

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

March 20, 1998

The Regents of the University of California met on the above date at UCSF-Laurel Heights, San Francisco.

Present: Regents Atkinson, Chandler, Clark, Davies, Johnson, Khachigian, Lee, Levin, McClymond, Ochoa, Parsky, and Soderquist (12)

In attendance: Regents-designate Espinoza and Miura, Faculty Representatives Dorr and Weiss, Secretary Trivette, General Counsel Holst, Treasurer Small, Provost King, Senior Vice President Kennedy, Vice Presidents Darling, Gomes, and Hershman, Chancellors Carnesale, Debas, Greenwood, Orbach, and Vanderhoef, and Recording Secretary Nietfeld

The meeting convened in Closed Session at 10:55 a.m. with Chairman Khachigian presiding.

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The Board went into Open Session at 11:00 a.m.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion of Regent Johnson, duly seconded, the minutes of the meetings of February 6 and February 19, 1998 were approved.

2. REPORT OF THE PRESIDENT

President Atkinson referred to the University’s budget, which is now at approximately the same level of funding as was the case in 1990. He observed that while competitive salaries have been restored, the University is underfunded by about \$500 million. This has a serious, negative effect on the faculty-student ratio, which is presently at 19.2:1, in comparison to the faculty-student ratio of 10:1 at Stanford University. The comparison public institutions have a ratio of 17:1. The President observed that although there may not be as large a growth in the number of high school graduates as was once predicted, there will be a steady increase such that by 2010 there will be about 45,000 additional students eligible to attend the University. He noted that the University is committed to enrolling all eligible students, which results in over-enrollment. The University will need to build new facilities to accommodate these additional students.

The President reported on the Conference on Innovation held at M.I.T., which he attended along with several chancellors and laboratory directors. Over the past few years there have been a series of meetings concerned with the issue of American competitiveness, culminating in a national meeting in Massachusetts. The conference was attended by the Vice President, members of the Congress, and many corporate officers. Those in attendance expressed concern about K-12 education; there was a general consensus about the importance of standards and of testing. The chancellors reported on the efforts being undertaken by the

University in the area of teacher preparation. Another key issue at the conference was the need to train more scientists and engineers. Mr. Atkinson noted that the University of California does not train as many people in these areas as do its comparable institutions, in part because some of the campuses which were founded in the 1960s did not establish Schools of Engineering. With the establishment of the School at Engineering at the Santa Cruz campus, they are now present on all eight general campuses. The conference also addressed the issue of innovation in research and development and the critical role played by university research in this enterprise. The University of California is at the forefront of technology transfer, and the Industry-University Cooperative Research Program serves as a model for the country. The importance of continuing education was also discussed. President Atkinson cited the Santa Cruz campus, which enrolls 50,000 students in continuing education classes.

President Atkinson then presented the report concerning University activities and individuals.

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.]

President Atkinson then recognized Faculty Representative Weiss to report on activities of the Academic Council. She reported that at its February meeting the Council endorsed a plan for faculty involvement in planning for the tenth campus. The initial phase will be the establishment of a task force to serve as a resource to the administration and to the Regents with respect to academic issues. Once the chancellor has been selected, an academic development committee will be formed to serve as a resource to the chancellor in obtaining department and course approvals prior to the hiring of faculty. The committee will assist in the recruitment of faculty, while a subcommittee of the Academic Senate's Committee on Academic Personnel will review and make recommendations with regard to the appointment of faculty. Professor Weiss recalled that over the past few years the Academic Senate has questioned the viability of the tenth campus, especially in light of the constraints on the existing campuses. Now that the campus is becoming a reality, the faculty wish to be actively involved in making sure that it is a high-quality campus.

Chairman Khachigian reminded the Board members of the visit to the campus site in Merced on April 14 and 15 and urged them to attend.

3. RESOLUTION IN MEMORY OF DEAN E. McHENRY

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

WHEREAS, the Regents of the University of California were deeply saddened to learn of the death this week of Dean E. McHenry, founding chancellor of the Santa Cruz campus and a distinguished educational leader; and

WHEREAS, the University of California at Santa Cruz stands as magnificent testimony to the breadth of his vision as an architect of educational planning and philosophy, a campus that combines the strengths of the residential college tradition with the vigor and youthfulness of the American research university; and

WHEREAS, for thirteen years he worked tirelessly to build and shape the campus, upholding the highest standards of excellence, recruiting scholars considered to be among the best and brightest in the nation, forging strong ties with the local community, and overseeing the physical design of the campus, whose beauty and distinctiveness are continuing testimony to the skill of his stewardship; and

WHEREAS, he will be equally remembered for his second great bequest to the people of California, his dedicated work on the Master Plan for Higher Education, an accomplishment that has earned him a prominent place in the history of American higher education in this century; and

WHEREAS, following his retirement as chancellor in 1974 he continued to enrich and enliven the campus and community with his wisdom, foresight, and integrity and through his enduring contributions as a respected advisor to his successors and as an active member of the UC Santa Cruz Foundation and the Santa Cruz County Community Foundation; and

WHEREAS, the roots of this Son of California were deeply entwined in the University of California system for most of his life, beginning with his election in 1932 as president of the Associated Students at UCLA, followed by an exceptional career at that campus as faculty member, department chair, and dean, and later by outstanding service as academic assistant to the president and universitywide dean of academic planning;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California express their gratitude for Dean McHenry's considerable contributions as Chancellor of UC Santa Cruz, their admiration for his unselfish commitment to the University over many years, and their appreciation for his unflagging efforts on behalf of higher education;

AND BE IT FURTHER RESOLVED that the Regents convey their heartfelt sympathy to his wife Jane and to the entire McHenry family and direct that inscribed

copies of this resolution be sent to them as a token of the Regents' regard and respect for Dean E. McHenry, one of the University of California's great pioneers.

4. **REPORT OF THE COMMITTEE ON FINANCE**

A. ***Adoption of the Uniform Management of Institutional Funds Act***

The Committee recommended, with the concurrence of the Committee on Investments and the Committee on Educational Policy, that The Regents adopt the Uniform Management of Institutional Funds Act, California Probate Code §18500 et seq.

B. ***Adoption of a Total Return Expenditure Policy on Regents' General Endowment Pool (GEP) Assets***

The Committee recommended, with the concurrence of the Committee on Investments and the Committee on Educational Policy, that The Regents adopt in principle a total return expenditure (spending) policy for eligible endowment gift assets in the General Endowment Pool.

C. ***Adoption of Endowment Administration Cost Recovery Policy for Campuses on Regents' Assets***

The Committee recommended, with the concurrence of the Committee on Investments and the Committee on Educational Policy, that The Regents adopt a policy to recover reasonable and actual costs related to the administration of gift assets invested in the General Endowment Pool.

D. ***Authorization to Establish a Limited Liability Company with the Bay Area Life Sciences Alliance for the Planning and Development of the UCSF Mission Bay Campus Site***

The Committee recommended that:

- (1) The Regents authorize the establishment of a limited liability company (Company) with two members, the Bay Area Life Sciences Alliance (BALSA) and the University, for the planning and development of the UCSF Mission Bay campus, the Company to be called UCSF Mission Bay Campus, LLC.
- (2) The Regents authorize the President, in consultation with the General Counsel, to execute all documents necessary to establish the Company, including, without limitation, an Operating Agreement, such agreement to include the following provisions:
 - a. The Company shall be organized exclusively for nonprofit purposes; specifically, to support, benefit, and further the charitable, scientific,

and educational purposes of UCSF by facilitating the planning and development of the Mission Bay campus;

- b. The University and BALSAs shall make initial contributions to the Company, such contributions to be identified in the Operating Agreement;
- c. All strategic decisions with respect to the planning and development of the Mission Bay campus shall be within the control of the University.

In this regard, certain actions of the Company shall require the approval of the University only. These actions include, among others, the following:

- Sale or transfer of any of the assets of the Company.
- The incurrence by the Company of any liability or obligation in excess of \$100,000.
- Termination of any groundlease of property by the University to the Company.
- The mortgage of any property of the Company to secure payment of the Company's obligations.

Certain actions of the Company shall require the approval of both the University and BALSAs. These actions include, among others, the following:

- All amendments to the terms of the Operating Agreement or any modification to the purposes of the Company.
 - Admission of additional members of the Company.
 - The adoption, approval, or amendment of any capital or operating budget being managed by the Company.
- d. Subject to continuing University oversight and control, the day-to-day administration of the Company shall be conducted by BALSAs. BALSAs may be relieved of its administrative responsibilities at the request of the University. The Chancellor of UCSF shall be the designee of the University as a Member of the Company;
 - e. The duration of the Company shall be until December 31, 2015;

- f. The Company shall provide to the University audited annual financial statements and an annual program report which will describe actions taken by the Company to implement programs previously authorized by the University;
- g. Either the University or BALSAs may withdraw as a member of the Company on not less than 365 days' notice to the other party;
- h. The Company may make distributions (on dissolution or otherwise) only to the University or BALSAs. Distributions to BALSAs shall be limited to assets which were initially contributed by BALSAs and which have not been designated in furtherance of the Company's purposes, such as working capital; and
- i. Neither the University nor BALSAs may transfer its interest in the Company to a third party without the consent of the other party.

E. *Amendment of Standing Order 110.2(a) - Matters Relating to Residency of Amateur Student Athletes Training at U.S. Olympic Training Center*

The Committee recommended that:

- (1) Service of notice be waived.
- (2) Effective for all new students entering the University of California after January 1, 1998, Standing Order 110.2(a) be amended to read as follows:

Additions shown by shading

Standing Order 110.

ACADEMIC UNITS AND RELATED ACTIVITIES
OF THE UNIVERSITY

* * *

110.2 Matters Relating to Residency

- (a) The residence of each student shall be determined in accordance with the rules governing residence prescribed by the provisions of Sections 68000, 68010-68012, 68014-68018, 68022-68023, 68040-68044, but excluding the words "classified as a nonresident seeking reclassification" from Paragraph 1 and substituting the words "seeking classification" and excluding Paragraph 3 of Section 68044, 68050, 68060-68061, 68062 but excluding the words "including an unmarried minor alien" from 68062(h), 68070-68080, 68083,

68130, and 68132-68134 of the Education Code of the State of California. Each nonresident student at the University of California shall pay a nonresident tuition fee for each term of attendance at the University, except that such fee, with the approval of the President of the University, may be remitted or waived in whole or in part in the case of any student who qualifies as a graduate student with a distinguished record, a foreign student, a teaching assistant or teaching fellow, or a research assistant; or in the case of a nonresident student who is an unmarried dependent son or daughter under age twenty-one, or a spouse of a member of the University faculty who is a member of the Academic Senate. A student who is a child of a resident law enforcement officer or fire fighter killed on active duty shall be exempted from nonresident tuition and fees in accordance with Section 68120 of the Education Code of the State of California. A student who is the child or dependent of a deceased or disabled veteran, or who is the dependent of or the surviving spouse who has not remarried of any member of the California National Guard who was killed or permanently disabled while in active service of the state, shall not be exempted from nonresident tuition fees, but may be exempted from tuition and incidental fees in accordance with Section 32320 of the Education Code of the State of California. For purposes of defining financial independence pursuant to Section 68044, a student shall be considered "financially independent" if the applicant: a) is at least 24 years of age by December 31 of the year the applicant requests residence classification; b) is a veteran of the U.S. Armed Forces; c) is a ward of the court or both parents are dead; d) has legal dependents other than a spouse; e) is married, or a graduate student or professional student, and will not be claimed as an income tax deduction by his or her parents or any other individual for the tax year immediately preceding the request for residence classification; or is a single undergraduate student, and was not claimed as an income tax deduction by his or her parents or any other individual for the two years immediately preceding the request for residence classification, and demonstrates self-sufficiency for two years. The student is considered self-sufficient if he or she had total income and other resources of at least \$4,000. The two years used to demonstrate self-sufficiency are the two years immediately preceding the request for residence classification. Nonresident tuition fees shall be payable at the time of registration.

F. *Amendment of Bylaw 12.3(m) - To Conform to Similar Language in Standing Order 101.2(a) Concerning Compensation*

The Committee recommended that:

- (1) Service of notice be waived.
- (2) Bylaw 12.3(m) be amended as shown below to conform to similar language in Standing Order 101.2(a) concerning compensation:

deletions shown by strikeout, additions by shading

BYLAW 12.

RESPONSIBILITIES OF STANDING COMMITTEES

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12.3 Committee on Finance.

The Committee on Finance shall:

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(m) Recommend to the Board:

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- (2) The rates of compensation of Regents' Professors at salary rates above the approved range and the rates of compensation of faculty members, including University Professors, at exceptional-above-scale salary rates of ~~\$150,000 or more (academic year or fiscal year)~~ **\$156,100 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; and

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G. ***Amendment of the University of California Retirement Plan, Tax-Deferred 403(b) Plan, and Defined Contribution Plan - Technical Changes***

The Committee recommended that the University of California Retirement Plan, the Tax-Deferred 403(b) Plan, and the Defined Contribution Plan be amended as shown in Attachments I, II, and III to provide for various technical changes in the provisions of the Plans.

H. ***Agreement with MERF Concerning the Transfer of Assets, San Diego Campus***

The Committee recommended that the President be authorized to enter into an agreement with the Medicine, Education, and Research Foundation (MERF) for the purpose of transferring at least 75 percent of the Segregated Assets (assets held by MERF in segregated accounts for the benefit of a specific UCSD Department of Medicine program or in support of the research and instructional activities of a Department of Medicine faculty member) of MERF to the University before June 30, 1998 for the benefit of academic programs and research on the San Diego campus, with up to 25 percent of Segregated Assets to be transferred at the direction of MERF to other qualified public charities, but only to the extent permitted by the terms of the original gift to MERF; and all of the Unsegregated Assets of MERF to the University in six years when MERF is dissolved.

Upon motion of Regent Johnson, duly seconded, the recommendations of the Committee on Finance were approved. Regent Davies did not vote on Item D. because of a conflict of interest.

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

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 Health Services that the 1997-98 Budget for Capital Improvements and the 1997-2000 Capital Improvement Program be amended to include the following projects: Davis: A. Tower II, Phase II and Davis: B. Tower II South Addition.

B. *Approval of Design for University Village Redevelopment, Step 1, Berkeley Campus*

Upon review and consideration of the environmental consequences of the proposed project as indicated in the Final Environmental Impact Report certified by The Regents in January 1998 and the Addendum, the Committee reported the following:

- a. Adoption of the Findings and EIR Addendum.
- b. Approval of the design of the University Village Redevelopment, Step 1 project at the Berkeley campus.

[The Findings and EIR Addendum were mailed to all Regents in advance of the meeting, and copies are on file in the Office of the Secretary.]

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

6. **REPORT OF THE COMMITTEE ON EDUCATIONAL POLICY**

Appointment of Casey Wasserman as New Member, Board of Trustees, Jules Stein Eye Institute, Los Angeles Campus

The Committee recommended that Mr. Casey Wasserman be appointed to the Board of Trustees of the Jules Stein Eye Institute, Los Angeles campus.

Upon motion of Regent Levin, duly seconded, the recommendation of the Committee on Educational Policy was approved.

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

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

The Committee recommended, subject to the concurrence 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 the following projects:

- (1) Davis: A. Tower II, Phase II -- preliminary plans, working drawings, and construction -- \$18,140,000 total project cost to be funded from hospital reserves.
- (2) Davis: B. Tower II South Addition -- preliminary plans, working drawings, and construction -- \$27 million total project cost to be funded from hospital reserves.

B. ***Approval of UCSF-Stanford Health Care Monthly Financial Report Format to The Regents***

The Committee recommended that the format for the monthly financial report to The Regents by UCSF-Stanford Health Care be that set forth in Attachment IV.

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

8. **REPORT OF THE COMMITTEE ON AUDIT**

A. ***Appointment of External Auditor for the Year Ending June 30, 1998***

The Committee recommended that the current external auditor of the University of California, Deloitte & Touche, be reappointed as external auditor for the fiscal year ending June 30, 1998 and that the Secretary be authorized to execute an agreement with Deloitte & Touche covering its services as external auditor of the University of California for that period.

B. ***Approval of the External Audit Plan for the Year Ending June 30, 1998***

The Committee recommended that the annual audit plan for the year ending June 30, 1998 be approved.

[The annual audit plan 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 Davies, duly seconded, the recommendations of the Committee on Audit were approved.

9. **REPORT OF THE NOMINATING COMMITTEE**

Committee Assignments for Regent Villaraigosa and Regent-designate Espinoza

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

A. Regent Villaraigosa be appointed to the Committees on Educational Policy, Finance, and Grounds and Buildings.

B. Regent-designate Espinoza be appointed as an Advisory Member to the Committees on Educational Policy, Finance, and Investments.

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

10. **REPORT OF THE SPECIAL COMMITTEE ON REGENTS' PROCEDURES**

Approval of Dates of Regents Meetings for 1998-99

The Committee recommended that the following dates of Regents meetings for 1998-99 be approved:

1998

September 17-18

October 15

November 19-20

1999

January 14-15

February 18

March 18-19

May 20-21

June 17-18

July 15-16

September 16-17

October 14

November 18-19

Upon motion of Regent Levin, duly seconded, the recommendation of the Special Committee on Regents' Procedures was approved.

11. REPORT OF PERSONNEL ACTIONS

In accordance with Bylaw 14.7(b), Secretary Trivette reported that the following personnel actions were taken at the January and February 1998 meetings. There were no roll call votes on Items A and B. There was a roll call vote taken at the February 6, 1998 meeting on Item C. (Roll call vote required by State law on all actions taken in meetings held by teleconference.)

- A. Appointment of Anne C. Broome as Vice President for Financial Management, Office of the President, 100 percent, at her current salary, effective February 1, 1998.
- B. Appointment of Lawrence C. Hershman as Vice President for Budget, Office of the President, 100 percent, at his current salary, effective February 1, 1998.
- C. Appointment of J. Michael Bishop, M.D. as Chancellor of the San Francisco campus, 100 percent, effective July 1, 1998. The roll call vote was as follows: Regents Atkinson, Bagley, Brophy, Gonzales, Johnson, Lee, Levin, McClymond, Nakashima, Ochoa, Preuss, and Soderquist voting "aye" (12).

12. REPORT OF COMMUNICATIONS

Secretary Trivette presented summaries of communications received subsequent to the January 1998 meeting. The communications were referred to the President and the General Counsel for review and response as appropriate.

13. REPORT OF THE PRESIDENT

The President reported that on the dates indicated the following informational reports were mailed to Committees, with copies to all Regents:

To Members of the Committee on Audit

- A. Review of annual audit of Hastings College for the year ended June 30, 1997. January 20, 1998.
- B. Summary of audits of campus Foundations for the year ended June 30, 1997. February 26, 1998.

To Members of the Committee on Finance

- C. Annual Report, University of California Technology Transfer Program for Fiscal Year 1997. February 4, 1998.

To Members of the Committee on Grounds and Buildings

- D. Major Capital Projects Implementation Report. February 5, 1998.

To Members of the Committee on Health Services

- E. The Activity and Financial Status Report on Hospitals and Clinics as of November 30, 1997. January 8, 1998.
- F. The Activity and Financial Status Report on Hospitals and Clinics as of December 31, 1997. February 3, 1998.
- G. The Activity and Financial Status Report on Hospitals and Clinics as of January 31, 1998. March 2, 1998.
- H. The UCLA Medical Sciences Strategic Plan, 1998-2002. March 10, 1998.

BOARD OF REGENTS

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March 20, 1998

The meeting adjourned at 11:30 a.m.

Attest:

Secretary