing today's academic medical centers has been essential to the University's ability to chart a future course for these uniquely valuable enterprises; and

WHEREAS, he has made a lifelong commitment to providing health care for inner-city residents of Los Angeles, demonstrating a deep concern for the welfare of his patients and generously assisting his community through his tireless efforts on behalf of the Santa Marta Hospital Foundation, the Hollywood Park Charities, and other organizations devoted to ensuring top-quality medical care for the citizens of Los Angeles; and

WHEREAS, he has distinguished himself for his active role in various civic and professional organizations, including service as chairman of the board of governors of the U.S. Postal Service and as a member of the California State Board of Medical Examiners and the California Air Resources Board, all of which have benefited from his wise counsel, sound advice, and broad experience; and

WHEREAS, his numerous exemplary contributions and achievements have earned him many honors, among them the Americanism Medal from the Daughters of the American Revolution, the Physician of the Year Award from the University of California, Irvine School of Medicine, and the Community Leadership Award of the Mexican-American Foundation;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California express to Tirso del Junco their abiding appreciation for his leadership, their admiration for his unselfish public service, their gratitude for his unceasing emphasis on excellence, and their thanks for the pleasure of his company;

AND BE IT FURTHER RESOLVED that the Regents extend to Sally and Tirso their warmest good wishes for a full and happy life and continued success in all their activities and direct that a suitably inscribed copy of this resolution be presented to them as a symbol of the Board's enduring affection, friendship, and esteem.

5. **REPORT OF THE COMMITTEE ON FINANCE**A. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program***

The Committee reported its concurrence with the recommendation of the Committee on Grounds and Buildings that the 1997-98 Budget for Capital Improvements and the 1997-2000 Capital Improvement Program be amended to include San Diego: A. Gilman Drive Parking Structure.

B. ***Domestic Partner Benefits***

The Committee recommended that:

- (1) The President be authorized, consistent with his existing authority, to extend health care benefits to University of California employees who are competent adults over the age of 18 in a long-term, committed, domestic relationship who are precluded from marriage because they are of the same sex or are incapable under California law of a valid marriage because of family relationship.
- (2) The housing benefit issue be referred to the Office of the President, which should establish, for the Regents' consideration, fundamental principles for acceptance by exception of unmarried students into housing that is normally reserved for married students and/or families. The President should report his findings back to the Board for action.

C. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program, Tom Bradley International Center for Students and Scholars, Los Angeles Campus***

The Committee reported its concurrence with the recommendation of the Committee on Grounds and Buildings that the Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Los Angeles: A. Tom Bradley International Center for Students and Scholars -- preliminary plans, working drawings, construction, and equipment -- \$10,520,000 to be funded from gift funds (\$4,723,000), external financing (\$4,533,000), and prepaid rent (\$1,264,000).

To: Los Angeles: A. Tom Bradley International Center for Students and Scholars -- preliminary plans, working drawings,

construction, and equipment -- \$13,944,000 to be funded from gift funds (\$2,136,000), external financing (\$8,410,000), University of California Housing System Net Revenue Funds (\$2,184,000), and prepaid rent (\$1,264,000).

D. *Amendment of External Financing for Tom Bradley International Center for Students and Scholars, Los Angeles Campus*

The Committee recommended that the financing action approved by The Regents in November 1994 with respect to financing for the Tom Bradley International Center for Students and Scholars be amended as shown below, with the understanding that all other actions approved in November 1994 in connection with said project remain unchanged:

deletions shown by strikeout, additions by shading

* * *

- (1) Funding for the Tom Bradley International Center for Students and Scholars project, Los Angeles campus, estimated at ~~\$10,520,000~~ \$13,994,000, be approved as follows:

<u>Fund Source</u>		<u>Amount</u>
Prepaid Rent*	\$ 1,264,000	
Gift funds*	4,723,000	\$ 2,136,000
External Financing	4,533,000	8,410,000
University of California Housing System Net Revenue Fund		<u>2,184,000</u>
Total	\$10,520,000	<u>\$13,994,000</u>

*International Student Center portion of gifts is considered as additional prepaid rent when pledges are received.

- (2) The Treasurer be authorized to obtain financing not to exceed ~~\$7,918,000~~ \$8,410,000 to finance the cost of construction of the Tom Bradley International Center for Students and Scholars project, Los Angeles campus, subject to the following conditions:

- a. ~~With regard to \$350,000 of the financing, prior to the award of a construction contract for said project, adequate and appropriate sources of gift funds, and, if the gift funds necessary are insufficient, the Los Angeles campus' share of the University Opportunity Fund for repayment of any amount to be drawn down against the standby~~

~~loan commitment, shall be confirmed by the President, in consultation with the Treasurer;~~

- ba. With regard to ~~\$3,035,000~~ \$3,877,000 of the financing, repayment of the debt shall be from the Los Angeles campus' share of the University Opportunity Fund to be held in the Office of the President in amounts sufficient to pay debt service on the proposed financing;
- cb. With regard to \$4,533,000 of the financing, as long as the debt is outstanding, University of California Housing System fees for the Los Angeles campus shall be established at levels sufficient to meet all requirements of the University of California Housing System Revenue Bond Indenture and to provide excess net revenues sufficient to pay the debt service and related requirements of the proposed financing;
- dc. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period; and
- ed. The general credit of The Regents shall not be pledged.

* * *

E. *External Financing for Gilman Drive Parking Structure and Campus Services Complex, Phase 2, San Diego Campus*

The Committee recommended that, subject to approval by The Regents of the amendment of the Budget for Capital Improvement Programs to include the Gilman Parking Structure:

- (1) Funding for the Gilman Drive Parking Structure and the Campus Services Complex, Phase 2, San Diego campus, be approved as follows:

External financing	\$20,041,000
Auxiliary and Plant Services Reserves	<u> 593,000</u>
Total	\$20,634,000

- (2) The Treasurer be authorized to obtain external financing not to exceed \$20,041,000 to finance the Gilman Drive Parking Structure and the Campus Services Complex, Phase 2, San Diego campus, subject to the following conditions:

- a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;

- b. As long as the debt is outstanding, parking fees for the San Diego campus Parking System shall be established at levels which, together with other related income, will be sufficient to provide excess net revenues to pay the operating costs of the facility, to pay the debt service, and to meet the related requirements of the proposed financing; and
 - c. The general credit of The Regents shall not be pledged.
- (3) The Officers of The Regents are authorized to provide certification that interest paid by The Regents is exempt from federal income taxation under existing law.
 - (4) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.
- F. ***Incremental Funding of Fixed Price Construction Subcontract, Lawrence Livermore National Laboratory***
- The Committee recommended that, as an exception to Standing Order 100.4(dd)(1) and (8), and subject to appropriate University pre-bid concurrence and to approval by the Department of Energy, the Lawrence Livermore National Laboratory be authorized to solicit and execute an incrementally funded, fixed-price construction subcontract for the remodel of Building 451 at LLNL to accommodate the future installation of the ASCI Blue Pacific high-performance computing system, as authorized in connection with work done under the University's management and operating contract for LLNL, when the total value of the individual subcontracts would exceed the amount appropriated for project work.
- G. ***Approval of 1998-99 Budget for Current Operations and for Capital Improvements***
- (1) The Committee recommended that the expenditure plan included in the 1998-99 Budget for Current Operations be approved as presented in the document titled **1998-99 Budget for Current Operations** dated October 1997 and as modified at the October 16, 1997 meeting.
 - (2) The Committee reported its concurrence with the recommendation of the Committee on Grounds and Buildings that the 1998-99 Budget for Capital Improvements be approved as presented in the document titled **1998-99 Budget for Capital Improvements**.
- H. ***Proposed Amendment of Standing Order 101.2(a) -- Compensation***

The Committee recommended that, following service of appropriate notice, The Regents approve the following amendment of Standing Order 101.2(a) to give the President the authority to approve above-scale academic salaries for Law, Business/Management/Engineering, and Regular Fiscal Year faculty in proportion to the amount allowable for Regular Academic Year faculty above-scale salaries, adjusted annually.

deletions shown by strikeout, additions by shading

STANDING ORDER 101.

FACULTY MEMBERS AND OTHER EMPLOYEES OF THE UNIVERSITY

* * *

101.2 Compensation.

- (a) Rate of compensation and subsequent changes in rate of compensation shall be determined by the Board upon recommendation of the President of the University or upon recommendation of the Secretary, Treasurer, or General Counsel of The Regents in their respective areas of responsibility through the Committee on Finance for:
- (1) A Regents' Professor at a salary rate above the approved range, and a faculty member, including a University Professor, at an exceptional-above-scale salary rate of \$150,000 or more (academic year or fiscal year). An exceptional-above-scale salary rate is defined as a salary rate that exceeds the maximum salary step of the applicable academic salary scale, as adjusted from time to time, by more than the percent difference between the maximum salary step of the Regular Ladder-Faculty Academic Year salary scale and the compensation approval level. The compensation approval level is defined as the dollar limit on the President's authority to approve salaries (\$156,100). The compensation approval level shall be indexed annually in accordance with the Consumer Price Index, said percent increase to be reported annually to the Board;

* * *

Chairman Khachigian confirmed for Governor Wilson that Item B.(1) of the Committee's report would be separated from Item B.(2).

Upon motion of Regent Brophy, duly seconded, the reports and recommendations of the Committee on Finance, with the exception of Item B.(1), were approved, and notice was served on Item H.

Governor Wilson presented the following substitute motion with respect to Item B.(1):

That The Regents direct the President not to proceed with the extension of health care benefits to domestic partners.

The motion failed for lack of a second and was withdrawn by the Governor.

Regent Davis moved approval of Item B.(1) of the C Report. The motion was duly seconded.

Regent Davis stated that he was offended by the midnight appointment of two Regents to the Board, noting that these new Regents did not hear the President's report on domestic partner benefits at the September meeting nor the public comment that occurred at the July and September meetings. He believed that it was inappropriate to ask these new Regents to make a judgment on a proposal that was first brought to the Board in 1981 and to which the Board has given a great deal of attention. Regent Davis recalled that at the July meeting the Board instructed the President to act within his delegated authority and to report back to the Regents at the September meeting. With few exceptions, there were no dissenting opinions from the President's stated intention of extending health care benefits to domestic partners of University employees. At the request of the Governor, however, the matter was brought to The Regents today for a vote. The Lieutenant Governor observed that the recommendation pertains only to health care benefits for dependents of University employees. He believed that such an action was necessary to keep the University competitive and to be fair to all of its employees.

Regent Montoya believed that, because the University's comparison institutions have provided health benefits to domestic partners, the University of California has responded by providing higher compensation to recruit and retain its faculty. She suggested that the proposal was illogical because it would extend benefits to the same-sex domestic partners of retirees, which would not aid in the stated purpose of assisting the University to recruit and retain the most qualified faculty, staff, and graduate students. Regent Montoya stated that she would be willing to vote for the proposal if the benefits were limited to current employees and prospective future retirees.

Regent Parsky recalled that during the discussion by the Committee on Finance some Regents had referred to the values of equality, individual liberty, and the pursuit of individual happiness. He suggested that it would be unfortunate to attach support of those values to a decision on the issue of domestic partner benefits. Regent Parsky believed that the proposal discriminates on the basis of sexual orientation. The law in California permits distinction based upon marital status, but it does not permit discrimination on the basis of sexual

orientation. Regent Parsky stated that he could not bring himself to support a proposal that does this. He urged the administration to be prepared for a number of challenges along these lines if the recommendation is approved. If the Board votes to reject the proposal, and the administration feels strongly that the current policy with respect to benefits is unfair, then the President should return to the Board with a proposal that is not discriminatory.

Regent Bustamante pointed out that Regent Montoya had intended her statement to be taken as an amendment to the President's recommendation. It was confirmed that this was her intention and that the Speaker had wished to second such a motion.

General Counsel Holst confirmed that the effect of the amended motion would be to extend domestic partner benefits to employees who retire on or after the effective date of the President's action.

Vice President Kennedy stated that under University policy annuitants are provided the same health care benefits as active employees. There are approximately 126,000 people enrolled in the University's health plans, of whom 30,000 are annuitants.

Regent Bagley pointed out that information is not available on how many of the 30,000 annuitants would avail themselves of the new benefit. Regent Davies believed that it would be unwise to pursue Regent Montoya's amendment without having more information.

Governor Wilson observed that Regent Montoya's proposed amendment does not address the concern raised by Regent Parsky. The proposal continues to discriminate, which is in violation of California Labor Code §1102.1. This statute prohibits discrimination in employment based upon sexual orientation. If adopted, the University will be subject to legal challenges similar to the one brought by Mr. Ayyoub against the City of Oakland. Regent Montoya's amendment does not address this problem. The Governor noted that a communication from the Individual Rights Foundation which had been distributed to the Board states that "...the proposed change is already incapable of being made legal by offering domestic partnership benefits to heterosexual couples in that it is doubtful that the Regents have the authority to provide such benefits. As a general principle, 'expenditures by an administrative official are proper only insofar as they are authorized, explicitly or implicitly, by legislative enactment.' I am currently unaware of any authority that allows the Regents to provide employment benefits to domestic partners of its employees." Governor Wilson suggested that any action taken by the Board of Regents would usurp the authority of the Legislature, which the Board cannot legally do.

Regent Davis believed that the University of California is entirely within its right to offer health care benefits to all of its employees and their dependents. He noted that Regent Montoya does not feel that the extension of these benefits to existing retirees speaks to the competitive argument in support of the proposal. The Lieutenant Governor stated that, if the court were to force the University to do so, he would support extending these benefits to

heterosexual domestic partners, with the understanding that these partners may be asked to contribute the additional cost. In response to the point put forward by the Governor, Regent Davis noted that a number of cities and counties in the State of California offer benefits to domestic partners.

In response to a question from Regent Lee, General Counsel Holst referred to the letter from the Individual Rights Foundation which suggests that The Regents lacks the legal authority to extend benefits to domestic partners based on the lack of legislative authorization. Mr. Holst stated that, in his judgment, that opinion fails to take into account the authority granted to The Regents by Article IX, Section 9 of the State Constitution. It was his opinion that the Board does have the discretion to move forward under its constitutional authority. He recalled that he had written to the members of the Board on several occasions to advise them on his views with respect to same-sex domestic partner benefits. The situation has changed somewhat as a result of Ayyoub v. City of Oakland, which presents the real issue of whether or not benefits must be extended to both same-sex and opposite-sex domestic partners in order to be legally sustainable. The Oakland case increases the risk of exposure, although the law is not absolutely clear. The General Counsel noted that the amendment which the Committee on Finance adopted at its meeting was intended to place the University in a more defensible position. With respect to the proposal put forward by Regent Montoya, he believed that the legal consequences would be neutral.

At the request of Regent Bagley, General Counsel Holst discussed Ayyoub v. City of Oakland, which was heard by a hearing officer whose recommendation was adopted by the Labor Commissioner. The case will now move through the State Department of Industrial Relations. There are remedies in court available to the City if it is unsuccessful with the Department of Industrial Relations.

Governor Wilson noted that, in a letter to Chairman Khachigian, Acting Professor of Law Yoo, Boalt Hall School of Law, had expressed the opinion that the decision of the Labor Commissioner was a correct application of California Labor Code §1102.1. Regent Montoya's proposal does not address the basic problem that the President's proposal seeks to distinguish between employees on the basis of their sexual orientation, which is illegal in the State of California. The Governor suggested that it would be irresponsible for The Regents to make the University a target of litigation.

Regent Bustamante observed that the Oakland case had yet to be adjudicated and asked what the University's legal position would be if, once the proposal is approved, consideration be given to expanding the benefits to all domestic partners. General Counsel Holst confirmed that to do so would remove the potential objection of heterosexual couples. The Speaker stated that he would support a proposal to do so.

In response to the general issues under discussion, Mr. Holst noted that Professor Yoo does not take into account the modification of the proposal that was adopted by the Committee on

Finance. He noted that the current recommendation would provide benefits to employees who cannot make the choice to marry but who have assumed mutual responsibility in a domestic partner relationship.

Regent Eastin pointed out that extension of domestic partner benefits falls within the delegated authority of the President of the University. It was her opinion that the Board has a responsibility to keep the University of California highly competitive in light of the fact that six of the University's comparison eight institutions have already extended domestic partner benefits. She recalled that two years ago the Board took a position which was opposed by the President and the nine chancellors. Since that time, five chancellors have left the University. She believed that the time had come for the Board to put its political infighting behind it and to act in the best interests of the University by voting in favor of the recommendation.

Regent Hotchkis commented that he was involved in fundraising for the Berkeley and Los Angeles campuses, an effort which is not aided by controversy. He shared the concern regarding potential litigation.

Regent Connerly pointed out that General Counsel Holst has advised that the proposal is not about sexual orientation. He asked whether the Board members would support a proposal that would extend domestic partner benefits to all unmarried employees, which is what the faculty originally proposed.

Regent Parsky responded that if the administration supports such a proposal, then the President should bring such a recommendation to the Board for a full discussion. The recommendation should outline the potential cost of extending domestic partner benefits to all unmarried employees in order to permit the Regents to determine whether or not they are prepared to support funding for this proposal. He emphasized that it would be difficult for him to vote in favor of a proposal that as presently written is discriminatory.

Faculty Representative Dorr recalled that for many years the faculty have supported the extension of benefits to the partners of University employees who are in long-term, committed relationships. The faculty recognize that people in same-sex relationships do not have the ability to marry, whereas a heterosexual couple does have that option. The best understanding of the faculty is that the proposal is legal, especially given the fact that other universities within the State as well as many companies have extended benefits to same-sex domestic partners without serious legal problems. She urged approval of the recommendation.

Regent Ochoa noted that the suggestion had been made that the newly appointed Regents were not prepared to vote on the proposal before the Board. He stressed that he had studied the questions that it raises, including possible legal and legislative issues. Regent Ochoa believed that the University should continue to be committed to the eradication of

discrimination. It was his belief that the proposal would discriminate against individuals in a committed relationship who had chosen not to marry. He suggested that the Regents were not obliged to turn only to the General Counsel for legal opinions.

Regent Soderquist stated that he relied upon General Counsel Holst for legal advice. He believed that the decision should be made based solely upon whether or not the proposal was in the best interests of the University; for this reason, he intended to vote "yes."

Governor Wilson pointed out that General Counsel Holst had not contradicted any of the concerns raised by Professor Yoo. With respect to the comments made by Regent Davis regarding the appointment of the new Regents, the Governor suggested that if Regent Davis were governor, he would see it as a dereliction of his duty not to ensure that the full complement of Regents was available to vote on this issue.

In response to comments made about discrimination against heterosexual couples, Regent Davis pointed out that it would be possible for the President to return to the Board with a recommendation that extension of benefits to these employees be approved.

(For speakers' comments, see the minutes of the November 21, 1997 meeting of the Committee of the Whole.)

Regent Montoya's amendment was put to a vote and failed, Regents Bagley, Brophy, Bustamante, Connerly, Davis, Eastin, Gonzales, Levin, McClymond, Montoya, Preuss, and Soderquist voting "aye," (12), and Regents Atkinson, Chandler, Clark, Davies, Hotchkis, Johnson, Khachigian, Leach, Lee, Nakashima, Ochoa, Parsky, Sayles, and Wilson voting "no" (14).

The original motion was put to a vote and passed, Regents Atkinson, Bagley, Brophy, Bustamante, Connerly, Davis, Eastin, Gonzales, Khachigian, Levin, McClymond, Preuss, and Soderquist voting "aye" (13), Regents Chandler, Clark, Davies, Hotchkis, Johnson, Leach, Lee, Nakashima, Ochoa, Parsky, Sayles, and Wilson voting "no" (12), and Regent Montoya abstaining.

6. **REPORT OF THE COMMITTEE ON GROUNDS AND BUILDINGS**

A. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program***

The Committee recommended that, subject to the concurrence of the Committee on Finance, the 1997-98 Budget for Capital Improvements and the 1997-2000 Capital Improvement Program be amended to include the following project:

San Diego: A. Gilman Drive Parking Structure -- preliminary plans, working drawings, and construction -- \$14,979,000 to be funded from external financing.

B. *Amendment of the Budget for Capital Improvements and the Capital Improvement Program, Tom Bradley International Center for Students and Scholars, Los Angeles Campus*

The Committee recommended that, subject to the concurrence of the Committee on Finance, the Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Los Angeles: A. Tom Bradley International Center for Students and Scholars -- preliminary plans, working drawings, construction, and equipment -- \$10,520,000 to be funded from gift funds (\$4,723,000), external financing (\$4,533,000), and prepaid rent (\$1,264,000).

To: Los Angeles: A. Tom Bradley International Center for Students and Scholars -- preliminary plans, working drawings, construction, and equipment -- \$13,944,000 to be funded from gift funds (\$2,136,000), external financing (\$8,410,000), University of California Housing System Net Revenue Funds (\$2,184,000), and prepaid rent (\$1,264,000).

C. *Approval of 1998-99 Budget for Capital Improvements*

The Committee recommended that, subject to the concurrence of the Committee on Finance, the 1998-99 Budget for Capital Improvements be approved as presented in the document titled **1998-99 Budget for Capital Improvements**.

[The 1998-99 Budget for Capital Improvements was mailed to all Regents in advance of the meeting, and a copy is available in the Office of the Secretary.]

Upon motion of Regent Nakashima, duly seconded, the recommendations of the Committee on Grounds and Buildings were approved.

7. **REPORT OF THE COMMITTEE ON INVESTMENTS**

Treasurer's Annual Report - 1996-97

The Committee forwarded to The Regents the Treasurer's Annual Report for the fiscal year ended June 30, 1997.

(The report was mailed to all Regents in advance of the meeting, and a copy is on file in the Office of the Secretary.)

Upon motion of Regent Lee, duly seconded, the report of the Committee on Investments was accepted.

8. **REPORT OF THE COMMITTEE ON HEALTH SERVICES**

A. *Compensation Plan for Staff Physicians*

The Committee reported its approval of a Compensation Plan for Staff Physicians and delegation of authority for implementation of the Plan to the President, including review and approval of salary actions within the approved grade structure. Because of continuing competitive market pressures the Plan would initially be implemented at UCSF, with possible extension to other campuses based upon review and approval of the President.

B. *Approval of Limited Liability Company, Medical Center, Los Angeles Campus*

The Committee recommended that the President, in consultation with the General Counsel and the Vice President for Clinical Services Development, be authorized to:

- (1) Approve and execute an agreement to establish a limited liability company to be called the UCLA/Cedars-Sinai Liver Transplant Program, LLC (the "LLC"), with the members of the company being The Regents and Cedars-Sinai Medical Center (Cedars-Sinai), with each holding a 50 percent interest in the company.
- (2) Approve capital contributions by the University not to exceed \$250,000 in cash, to be funded from the reserves of the UCLA Medical Center.
- (3) Approve and execute an Assistance Agreement with Cedars-Sinai, under which UCLA Medical Center will provide certain clinical personnel to Cedars-Sinai for the Liver Transplant Program.
- (4) Approve and execute an agreement with the LLC and Cedars-Sinai, under which the LLC will be authorized to conduct joint marketing, administration, and risk-sharing activities on behalf of The Regents and Cedars-Sinai.

- (5) Approve and execute any other agreements necessary in connection with the above and oversee administration of the University's interest in the LLC.

C. ***Approval of Dissolution of Chartwell West Partnership and Sale of UCSF Ownership Interest to Chartwell Home Therapies, San Francisco Campus***

The Committee recommended that the President, in consultation with the General Counsel and Vice President of Clinical Services Development, be authorized to:

- (1) Approve and execute documents required for dissolution of the partnership between The Regents, on behalf of the University of California, San Francisco (UCSF), and Chartwell Home Therapies (Chartwell), a wholly-owned subsidiary of Nations Healthcare, Inc., said dissolution to take place on the following terms:
 - a. In exchange for the Regents' interest in the partnership, Nations Healthcare, Inc. guarantees that Chartwell will pay UCSF \$1,000,000 in eight quarterly payments over a two-year period, with each of the first four payments to equal \$200,000 and each of the remaining four payments to equal \$50,000, and will assume all of the partnership's obligations and liabilities.
 - b. UCSF will not compete in the "Map Area" (a term defined as the San Francisco Bay Area) with Chartwell for a period of two years after the closing date of the transaction; however, any existing activities of Stanford Health Systems (including the Lucile Salter Packard Children's Hospital) which compete with Chartwell shall be permissible. Chartwell shall retain all rights to the name "Chartwell West." UCSF shall not be permitted to offer employment to any of the employees of Chartwell West for a period of two years following the closing of this transaction.
 - c. UCSF shall fully indemnify Chartwell for any claims in connection with or arising out of UCSF's actions or omissions prior to the consummation of this transaction. Chartwell shall fully indemnify UCSF for any claims in connection with or arising out of Chartwell's actions or omissions (both prior to and after the consummation of this transaction). Both parties will be required to maintain insurance in commercially reasonable amounts.

Nations Healthcare, Inc. shall fully indemnify UCSF for any claims in connection with or arising out of any reimbursement activity conducted by Nations Healthcare, Inc. on behalf of Chartwell West on

and after January 1, 1997, prohibited under the Federal Medicare and Medicaid Anti-Kickback Statute, 42 U.S.C. & 1320a-7b, or the regulations promulgated thereunder, or related State or local fraud and abuse statutes or regulations.

- d. UCSF School of Pharmacy and Chartwell will enter into a separate agreement whereby Chartwell will pay \$30,000 annually to UCSF School of Pharmacy in exchange for the services of pharmacy students who will rotate through a site designated by Chartwell. The duration of this separate agreement shall be indefinite, with a 90-day termination right by either party.
 - e. UCSF will return to Chartwell all information deemed confidential by Chartwell, including profit and loss statements, annual audits, and patient records.
 - f. Chartwell will not use the UCSF name in Chartwell marketing literature without the prior written consent of UCSF.
 - g. The agreement will bind Chartwell's successors and assignees.
- (2) Terminate the Management Services Agreement between Chartwell Management Services, a subsidiary of Chartwell Home Therapies, and UCSF.
 - (3) Approve and execute all necessary ancillary documents and any modifications, addenda, or amendments to the subject documents which do not substantially alter the basic terms outlined above or increase the University's risk significantly.

Upon motion of Regent Davies, duly seconded, the report and recommendations of the Committee on Health Services were approved.

8. **REPORT OF THE NOMINATING COMMITTEE**

The Nominating Committee recommended the following through June 30, 1998:

- A. Regent Connerly be appointed Vice Chair of the Committee on Educational Policy, effective November 21, 1997.
- B. Regent Clark be appointed Vice Chair of the Committee on Health Services, effective November 21, 1997.

Upon motion of Regent Connerly, duly seconded, the recommendations of the Nominating Committee were approved.

9. **REPORT OF PERSONNEL ACTIONS**

In accordance with Bylaw 14.7(b), Secretary Trivette reported that the following personnel actions were taken at the September 1997 and October 1997 meetings. There was no roll call vote on Item A. There was a roll call vote taken at the October 6, 1997 meeting on item B. (Roll call vote required by State law on all actions taken in meetings held by teleconference.)

- A. Appointment of Oscar Brown, Jr. as Regents' Professor, Department of Music, Riverside campus, for the fall quarter of the 1997-98 academic year.
- B. Appointment of John C. Browne as Director, Los Alamos National Laboratory, effective November 3, 1997. The roll call vote was as follows: Regents Atkinson, Clark, Connerly, del Junco, Gonzales, Lee, Levin, McClymond, Montoya, Nakashima, Preuss, Sayles, and Soderquist voting "aye" (13).

10. **REPORT OF COMMUNICATIONS**

Secretary Trivette presented summaries of communications received subsequent to the September meeting. The communications were referred to the President and the General Counsel for review and response as appropriate.

[A copy of the Report on Communications Received is on file in the Office of the Secretary.]

11. **REPORT OF THE PRESIDENT**

The President reported that on the dates indicated the following informational reports were mailed to Regents and to Committees:

To Members of the Committee on Educational Policy

- A. Report on Matters Relating to the California Postsecondary Education Commission. September 30, 1997.
- B. Annual report on the establishment and disestablishment of Organized Research Units, on the appointments of new ORU Directors, and on the establishment of new centers of the Education Abroad Program. October 8, 1997.
- C. *The University of California: Approaching the 21st Century*. October 24, 1997.

To Members of the Committee on Finance

- D. Annual Report on Insurance and Self-Insurance Programs. October 3, 1997.
- E. Annual Report on University Employee Housing Assistance Programs for 1996-97. November 10, 1997.
- F. Annual Report on Compensation: Principal Officers of The Regents and Officers of the University. November 10, 1997.

To Members of the Committee on Health Services

- G. Activity and Financial Status Report on Hospitals and Clinics as of August 31, 1997. October 1, 1997.
- H. Activity and Financial Status Report on Hospitals and Clinics as of June 30, 1997. October 31, 1997.
- I. Activity and Financial Status Report on Hospitals and Clinics as of September 30, 1997. November 10, 1997.

To Members of the Committee on Oversight of the Department of Energy Laboratories

- J. Annual Report on Los Alamos National Laboratory. September 26, 1997.

To The Regents of the University of California

- K. Seismic Action Plan for Facilities Enhancement and Renewal. October 23, 1997.
- L. Report of the Review Committee on Continuing Education of the Bar. November 7, 1997.

The meeting adjourned at 1:10 p.m.

Attest:

Secretary

