

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

September 18, 2002

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

Present: Regents Atkinson, Blum, Davies, Hopkinson, Johnson, Kozberg, Lee, Ligot-Gordon, Marcus, Montoya, Moores, Parsky, Pattiz, Preuss, Sainick, and Terrazas (16)

In attendance: Regents-designate Bodine, Murray, and Seigler, Faculty Representatives Binion and Pitts, Secretary Trivette, General Counsel Holst, Treasurer Russ, Provost King, Senior Vice Presidents Darling and Mullinix, Vice Presidents Broome, Doby, and Hershman, Chancellors Berdahl, Bishop, Cicerone, Córdova, Dynes, Greenwood, Tomlinson-Keasey, Vanderhoef, and Yang, and Recording Secretary Bryan

The meeting convened at 11:25 a.m. with Chairman Moores presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of July 18, 2002 were approved.

2. REPORT OF THE PRESIDENT

President Atkinson presented the report concerning University activities and individuals.

Upon motion of Regent Davies, 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.]

At the President's invitation, Faculty Representative Binion presented an organization chart illustrating the lines of communication between the Academic Senate and the University's other constituencies and a list of the Senate's committees. Regent Hopkinson believed that a line should be added to the chart to connect the Academic Senate directly to The Regents.

3. REPORT OF THE COMMITTEE ON FINANCE***Indemnification of Independent Management Committee Member of University Community Land Company, LLC, Merced Campus***

The Committee recommended that The Regents agree to indemnify and defend the independent (fifth) member of the University Community Land Company, LLC Management Committee as to all claims and liability that may arise or occur in the course and scope of the performance of his/her duties in connection with the University Community Land Company, LLC, the limited liability company established to further the charitable, scientific, and educational purposes of the Merced campus, to the same extent as afforded individual Regents, provided that the indemnification and defense shall be secondary to any entitlement the individual may have to indemnification and defense from insurance carried by the Company and shall be limited in duration in a manner determined by the President.

Upon motion of Regent Hopkinson, duly seconded, the report of the Committee on Finance was approved.

4. REPORT OF THE COMMITTEE ON GROUNDS AND BUILDINGS**A. *Adoption of Findings and Approval of Design, Veterinary Medicine Instructional Facility, Davis Campus***

Upon review and consideration of the environmental consequences of the proposed project as indicated in the Final Tiered Environmental Impact Report certified by The Regents in March 2001, the Committee reported its:

- (1) Adoption of the Findings.
- (2) Approval of the design of the Veterinary Medicine Instructional Facility, Davis campus.

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

B. *Approval of Design, Rowland Hall Seismic Improvements, Irvine Campus*

The Committee reported its approval of the design of Rowland Hall Seismic Improvements, Irvine campus.

C. ***Adoption of Mitigated Negative Declaration and Approval of Design, Palo Verde Expansion, Irvine Campus***

Upon review and consideration of the environmental consequences of the proposed project as indicated in the Mitigated Negative Declaration, the Committee reported its:

- (1) Adoption of the Tiered Initial Study/Mitigated Negative Declaration.
- (2) Adoption of the Findings and Mitigation Monitoring Program.
- (3) Approval of the design of the Palo Verde Expansion, Irvine campus.

[The Tiered Initial Study/Mitigated Negative Declaration, Findings, and Mitigation Monitoring Program were mailed to all Regents in advance of the meeting, and a copy is on file in the Office of the Secretary.]

D. ***Certification of Addendum to Environmental Impact Report and Approval of Design, LaKretz Hall Building, Los Angeles***

Upon review and consideration of the environmental consequences of the proposed projects as evaluated in the Addendum to the Final Environmental Impact Report for the Luck Research Center and Related Facilities (SCH #2000011099), initially certified by The Regents in May 2000, the Committee reported its:

- (1) Certification of the EIR Addendum.
- (2) Adoption of the Findings.
- (3) Approval of the design of the LaKretz Hall Building, Los Angeles Campus

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

E. ***Certification of Addendum No. 2 to Environmental Impact Report and Approval of Design, Merced Garden Suites and Lakeview Dining Facilities, Merced Campus***

Upon review and consideration of the environmental consequences of the proposed action as evaluated in Addendum No. 2 to the Long Range Development Plan Environmental Impact Report certified by The Regents in January 2002, the Committee reported its:

- (1) Certification of Addendum No. 2 to the 2002 Long Range Development Plan Environmental Impact Report.
- (2) Adoption of the Findings.
- (3) Approval of the design of the Garden Suites and Lakeview Dining Facilities, Merced campus.

[Addendum No. 2 to the 2002 Long Range Development Plan Environmental Impact Report and the Findings were 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 Marcus, duly seconded, the report of the Committee on Grounds and Buildings was accepted.

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

Private Equity Recommendation

The Committee recommended that the guidelines for Private Equity be amended as shown below:

[changes underlined; additions italicized]

UNIVERSITY OF CALIFORNIA REGENTS

Non-Marketable Alternative Assets Program Guidelines¹

The purpose for portfolio guidelines is to clearly define performance objectives and to control risk. Portfolio guidelines to control risk should be subject to ongoing review.

Performance Objectives:

The objective of the private equity portfolio is to earn a return that exceeds the Russell 3000 Index return by 3% per year.

¹Based on the March 16, 2000 Investment Strategy Study

Portfolio Guidelines:

- A. Permissible investments include partnerships that invest in venture capital, buyouts, and non-U.S. private equity.
- B. Co-investment and direct investments are not permitted at this time.
- C. Fund-of-funds investments are permitted.
- D. The target allocation to U.S. buyouts is ~~35%~~ 50% of the private equity portfolio with a minimum allocation of ~~25%~~ 30% and maximum allocation of ~~50%~~ 70%. U.S. buyouts is narrowly defined as traditional finance-oriented buyouts and growth capital buyouts. Real estate and mezzanine debt funds are not included.
- E. The target allocation to venture capital is ~~65%~~ 50% of the private equity portfolio with a minimum allocation of ~~45%~~ 30% and maximum allocation of 70%. Venture capital includes early, middle and late stage private investments in new high growth businesses.
- F. The target allocation to non-U.S. private equity is 0% of the private equity portfolio with a maximum allocation of 10%. Non-U.S. private equity includes private equity and venture capital partnerships operating in Europe, Asia, and Latin America.
- G. No single partnership ~~investment~~ commitment can represent, at the time of commitment, more than 5% of the current private equity allocation defined as the most recent quarter book value plus unfunded commitments plus approved target commitment for the current (one) year.
- H. Investment in multiple funds of the same general partner is permitted. However, the total commitment to partnerships with the same general partner, at the time of commitment, cannot exceed 15% of the approved three year private equity allocation defined as current book value plus unfunded commitments plus approved commitment level for the current year and two subsequent years.
- I. The commitment to any individual partnership ~~cannot~~ is recommended not to exceed 20% of the total capital raised by the partnership. The maximum of 20% represents the ownership percentage of the partnership at each closing.

- J. The private equity portfolio should be diversified across time as well. At the time the budget is set. ~~No~~ no more than 30% of the approved private equity asset target allocation can be committed to partnerships in any one year.

Upon motion of Regent Parsky, duly seconded, the report of the Committee on Investments was approved.

6. **REPORT OF THE COMMITTEE ON OVERSIGHT OF THE DEPARTMENT OF ENERGY LABORATORIES**

A. ***Approval for Negotiations with the Department of Energy for the Operation of Lawrence Berkeley National Laboratory***

The Committee recommended that:

- (1) The President be authorized to enter into negotiations with the Department of Energy to extend the current contract with DOE for the continued operations of the Lawrence Berkeley National Laboratory through September 30, 2007. Upon completion of negotiations, a revised contract will be presented to the Committee for approval, either at a subsequent regularly scheduled meeting or at a special meeting called for this purpose.
- (2) The President be authorized to execute any short-term bilateral extension(s) of the current contract for such period(s) as may be necessary to complete negotiations and under the same general terms and conditions.

B. ***Authorization to Approve and Execute Modifications to the Department of Energy Contracts for Los Alamos National Laboratory and Lawrence Livermore National Laboratory to Amend Clauses as a Result of Changes to Federal Acquisition Regulations and DOE Acquisition Regulations***

The Committee recommended that the President be authorized to approve and the Secretary of The Regents be authorized to execute a modification to the provisions of contracts W-7405-ENG-36 and W-7405-ENG-48 in order to incorporate revisions to the clauses indicated below:

F.001 FAR 52.242-15 STOP-WORK ORDER (AUG 1989) ALTERNATE I (APR 1984)

Correction to deviation language previously agreed to in January 2001.

G.001 ADDITIONAL CONTRACT ADMINISTRATION INFORMATION

Typo correction in paragraph (f).

H.001 ADDITIONAL DEFINITIONS

Typo correction in paragraph (a).

I.012 FAR 52.219-9 SMALL BUSINESS SUBCONTRACTING PLAN (OCT 2000)

Update JAN 2002 to provide for service-disabled, veteran-owned small business.

I.019 FAR 52.222-26 EQUAL OPPORTUNITY (FEB 1999)

Update APR 2002. Expands definition of United States to include the 50 states and Puerto Rico, American Samoa, and Guam.

I.020 FAR 52.222-35 AFFIRMATIVE ACTION FOR DISABLED VETERANS AND VETERANS OF THE VIETNAM ERA (APR 1998)

Changes title and content to Equal Opportunity to include 'other eligible veterans' and special disabled veterans.

I.022 FAR 52.222-37 EMPLOYMENT REPORTS ON DISABLED VETERANS AND VETERANS OF THE VIETNAM ERA (JAN 1999)

Changes title and content to include 'other eligible veterans' and special disabled veterans.

I.027 FAR 52.225-1 BUY AMERICAN ACT - BALANCE OF PAYMENTS PROGRAM - SUPPLIES (FEB 2000)

Deletes reference to Balance of Payments program in title and content.

I.028 FAR 52.225-9 BUY AMERICAN ACT - BALANCE OF PAYMENTS PROGRAM - CONSTRUCTION MATERIALS (FEB 2000)

Deletes reference to Balance of Payments program in title and content.

I.039 FAR 52.244-6 SUBCONTRACTS FOR COMMERCIAL ITEMS AND COMMERCIAL COMPONENTS (OCT 1998)

Updated as a result of changes to other clauses referenced.

I.048 DEAR 952.202-1 DEFINITIONS (OCT 1995) (DEVIATION)

Updated language for commercial item and administrative update of language.

I.080 DEAR 970.5227-2 RIGHTS IN DATA-TECHNOLOGY TRANSFER (DEC 2000)

Administrative correction needed to lettering of paragraphs.

I.087 DEAR 970.5228-1 INSURANCE-LITIGATION AND CLAIMS
(DEC 2000) (DEVIATION)

This change was agreed to for the January 2001 modification, but was not included in the published contract. Paragraph j2 is reserved.

I.102 DEAR 970.5244-1 CONTRACTOR PURCHASING SYSTEM (DEC
2000)

Citation in paragraph (g) corrected.

The table of contents for each contract will be revised to reflect the changes.

Upon motion of Regent Preuss, duly seconded, the report of the Committee on Oversight of the Department of Energy Laboratories was approved.

7. **REPORT OF THE COMMITTEE ON GROUNDS AND BUILDINGS AND THE
COMMITTEE ON FINANCE**

A. *Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing for Northwest Campus Undergraduate Student Housing, Los Angeles Campus*

- (1) With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommended that the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program be amended to include the following project:

Los Angeles: Sproul Hall First Floor Renovation – preliminary plans, working drawings, and construction – \$9,765,000 to be funded from external financing (\$8,765,000) and the Los Angeles campus' share of the University of California Housing System Net Revenue Fund (\$1,000,000).

Los Angeles: Hedrick – North Residence Hall and First Floor Renovation – preliminary plans, working drawings, and construction – \$67,093,000 to be funded from external financing (\$63,504,000) and the Los Angeles campus' share of the University of California Housing System Net Revenue Fund (\$3,589,000).

Los Angeles: Rieber - North and West Residence Halls and First Floor Renovation – preliminary plans, working drawings, and construction – \$120,756,000 to be funded from external financing (\$111,616,000) and the Los Angeles campus' share of the University of California Housing System Net Revenue Fund (\$9,140,000).

- (2) The Committee on Finance recommended that financing be obtained not to exceed \$183,885,000 to finance the project, 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, 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 revenues sufficient 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 be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
- (4) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

B. *Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing for Merced Garden Suites and Lakeview Dining Facilities, Merced Campus*

- (1) With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommended that the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program be amended to include the following project:

Merced: Merced Garden Suites and Lakeview Dining Facilities – preliminary plans, working drawings, construction, and equipment – \$28,235,000 to be funded from external financing.
- (2) The Committee on Finance recommended that financing be obtained not to exceed \$28,235,000 to finance the project, 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, University of California Housing System fees for the Merced 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 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 be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
 - (4) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

C. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program for Hopkins Parking Structure, San Diego Campus***

With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommended that the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program be amended to include the following project:

San Diego: Hopkins Parking Structure – preliminary plans – \$1 million to be funded from parking reserves.

D. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing for Campus Parking Structure 2, Santa Barbara Campus***

- (1) With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommended that the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program be amended to include the following project:

Santa Barbara: Campus Parking Structure 2 – preliminary plans, working drawings, construction, and equipment – \$16,409,000 to be funded from external financing (\$12,751,000), parking reserves (\$3,500,000), and campus funds (\$158,000).

- (2) The Committee on Finance recommended that the President be authorized to obtain financing not to exceed \$12,751,000 to finance the project, 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 Santa Barbara campus, which together with other related income, will generate sufficient net revenues to pay debt service and to meet the related requirements of the external financing; and
 - c. The general credit of The Regents shall not be pledged.
- (3) The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
 - (4) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

E. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Amendment of External Financing for Infill Apartments, Santa Cruz Campus***

- (1) With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommended that the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program be amended to reflect the following changes:

From: Santa Cruz: A. Infill Apartments – preliminary plans, working drawings, construction, and equipment – \$56,162,000 to be funded from external financing (\$54,062,000) and campus University of California Housing System Net Revenue Fund (\$2,100,000).

To: Santa Cruz: A. Infill Apartments – preliminary plans, working drawings, construction, and equipment – \$66,294,000 to be funded from external financing (\$64,194,000) and the University of California Housing System Net Revenue Fund (\$2,100,000).

- (2) The Committee on Finance recommended that the financing actions approved by The Regents in March 2001 with respect to the Infill Apartments project, Santa Cruz campus, be amended to read as shown, with the understanding that all other financing actions by The Regents regarding said project remain unchanged:

- a. The President be authorized to obtain financing not to exceed \$64,194,000 to finance the Infill Apartments project, subject to the following conditions:
 - i. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;
 - ii. As long as the debt is outstanding, University of California Housing System fees for the Santa Cruz 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 to meet related requirements on this proposed financing; and
 - iii. The general credit of The Regents shall not be pledged.
- (3) The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
- (4) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

Upon motion of Regent Hopkinson, the report of the Committees on Grounds and Buildings and Finance was approved.

8. **REPORT OF INTERIM ACTIONS**

In accordance with authority previously delegated by The Regents, Secretary Trivette reported that interim action was taken on routine or emergency matters as follows:

- A. The Chairman of the Board and the President of the University approved the following recommendation:

Approval to Loan Corporation Funds to Districts for K-12 Teacher Professional Development Programs Provided by UC-Approved Providers

- (1) The President and his designees, after consulting with the General Counsel, be authorized to execute loan agreements with local educational agencies (LEAs – school districts and county offices of education) for the purpose of supporting those LEAs funding K-12 teacher professional development delivered by a UC-approved provider. Said agreements include loaning corporation funds to LEAs

and accepting those LEAs' agreements to repay their respective loans by June 30, 2003.

- (2) After consultation with the General Counsel, the President and his designees be further authorized to approve and execute any other contract or ancillary documents that do not substantially modify the above terms.

- B. The Chairman of the Board, the Chairs of the Committees on Grounds and Buildings and Finance, and the President of the University concurred in the following recommendation:

Amendment of the Budget for Capital Improvements and the Capital Improvement Program, and Approval of External Financing for Campus Multipurpose Building, San Diego Campus

- (1) The President amend the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program to include the following project:

San Diego: Campus Multipurpose Building – preliminary plans, working drawings, and construction – \$18,525,000, total project cost to be funded from external financing (\$18,050,000) and campus funds (\$475,000).

- (2) The President be authorized to obtain external financing not to exceed \$18,050,000 to finance the project listed in (1) above, 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. Repayment of the debt shall be from the UC San Diego campus' share of the University Opportunity Fund; and
 - c. The general credit of The Regents shall not be pledged.
- (3) The Officers of The Regents be authorized to provide certification that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
- (4) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

9. **REPORT OF COMMUNICATIONS**

Secretary Trivette presented summaries of communications received subsequent to the July 2002 meeting. The residency appeals were referred to General Counsel Holst, and the remaining communications were referred to President Atkinson for response as appropriate.

10. **REPORT OF THE PRESIDENT**

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

To Members of the Committee on Audit

- A. Copy of two PricewaterhouseCoopers publications: *Audit Committee Effectiveness – What Works Best* and *Current Developments for Audit Committees 2002*. July 31, 2002.

To Members of the Committee on Finance

- B. California Postsecondary Education Commission report entitled **Executive Compensation in Public Higher Education, 2001-02**. September 3, 2002.

To Members of the Committee on Health Services

- C. The unaudited Activity and Financial Status Report on Hospitals and Clinics for the year ended June 30, 2002. August 14, 2002. (Schedule of Reports)

To The Regents of the University of California

- D. Copy of new publication, **University of California Academic Medical Centers Fulfilling Critical Missions in an Increasingly Challenging Environment**. July 23, 2002.
- E. Copy of the Bureau of State Audits' report titled *University of California: Its Partnership Agreement Could Be Improved to Increase Its Accountability for State Funding*. July 25, 2002.
- F. Report on the fee levels for self-supporting professional degree programs approved for 2002-03. August 1, 2002.
- G. Annual summary of University-operated housing fees to be charged in fiscal year 2002-03. August 6, 2002.

The meeting adjourned at 11:35 a.m.

Attest:

Secretary