The Regents of the University of California

COMMITTEE ON FINANCE
July 19, 2000

The Committee on Finance met on the above date at UCSF – Laurel Heights, San Francisco.

Members present: Regents Atkinson, Bagley, Connerly, Davies, Hopkinson, S. Johnson, Kozberg, Lee, Miura, and Parsky; Advisory member Morrison

In attendance: Regents Bustamante, Fong, O. Johnson, Khachigian, Kohn, Montoya, Moores, Nakashima, and Sayles, Regent-designate Seymour, Faculty Representatives Coleman and Cowan, Secretary Trivette, General Counsel Holst, Assistant Treasurer Young, Provost King, Senior Vice Presidents Darling and Kennedy, Vice Presidents Broome, Drake, Gurtner, Hershman, and Saragoza, Chancellors Berdahl, Carnesale, Cicerone, Dynes, Greenwood, Orbach, Tomlinson-Keasey, Vanderhoef, and Yang, Vice Chancellor Bainton representing Chancellor Bishop, and Recording Secretary Bryan

The meeting convened at 11:15 a.m. with Committee Vice Chair Connerly presiding.

1. **APPROVAL OF THE MINUTES OF THE MEETING OF MAY 17, 2000**

Upon motion duly made and seconded, the Committee approved the minutes of the meeting of May 17, 2000.

2. **THE NEW BUSINESS ARCHITECTURE FOR THE UNIVERSITY OF CALIFORNIA**

It was recalled that in January 2000, Senior Vice President Kennedy had commissioned a planning group to explore a new business architecture that will allow campus departments, administrative operations, and the Office of the President to support the growth of the University over the next decade. Vice Chancellor Steve Relyea (UCSD) chaired the planning group, which was composed of senior administrative managers from several campuses and the Office of the President. The planning group consulted with University leaders and a number of private-sector companies during the course of its discussions.

The report "A New Business Architecture for the University of California" presents a new framework for Universitywide business administration and operations and proposes strategies for the University to pursue in each of the six components of the framework. The report offers a context for the University to launch a series of strategic change initiatives that will reshape how the University conducts its business in the future. The general strategies that will allow the University to achieve its objectives are as follows:

- Develop campus business portals that will integrate components of the New Business Architecture.

- Apply new approaches to how the University recruits, retains, and develops the very best people.

- Streamline UC's cumbersome policies and processes.

- Leverage new technology to contain costs and improve services to UC's constituents.

- Integrate campus financial systems and provide enhanced financial reporting through implementation of emerging technology standards.

- Embed performance management systems in UC business processes and focus on the most important financial controls.

Senior Vice President Kennedy and Vice Chancellor Relyea discussed the planning group's objectives and the report's findings and recommendations.

Mr. Kennedy reported that the new business architect planning group included Vice President Broome, Associate Vice President Boyette, Acting Associate Vice President Dolgonas, Vice Chancellors Barclay, Brase, and Vani, and Associate Vice Chancellor Morabito. He noted that the University is engrossed in a detailed planning effort to handle enrollment growth for the next decade that will have an impact on all areas of the business enterprise. The new business architecture planning group was formed to consider how practices could be reshaped in terms of the following components: process redesign; human resources and benefits; a web-based business system; internal controls; financial reporting; e-commerce; and organizational performance.

Mr. Relyea showed slides to illustrate how student growth will affect faculty recruitment, housing projects, and the capital program. He emphasized the need to set a context to evaluate how to proceed in arranging priorities and allocating resources with a goal toward sustaining outstanding research and teaching.

Mr. Relyea discussed several areas of the new business architecture, beginning with the business portal. He reported that a recent PricewaterhouseCoopers study that focused on payroll and personnel systems showed that about 80 percent of administrative costs and activities happen at the department level. There is a need to redesign the University's business systems to enable people to use them more effectively. For example, the campuses need to move away from systems that have grown independently and have numerous passwords and to move toward a single authentication authorization model. The recent emergence of international standards can support the development of systems that may be shared among campuses. Henceforth, new systems will use a modular web-based approach.

Mr. Relyea commented that the web will also be used to implement the University's financial systems. It will become easier for departments to manage contracts and grants and to do projections and other modeling. The goal is to have databases from various systems work together. It will be critical to train staff in a broad-based financial practices curriculum.

Mr. Relyea recalled that in the area of organizational performance and financial controls, there is a model used by many campuses called The Balanced Scorecard, which brings into focus key areas such as measuring the effectiveness of its own processes and giving employees the tools they judge are necessary for success. It is hoped that the model will help the University develop a culture of improvement through the continuous evaluation of procedural changes.

Mr. Relyea reported that President Atkinson has established a committee of Regents and chancellors to look at administrative systems globally. He noted that mobilizing action teams and a steering committee to address issues as suggested in the New Business Architecture report will require some financial strategies for investment in order to assure the availability of funds to launch productivity improvements throughout the system.

Regent Bagley asked whether there is a component of the performance strategy that will identify defalcations in a way that will signal to individuals that they may be held responsible. Mr. Relyea reported that the new system will have a much higher level of accountability using a methodology that will let employees know more clearly what is expected of them.

Regent Hopkinson believed the benefits of the new strategy will be valuable. She requested that, as the process moves ahead, at the point of implementation a report on the costs be made available.

Regent Lee stressed the importance of being sensitive to the needs of employees. He noted that with large-scale, web-based procedures, security will become an important issue. Mr. Relyea reported that special attention is being paid to the issue of security. One goal is to establish an infrastructure that uses digital certificates that will authenticate entry and authorize individuals to conduct a series of procedures.

Chairman Johnson noted that the University's employees have expressed concern about career mobility and professional development. Mr. Relyea believed that to be a competitive employer it will be important to enhance career opportunities and to integrate training in the new business architecture with the transactions that employees will be required to do.

Regent Kozberg noted that often new systems are viewed as adding another layer of complexity to employees' lives. She asked what the incentives are for completing this latest exercise. Mr. Relyea explained that there are built-in measurements to disclose the system's effectiveness. It is hoped that these will indicate to users that the work is being made easier.

Regent-designate Seymour observed that new business strategies have been implemented at other universities. Mr. Relyea believed that none has achieved what is described in the report. The most advanced models have been in the private sector.

Regent Miura asked how much latitude the new business architecture provides for campus-specific modifications. Mr. Relyea reiterated that campuses have the majority of their business activity at the department level. The new system will provide templates that can be adapted to specific uses.

Regent Kohn noted that academic and medical departments and the DOE laboratories are excluded from the plan. Mr. Relyea explained that, although the initial focus was on issues related to business processes on campuses, there is no reason that other areas of the University will not be able to take advantage of the new concepts as they are developed.

3. **APPROVAL OF STUDENT-SPONSORED INCREASES IN STUDENT FEES, SANTA BARBARA CAMPUS**

The President recommended that fees for students at the Santa Barbara campus be approved as follows:

Undergraduate students only:

A. Effective with the fall quarter 2000, an increase of $.25 in the Associated Students Fee from $43.75 to $44.00 per undergraduate student per quarter.

B. Effective with the fall quarter 2003, a new Intercollegiate Athletics Facility Fee of $34.03 per undergraduate student per quarter.

Undergraduate and graduate students:

C. Effective with the fall quarter 2003, an increase of $34.50 in the Recreation Center/Aquatics Complex/University Center Expansion Fee from $44.70 to $79.20 per student per quarter.

Undergraduate Students Only

Increase in the Associated Students (A.S.) Fee. The Associated Students spring election on April 25-26, 2000 included a ballot measure that would increase the Associated Students Fee by $.25 from $43.75 to $44.00 per undergraduate student per quarter, effective fall quarter 2000. Revenue from the fee increase will be used to establish an A.S. childcare grant program to provide childcare resources for student families during midterms and finals.

For approval of increases in the A.S. Fee, the campus requires a 20 percent voter turnout, with two-thirds of those voting on the ballot measure voting to approve the increase. Of the 16,363 undergraduate students eligible to vote, 5,180 students (31.7 percent) voted in the spring general election. Of the 4,269 undergraduate students voting on the A.S. childcare grant fee measure, 3,376 students (79.1 percent) voted to approve the fee increase. The outcome for the ballot measure meets the campus requirements for fee approval.

Intercollegiate Athletics Fee. The campus-wide election held on April 25-26, 2000 included a ballot measure to establish a new mandatory Intercollegiate Athletics Facility Fee of $34.03 per undergraduate student per quarter to construct a new intercollegiate athletics facility. The fee will be effective with the fall quarter 2003. The new facility will house some of the offices and activities currently housed in the aging and inadequate Robertson Gymnasium. The new facility also will house academic support facilities for athletes, meeting space for student athletic groups, an assembly hall, and administrative space for campus athletic programs.

For approval of a new campus-wide fee, the campus requires a 20 percent voter turnout, with 50 percent plus one of those voting on the ballot measure voting to approve the fee. Of the 16,363 undergraduate students eligible to vote, 5,180 students (31.7 percent) voted in the election. Of these, 4,725 students voted on this measure and 2,827 (59.8 percent) voted to approve the new fee. The outcome for the ballot measure meets the campus requirements for fee approval.

Undergraduate and Graduate Students

Increase in Recreation Center Fee. A user survey conducted by the Recreation Center concluded that the existing recreational facility is inadequate to support current levels of use. An expansion of the existing facility was proposed to meet this need, and the campus-wide election held on April 25-26, 2000 included a ballot measure to increase the mandatory Recreation Center/Aquatics Complex/University Center Expansion Fee by $34.50 from $44.70 to $79.20 per student per quarter. The fee will be effective with the fall quarter 2003. Proposed additions to the existing facility include workout space and equipment, locker room space, and a large three-court multi-activity complex.

For approval of a new campus-wide fee, the campus requires a 20 percent voter turnout, with 50 percent plus one of those voting on the ballot measure voting to approve the fee. Of the 18,553 undergraduate and graduate students eligible, 5,680 students (30.6 percent) voted in the election. Of these, 5,319 students voted on this measure and 3,512 (66.0 percent) voted to approve the fee increase. The outcome for the ballot measure meets the campus requirements for fee approval.

For speakers' comments, refer to the minutes of the July 19, 2000 meeting of the Committee of the Whole.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

4. **APPROVAL OF STUDENT-SPONSORED INCREASES IN GRADUATE STUDENT HEALTH INSURANCE FEE, SANTA CRUZ CAMPUS**

The President recommended that effective with the fall quarter 2000, the mandatory graduate student health insurance fee at the Santa Cruz campus be increased to provide vision services and dental services for graduate students, subject to the following conditions:

A. The cost of vision coverage shall not exceed $25 per graduate student per quarter in the initial year and will be used for the sole purpose of providing vision insurance for graduate students.

B. The cost of dental coverage shall not exceed $75 per graduate student per quarter in the initial year and will be used for the sole purpose of providing dental insurance for graduate students.

C. After the initial year, increases in premiums for vision and dental coverage will be incorporated into the campus' existing procedure for approving increases to the Graduate Student Health Insurance Fee and will not require additional student voter approval.

It was recalled that in 1989, The Regents approved a Graduate Student Health Insurance Plan (GSHIP) Fee at the Santa Cruz campus to cover the premium cost of health insurance, following a graduate student referendum approving the fee. Future changes in the fee do not require a student referendum but do require evidence that graduate students support proposed changes in the fee.

Approval of this recommendation will authorize the campus to obtain the most advantageous policy available within the cost limitations of $25 per graduate student per quarter for vision coverage and $75 per graduate student per quarter for dental coverage. The new vision and dental coverage will take effect beginning fall quarter 2000. Graduate student support packages will reflect the increases in the GSHIP fee. Normal annual increases in the insurance premium for vision and dental coverage will be included in the GSHIP fee, and approval of increases will be incorporated into the campus' existing procedure for approving increases to the GSHIP fee.

The proposal to increase the GSHIP fee to include vision and dental coverage in the Graduate Student Health Insurance Plan was included in the spring elections held May 1-5, 2000. As in the recent past, the elections were held via the Internet. Of the 926 graduate students eligible to vote, 397 (42.9 percent) cast ballots. For vision coverage, 393 graduate students cast ballots, with 337 (85.8 percent) voting to approve the fee increase. For dental coverage, 396 graduate students cast ballots, with 335 (84.6 percent) voting to approve the fee increase.

These outcomes meet the campus requirements of a 20 percent voter turnout and, of those voting, a two-thirds majority voting to approve the measure.

For speakers' comments, refer to the July 19, 2000 minutes of the Committee of the Whole.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

5. **ENDORSEMENT OF SCHOOL FACILITIES BOND INITIATIVE FOR NOVEMBER 2000 BALLOT**

This item was deferred to the Joint Meeting of the Committee on Grounds and Buildings and the Committee on Finance scheduled for July 20, 2000.

6. **DISCLOSURE AND DISQUALIFICATION REQUIREMENTS APPLICABLE TO MEMBERS OF INVESTMENT ADVISORY COMMITTEE OTHER THAN REGENTS**

The President recommended that he be authorized to adopt a disclosure and disqualification policy for non-Regent members of the Investment Advisory Committee.

It was recalled that the November 1999 resolution authorizing creation of the Investment Advisory Committee included the following general requirement:

> "Members of the Advisory Committee shall upon taking and leaving office and annually during their terms disclose all existing and potential conflicts of interest and shall abstain from voting on any such matters."

The President requested authorization, in consultation with the Chair of the Committee on Investments, the Chair of the Investment Advisory Committee, and the General

Counsel, to issue a policy applicable to members of the Committee who are not Regents which would require public disclosure of investments and business relationships which might be affected by recommendations considered by the Investment Advisory Committee. The policy will establish procedures for disqualification when matters under consideration could have a financial effect on a member of the Committee.

Regents who are members of the Advisory Committee are subject to the disclosure and disqualification requirements of the Political Reform Act. The General Counsel has advised that the outside members of the Committee are not subject to the disclosure and disqualification requirements of the act because the Committee is advisory only and has no decision-making authority.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

7. **AMENDMENT OF POLICY ON SETTLEMENT OF CLAIMS AND LITIGATION**

The President and the General Counsel recommended that, effective immediately, The Regents adopt the attached amended Policy on Settlement of Claims and Litigation establishing settlement authority of The Regents, the President, and the General Counsel, and requirements with respect to reporting of settlements.

The Committee was informed that the recommendation was in response to the suggestion at the May 2000 meeting of the Committee on Finance that the dollar thresholds and ranges of settlement authority of the General Counsel, the Chairman of the Board, the Chair of the Committee on Finance, and the Board be reviewed.

Under the existing policy, the President has settlement authority on claims involving consideration not exceeding $100,000, subject to the concurrence of the General Counsel on settlements over $50,000. The General Counsel has settlement authority on claims and litigation on matters involving consideration not exceeding $100,000, subject to funding. Settlement proposals involving consideration in the $100,000 - $250,000 range are submitted to the Chairman of the Board and the Chairman of the Committee on Finance for action. Settlement proposals involving consideration over $250,000 are submitted to the Committee on Finance at a regular or special meeting and referred to the Board for action with the recommendation of the Committee (subject to emergency matters being handled as interim items). Over the period beginning October 1, 1995, when the Policy on Settlement and Claims became effective, the number of items submitted to the Chairman of the Board and the Chairman of the Committee on Finance has averaged 35 annually (one to ten per month, averaging three per month); the number of items submitted to the Board has averaged 32 annually (five to six per meeting under the six business meetings a year schedule).

This recommendation proposes the following modifications:

- General Counsel authority – to $250,000 (currently $100,000);

- Chairman of the Board and Chairman of the Committee on Finance authority – to $250,000 - $500,000 (currently $100,000 - $250,000);

- Board of Regents – to $500,000 and above (currently $250,000 and above).

Based on the experience since October 1995 and current activity, it can be anticipated that the number of settlement recommendations submitted to the Chairman of the Board and the Chairman of the Committee on Finance under the revised Policy will be in the 15-25 range annually and the number of settlement recommendations submitted to the Board will be in the 15-20 range annually.

The proposed reduction in the volume of items submitted to the chairs and to the Board itself will result in a significant reduction in time and effort devoted to preparation of formal settlement recommendations for Regents' consideration without any change in the level of analysis and review of such matters by the Office of the General Counsel. It will also allow the attention of the chairs and other members of the Committee on Finance and Board to be concentrated on the matters with the greatest institutional concern and most significant financial impact. Summary reports of settlement recommendations approved by the General Counsel and by the Chair of the Committee on Finance and the Chairman of the Board will continue to be submitted at each meeting.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

8. **REPORT ON NEW LITIGATION**

General Counsel Holst presented his **Report on New Litigation**. By this reference the report is made a part of the official record of the meeting.

The meeting adjourned at 12:00 noon.

Attest:

Secretary