

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

July 21, 2005

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

Present: Regents Blum, Dynes, Hopkinson, Island, Johnson, Juline, Kozberg, Lansing, Lee, Lozano, Marcus, Moores, Parsky, Pattiz, Preuss, Rominger, Rosenthal, Ruiz, and Wachter (19)

In attendance: Regents-designate Coombs, Ledesma, and Schreiner, Faculty Representatives Blumenthal and Brunk, Secretary Trivette, General Counsel Holst, Provost Greenwood, Senior Vice Presidents Darling and Mullinix, Vice Presidents Broome, Doby, Gomes, and Hershman, Chancellors Birgeneau, Bishop, Carnesale, Denton, Fox, Tomlinson-Keasey, Vanderhoef, and Yang, and Recording Secretary Bryan

The meeting convened at 11:15 a.m. with Chairman Parsky presiding.

1. READING OF NOTICE OF MEETING

For the record, it was confirmed that notice was served in accordance with the Bylaws and Standing Orders for a Special Meeting of The Regents for the purposes of ratifying a recommendation pertaining to competing to manage the Los Alamos National Laboratory and of considering the salary for the Executive Vice Provost and Vice President–Academic Affairs, Office of the President.

2. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meetings of May 2005 were approved.

3. PROPOSED AMENDMENT TO BYLAW 12.3, COMMITTEE ON FINANCE AND BYLAW 12.4, COMMITTEE ON GROUNDS AND BUILDINGS PERTAINING TO NON-STATE-FUNDED MAJOR CAPITAL PROJECTS

At the May 26, 2005 meeting of The Regents of the University of California, Regent Marcus served notice that at the next regular meeting he would move that Bylaw 12.3, Committee on Finance and Bylaw 12.4, Committee on Grounds and Buildings be amended as follows:

deletions shown by strikeout

BYLAW 12.3 Committee on Finance

* * *

- e. Except as otherwise provided in the Bylaws and Standing Orders, consider matters relating to the external financing of projects as defined in Bylaw 21.4(e) and Standing Order 100.4(nn), ~~and recommend for confirmation by the Board the external borrowing of funds by the Corporation.~~

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BYLAW 12.4 Committee on Grounds and Buildings

- c. Consider capital improvement requests as defined in Standing Order 100.4(q) and, ~~with the concurrence of the Committee on Finance,~~ make recommendations in connection therewith to the Board.

* * *

The motion was duly seconded and approved, 19 Regents voting "aye."

4. **RATIFICATION OF MAY 2005 BOARD APPROVAL TO PARTICIPATE IN A RESPONSE TO A DEPARTMENT OF ENERGY/NATIONAL NUCLEAR SECURITY ADMINISTRATION REQUEST FOR PROPOSAL TO MANAGE AND OPERATE THE LOS ALAMOS NATIONAL LABORATORY**

The President recommended that The Regents ratify the vote of the Board on Report N (Attachment 1) at the May 26, 2005 meeting authorizing participation in submission of a responsive proposal to the Department of Energy/National Nuclear Security Administration Request for Proposal, dated May 19, 2005, for the management and operation of the Los Alamos National Laboratory and execution of the proposal and related agreements and documents, including, but not limited to, creation of a separate corporation to act as the prime contractor.

General Counsel Holst explained that ratification of the authorization given to President Dynes at the May 26 meeting was intended to address any questions that arose after that vote with respect to the presence of a quorum.

Upon motion duly made and seconded, the President's recommendation was approved. Regent Blum was not present during consideration of and voting on this recommendation.

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

Authorization to Execute Modification to the Department of Energy Contract for the Lawrence Livermore National Laboratory to Extend the Term and to Amend Clauses as a Result of Changes to the Federal Acquisition Regulations and the Department of Energy Acquisition Regulations

The Committee recommended that the President be authorized to:

- A. Execute a modification to the provisions of contract W-7405-ENG-48 in order to incorporate revisions to the clauses indicated below.
- B. Extend the term of contract W-7405-ENG-48 up to and including September 30, 2007.
- C. Agree on revised financial terms for costs and fees associated with the extended period, with the concurrence of the Chair of the Committee on Oversight and the Chair of the Committee on Finance.

Summary of Updates to Existing W-7405-ENG-48 Clauses

H.014 - Program Performance Fee

Amend to reflect fees for two-year extension period

H.026 - Advance Understanding of Costs and Expenses

Amend to reflect reimbursed costs for two-year extension period.

H.027 - Advance Understanding on Human Resources

Correct typo.

H.031- Lobbying Restriction (Energy and Water Development Appropriations Act, 2001)

Date and title change.

H.032- Lobbying Restriction (Department of Interior and Related Agencies Appropriations Act, 2001)

Date and title change.

I.007 - 52.203-12 Limitation on Payments to Influence Certain Federal Transactions (Jun1997)

Date and title change and minor text change.

I.009 - 52.209-6 Protecting the Government's Interest When Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment (Jul 1995)

Date change and minor text change.

I.019 - 52.222-26 Equal Opportunity (Feb 1999)

Correction of threshold error.

- I.028 - 52.225-9 Buy American Act - Construction Materials (Jun 2003)
Date change and minor text change.
- I.029 - 52.225-13 Restrictions on Certain Foreign Purchases (Mar 2005)
Update of website address.
- I.032 - 52.230-6 Administration of Cost Accounting Standards (Apr 2005)
Date change and rewrite.
- I.039 - 52.244-6 Subcontracts for Commercial Items (May 2004)
Date change and adds flow down of notification of employee rights (new clause I.107).
- I.048 - 952.202-1 Definitions (Dec 2001) (Deviation)
Date change and deletes some language.
- I.061 - 952.251-70 Contractor Employee Travel Discounts (Jun 1995)
Date change and text changes.
- I.062 - 970.5203-1 Management Controls (Dec 2000)
Deviation add annual reporting requirement.
- I.082 - 970.5227-4 Authorization and Consent (Dec 2000)
Date change and threshold increase.
- I.083 - 970.5227-5 Notice and Assistance Regarding Patent and Copyright Infringement (Dec 2000)
Date change and threshold increase.
- I.085 - 970.5227-8 Refund of Royalties (Dec 2000) (Deviation)
Date change and text change.
- I.086 - 970.5227-10 Patent Rights - Management and Operating Contracts, Nonprofit Organization or Small Business Firm Contractor (Dec 2000) Alternate I (Dec 2000)
Date change and minor text change.
- I.092 - 970.5232-2 Accounts, Records, and Inspection (Dec 2000) Alternate II (Dec 2000)
Deviation text added to reflect Internal Audit Implementation Design.
- F.002 - Period of Performance (May 1996)
Changed to reflect extension to September 30, 2007.

New Clauses for Inclusion in W-7405-ENG-48

- H.035- Implementation of Performance Improvement And Collaboration with the Los Alamos National Laboratory Successor Contractor
Statement of cooperation.
- I.107 - 52.222-39 Notification of Employee Rights Concerning Payment of Union Dues or Fees (Dec 2004)
New standard clause.
- I.108 - 970.5217-1 Work for Others Program (Non-DoE Funded Work) (Jan 2005)
Replaces DOE directive 481.1

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

Upon motion of Regent Pattiz, duly seconded, the recommendation of the Committee on Oversight of the Department of Energy Laboratories was approved, Regent Blum abstaining.

6. UNFINISHED BUSINESS

A. *Item B: Approval of Proposed Additional Increases in Professional School Fees for 2005-06*

As reported in Item B of the C Report at the May 2005 Regents meeting, the Committee on Finance recommended approval of the following action by the Board:

That, in addition to the 3 percent increases approved at the November 2004 meeting, Fees for Selected Professional School Students be increased by amounts up to an additional 7 percent, for a maximum total increase of 10 percent for 2005-06, as shown in Display 1 (Attachment 2), and that an amount equivalent to at least 25 percent of the revenue generated from these additional increases in professional school fees be set aside for financial aid for those students.

The President is now recommending that the Committee's recommendation be amended to include the following second paragraph:

That two-thirds of the proposed increases, up to a maximum of 7.7 percent over 2004-05, be implemented in 2005-06 beginning winter quarter/spring semester, with full implementation of the total 10 percent increases to be deferred until the 2006-07 academic year.

It was recalled that at the May 2005 Regents' meeting, the Committee on Finance recommended approval of supplemental increases in professional school fees for specified professional degree programs. Action by the Board was deferred to a future meeting to give Board members who were not present at the May meeting the opportunity to vote on the proposed fee increases.

These increases would supplement the 3 percent increase in professional school fees for cost increases for the professional programs that were approved at the November 2004 meeting. The revenue from the proposed additional increases in professional school fees would be used to provide program improvements and additional financial aid for students. The ability of the schools to maintain the quality of their academic programs and to be competitive with other professional schools of comparable quality has been affected by the reductions in the State subsidy for the professional schools. Because fee increases were used to offset budget cuts and did not generate any

additional revenue for the schools, they have fallen further behind in their ability to offer competitive salaries to their faculty and staff. Some programs have been unable to continue specialized academic course offerings, and other programs need additional revenue to address new curriculum requirements.

The University wants to ensure that students receive adequate notice of fee increases. Because final action on this proposal has been deferred to this month, the President recommended that, for 2005-06, two-thirds of the proposed professional school fee increases be implemented beginning with the winter quarter-spring semester 2006. The proposed increases would generate approximately \$2.4 million in new revenue for the professional schools, net of financial aid, in 2005-06.

A number of Regents had expressed interest in reviewing and approving a longer-term plan for increases in the professional school fees. The President intends to propose a multi-year plan for such fee increases in the *2006-07 Budget for Current Operations* that will be presented at the November Regents meeting.

Vice President Hershman recalled that the Compact with the Governor contains an agreement that, starting with 2005-06, the money that is generated as a result of fee increases will be returned to the schools rather than being used for general purposes. In November, The Regents approved a 3 percent general increase to cover costs and asked the President to bring to the Board specific proposals, school by school. The proposals were discussed at the May meeting and a vote on the recommendation held over to this meeting.

Regent Pattiz asked how much money was represented by delaying implementation to the winter quarter. Mr. Hershman responded that, net of financial aid, it would generate \$2.4 million as compared to \$3.7 million under the original proposal. Regent Pattiz believed it was a mistake to increase professional school fees. He noted that making professional schools more expensive would affect access, damaging the schools in the long term.

Regent Blum observed that no Regent wants to raise student fees, but he recalled that the deans had been asked to propose fee levels that would provide the revenue they needed for their schools. He noted that Boalt Hall School of Law has slipped dramatically in the national rankings, making a degree from the school less attractive.

Regent Lozano recalled that she had voted for fee increases in the past, but she could not support the proposed increase. She was hopeful that the fee policy could become predictable and moderate and allow both the institution and its students to plan for the future. She believed the recommendation should be put on hold until the long-term fee policy is presented.

Regent Marcus agreed with Regent Lozano. He recalled that the word “privatizing” had come to be used with respect to the professional schools. He believed it was important to understand the role of public versus private professional schools as the University moves towards a competitive fee policy. He advocated being mindful of maintaining accessibility.

Regent Johnson noted that students make plans and borrow money in anticipation of a certain level of fees and that since 2003 fees had more than doubled. She believed that students choose a public institution because of its affordability. The University’s fees are beginning to resemble those of private schools. She asked what criteria were used by the deans in determining the necessary extent of the increases. She agreed with Regents Lozano and Marcus that there should be a predictable plan for moderate fee increases. She expressed concern that losses from the *Kashmiri* class action lawsuit would be passed on to students in the form of fee increases.

Regent Hopkinson observed that the lawsuit would harm the ability of the University’s professional schools to maintain quality and uphold their commitments to students. In weighing the funding shortfall, she believed that there was no choice but to raise fees.

Regent Rosenthal asked President Dynes to empanel a committee to focus on the future of graduate education at the University for the next twenty years. He noted that students who are accepted to the University’s professional schools are accepted to other schools also; they choose the University because it is affordable. He was concerned that in the long term the University would price itself out of the market. He was opposed to delegating determinations about funding policies to the individual deans.

Regent Rominger expressed concern about the effect of the rapid rise in fees on students who, when they become alumni, might not feel that they were treated fairly and therefore might be reticent to give back to the University. He supported the idea of having predictable fees.

Regent Wachter asked whether anyone could explain where the funds necessary to sustain the professional schools would come from if fees were not raised.

Regent Lee acknowledged that the professional schools needed more support in order to compete; he believed, however, that increasing fees for schools such as nursing when there is a shortage of nurses was not appropriate. He advocated delaying the vote until the administration could find a better solution.

Regent Pattiz was adamant that the money would have to come from somewhere else – that some priorities would have to be adjusted. He believed

it was incumbent upon the Regents to determine how the institution can be run in the absence of additional revenues.

Regent Lansing agreed about the advisability of establishing a consistent fee policy. She was concerned that to delay the vote would be to delay the inevitable. Without sufficient funds, the professional schools will erode gradually; courses will be cut, the student-faculty ratio will increase, and the best teachers will be lost to other institutions. She asked what the cost would be per student of the proposed fee increases.

Regent Juline noted that a three-year plan for fee increases, which the administration proposed to present, did not constitute a long-term fee policy. He was hopeful that a true fee policy would be proposed.

Regent Kozberg agreed with Regents Lansing and Juline. She asked why the President's recommendation was important at this time and what would be lost if the Regents did not act.

President Dynes commented that the University could find other sources in the short term. In the long term, however, there has been a continual erosion of the quality of the education that is being delivered at many of the University's professional schools. He recalled that some Regents had argued previously for the quasi-privatization of those schools, allowing each to float to its own level and have a certain amount of independence in setting its own fees. He explained that some of what he was proposing was an incremental step in that direction – allowing the schools to make a choice as to whether they wanted to raise fees and use the revenue to deliver services and educational products that would make them more competitive with other schools. The schools have not been the recipients of the revenues generated by the increased fees over the past few years. Over a decade-and-a-half, State support for professional schools has been dropping more severely than for undergraduates. He found the risk to quality to be alarming.

Chancellor Carnesale reported that UCLA's budget had decreased by about one-third, leaving little money available to be shifted; furthermore, shifting money comes at a cost. Concerning budget, access, and cost, he commented that historically the University's professional schools have been less expensive and just as good as private schools; students could have comparable quality for less money. It must be decided whether lower cost is more important than competitiveness with the finest schools in the country.

Chancellor Birgeneau recalled that when he had been offered the job of overseeing the Berkeley campus, colleagues cautioned him to consider the fact that schools such as Boalt Hall were slipping in status. He stated that he did not come to Berkeley in order to sustain a second-rate law school; he viewed it as his responsibility to make every program among the leading programs

nationally and internationally. The reality of the financial situation is that it will not be possible to sustain the excellence of the professional schools without appropriate resources. He viewed student fees as being the only avenue available at present. He noted that as it becomes apparent that the University cannot retain its star faculty, they are getting relentless offers from private institutions. He emphasized that as fees increase, because of a robust financial aid system accessibility also increases.

Professor Edley, Dean of Boalt Hall School of Law, stated that the increased fees are needed to pay the compensation packages for new faculty who had been hired and those who were being recruited, to pay for ongoing renovation of facilities, to invest in strengthening the loan forgiveness program, and to cover up-front costs for new construction. The many years of State cuts campuswide have made it impossible to find other sources of revenue. He noted that, although 25 percent of return-to-aid is required, the Deans make individual judgments about how much to provide. He reported that financial aid per student as a percentage of tuition is 20 percent at Stanford, 20 percent at NYU, 33 percent at Yale, 40 percent at UCLA, and 43 percent at Boalt. The University has been investing as many marginal dollars as possible to ensure it could serve its mission, which includes access and affordability.

Chairman Parsky emphasized that over the time that State support for the University's professional schools has declined, it was indicated in the Compact with the Governor that the professional schools would be the beneficiaries of revenues resulting from increases in their tuition. In fact, portions of that money that could have been used to improve the quality and competitiveness of the schools were siphoned off. The President's recommendation ensures that 100 percent of these resources will go to the schools.

Chairman Parsky emphasized the importance of the interrelation between fees and how they are spent. He suggested that a small committee involving Regents be formed to develop a plan for predictability with respect to fees. He believed that, given what had been discussed about the decline in competitiveness and potential decline in quality, the Regents will be faced with more difficult decisions. He asked that the presentation on fees address for the professional schools the issues of predictability, maintaining quality and competitiveness, and the expected use of resources. It was his desire that future requests for fee increases be coupled with a determination as to their use.

Upon motion duly made and seconded, the Board approved the President's recommendation, Regents Blum, Dynes, Hopkinson, Juline, Kozberg, Lansing, Moores, Parsky, Preuss, Rominger, Ruiz, and Wachter (12) voting "aye," and Regents Johnson, Lee, Lozano, Marcus, Pattiz, and Rosenthal (6) voting "no."

B. ***Item C: Approval of Temporary Increase in Educational Fee for Selected Professional School Students Beginning 2005-06***

As reported in Item C of the C Report, at the May 2005 meeting the Committee on Finance recommended approval of the following actions:

- (1) The Educational Fee be increased by \$1,050 for two academic years beginning fall 2005 for students who are subject to the Fee for Selected Professional School Students, for a total \$6,407 Educational Fee for these students.
- (2) The Educational Fee increase not apply to graduate professional school students enrolled in Public Health, Public Policy, and the UC San Diego International Relations and Pacific Studies program, as they currently are assessed this amount.
- (3) Revenue from the increase in the Educational Fee be used to cover current losses in professional school fee income associated with the Kashmiri lawsuit injunction.
- (4) An amount equivalent to at least 25 percent of the revenue generated from the increase in the Educational Fee will be set aside for financial aid for professional school students.
- (5) Assessment of the \$1,050 increase in the Educational Fee be reevaluated by spring 2007.
- (6) The Regents may amend this action as warranted by future developments in the litigation.

The President recommended that the Committee's recommendation be amended as follows:

- (1) The Educational Fee be increased for 2005-06 only by ~~\$1,050 for two years beginning fall 2005~~ \$700 beginning winter quarter-spring semester 2006 for students who are subject to the Fee for Selected Professional School Students., ~~for a total \$6,407 Educational Fee for these students.~~
- (2) The Educational Fee be increased, for 2006-07 only, by \$1,050 over the 2004-05 fee level or \$350 over the 2005-06 level for students who are subject to the Fee for Selected Professional School Students. The temporary increase in the Educational Fee for these students will cease at the end of the 2006-07 academic year.

- (3 2) The temporary Educational Fee increase in 2005-06 and 2006-07 not apply to graduate professional school students enrolled in Public Health, Public Policy, and the UC San Diego International Relations and Pacific Studies program, as they currently are assessed this amount.
- (4) A surcharge of \$60 in the Educational Fee be assessed to all enrolled students beginning in 2007-08 until the remaining costs associated with the court order that prevents the University from collecting the professional fee increases approved by The Regents for 2004-05 and 2005-06 are covered.
- (5 3) Revenue from the increase in the Educational Fee be used to cover current losses in professional school fee income associated with the Kashmiri lawsuit injunction.
- (6 4) An amount equivalent to at least 25 percent of the revenue generated from the increase in the Educational Fee will be set aside for financial aid ~~for professional school students.~~
- (7 5) ~~Assessment of the \$1,050 increase in the Educational Fee be reevaluated by spring 2007.~~ When the outcome of the litigation is known, the President will recommend a plan to address any additional liability that may be incurred as a result of the lawsuit.
- (8 6) The Regents may amend this action as warranted by future developments in the litigation.

It was recalled that at the May 2005 Regents meeting, the Committee on Finance recommended approval of a temporary increase of \$1,050 in the Educational Fee for students who are subject to the Fee for Selected Professional School Students. Action by the Board was deferred to a future meeting to give the entire Board the opportunity to vote on the proposed fee increase.

In 2004-05, the Educational Fee was increased by \$1,050 for graduate academic students, but there was no corresponding increase in the Educational Fee for professional school students in recognition of the increases that were approved in the professional school fees. The proposed increase of \$1,050, when fully implemented in 2006-07, would be equivalent to the fee increase implemented for graduate academic students in 2004-05.

The University wants to ensure that students receive adequate notice of fee increases. Because final action on this proposal is being recommended at the July meeting rather than the May meeting, the President is recommending full implementation of the proposed increase approved by the Committee on

Finance, \$1,050, be implemented in 2006-07. For 2005-06, it is recommended that two-thirds of the proposed increase, \$700, be implemented, with the first assessment of the fee beginning with the winter quarter-spring semester 2006.

Further, it is recommended that, beginning in 2007-08, all enrolled students be assessed a surcharge of \$60 per year that would be in effect until the remaining costs associated with the court order pertaining to the *Kashmiri* lawsuit are covered. Imposing a surcharge on undergraduate and graduate academic students prior to 2007-08 would be inconsistent with the Compact with the Governor regarding increases in student fees for 2005-06 and 2006-07. The Regents has previously approved increases in mandatory systemwide fees of 8 percent for undergraduates and 10 percent for graduate students for 2005-06, the maximum considered under the Compact.

As a result of a court order associated with the student fee lawsuit, the University is prevented from collecting the professional fee increases approved by The Regents for 2004-05 and 2005-06 from students affected by the lawsuit. If the University should ultimately prevail in the litigation, it still will have lost more than \$20 million in professional fee revenue. Professional school fee revenue provides significant support to the base operating budgets of the professional schools, and the revenue from these fee increases is essential to maintaining the quality of the academic programs and student services, to sustaining enrollments, and providing student financial aid. The University is unable to absorb such a substantial loss of revenue. These actions are being proposed because the majority of students who have benefitted from the injunction prohibiting collection of fee increases in these two years will have graduated and it will be very difficult to collect the revenue at a later date.

Under the proposed amendment, it is anticipated that the revenue lost as a result of the court order, net of financial aid, will have been recovered in about three years. The proposed temporary Educational Fee increase for 2005-06 would generate approximately \$5 million, net of financial aid, and \$7.5 million in the following year, for a total of \$12.5 million over the two-year period. In 2007-08, the \$60 Educational Fee surcharge for all students would generate approximately \$9 million annually, net of financial aid. Over the three-year period, approximately \$21.5 million would be generated to cover the lost professional fee revenue.

The University believes its position in this case is correct and that The Regents has the authority to approve fee increases when necessary. However, if the University is exposed to damages as a result of the litigation, the President will propose a plan to The Regents to address any liability incurred. At that time, the University would evaluate whether the across-the-board surcharge assessed to all enrolled students should be continued, or if some other method of sharing the liability among students should be considered.

[For speakers' comments, refer to the July 20, 2005 minutes of the Committee of the Whole.]

Upon motion duly made and seconded, the Board approved the President's recommendation, Regents Blum, Dynes, Hopkinson, Lansing, Marcus, Moores, Parsky, Preuss, Rominger, and Wachter (10) voting "aye," and Regents Johnson, Juline, Kozberg, Lee, Lozano, Pattiz, Rosenthal, and Ruiz (8) voting "no."

7. **RESOLUTION IN APPRECIATION OF DAVID H. RUSS**

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

WHEREAS, the Regents of the University of California wish to commend and thank David H. Russ for his exemplary service as Treasurer of The Regents and Vice President for Investments, a position to which he brought dedication, commitment, and an unerring sense of duty to the highest standards of excellence; and

WHEREAS, a proud and grateful alumnus of the Berkeley campus, as well as of the UC Davis Graduate School of Management, he enjoyed a highly successful career in the business and financial world before returning to his beloved Alma Mater in 2001 to serve as its Treasurer; and

WHEREAS, in his role as Treasurer of The Regents and Vice President for Investments, he has worked tirelessly for the long-term best interest of UC, overseeing the highly successful management of investments that have outperformed their benchmarks, thereby not only increasing the University's resources but maintaining its financial stability in the face of significant challenges and fiscal uncertainty, all to the lasting benefit of this great institution of higher learning, its faculty, staff, and retirees; and

WHEREAS, a remarkably resourceful and farsighted administrator, his exceptional skills, disciplined leadership, and ability to succeed in a complex and constantly changing arena involving high stakes risks and rewards have enabled him to achieve an extraordinary record of accomplishment in which the University's portfolio has grown from \$55.5 billion to \$63 billion in just four short years, vivid testimony to his dedicated stewardship and considerable knowledge of the complex world of finance; and

WHEREAS, realizing the vast untapped potential of the Office of the Treasurer, he designed a new internal management structure within the office, including the creation of a new risk-management group, thus not only increasing flexibility and accountability in that office but positioning the University's investments strategies favorably for the future;

NOW, THEREFORE, BE IT RESOLVED that the Regents express their admiration, esteem, and appreciation to their trusted colleague and valued friend, David H. Russ, for the calm competence, exceptional management skills, financial acumen, and good humor he brought to the Board's discussions and to the management of the University's investments;

AND BE IT FURTHER RESOLVED that the Regents extend to Dave and his wife Eileen their best wishes for continued success in the years ahead as Dave undertakes new challenges at Dartmouth College and direct that a suitably inscribed copy of this resolution be presented to them as a token of the Regents' high regard and warm affection.

8. REPORT OF THE COMMITTEE ON FINANCE

A. *Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing for Davis Hall North Replacement Building, Berkeley Campus*

The Committee recommended that, subject to the concurrence of the Committee on Grounds and Buildings:

- (1) The 2005-06 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Berkeley: Davis Hall North Replacement Building – preliminary plans, working drawings, construction, and equipment – \$117,650,000, to be funded from the State through the California Institutes for Science and Innovation program (\$87,325,000) and gifts (\$30,325,000)

To: Berkeley: Davis Hall North Replacement Building – preliminary plans, working drawings, construction, and equipment – \$161,490,000, to be funded from the State through the California Institutes for Science and Innovation program (\$87,325,000), gifts (\$54,165,000), and external financing (\$20,000,000).

Deletions shown by strikeout, additions by underscoring

- (2) The President be authorized to obtain external financing not to exceed \$20,000,000 to finance the Davis Hall North Replacement Building 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. Repayment of the debt shall be from the Berkeley campus' share of the University Opportunity Fund.
 - c. The general credit of The Regents shall not be pledged.
- (3) The President be authorized to obtain standby financing not to exceed ~~\$15,325,000~~ \$18,754,000 and interim financing not to exceed \$12,050,000, for a total of \$30,804,000, prior to awarding a construction contract for any gift funds not received by that time and 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 any financing shall be from gift funds and, in the event such gift funds are insufficient, from the Berkeley campus' share of the University Opportunity Fund.
 - c. The general credit of The Regents shall not be pledged.
- (4) 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.
- (5) 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 Sierra Terraces Housing Project, Merced Campus***

The Committee recommended that:

- (1) Subject to the concurrence of the Committee on Grounds and Buildings, the 2005-06 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Merced: Sierra Terraces Housing Project – preliminary plans \$990,000 to be funded from University of California Housing System Net Revenue Reserves.

To: Merced: Sierra Terraces Housing Project – preliminary plans, working drawings, construction, and equipment \$21,942,000 to be funded from external financing.

- (2) External financing be obtained not to exceed \$21,942,000 to finance the Sierra Terraces Housing - Phase 1 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 this debt is outstanding, University of California Housing System fees for the Merced campus shall be established at levels sufficient to provide excess net revenues sufficient to pay the debt service and to meet the related requirements of the proposed funding.
 - 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 Long Hospital 13, Moffitt Hospital 13 (South) Acute Care Unit Remodel, and Moffitt Hospital 13 (North and East) Intensive Care Unit Remodel, San Francisco Campus***

The Committee recommended that the 2005-06 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Francisco Campus: Long 13, Moffitt 13 Acute Care Unit Remodel and Moffitt 13 Intensive Care Unit Remodel – preliminary plans, working drawings, construction, and equipment – \$36.2 million to be funded from hospital reserves.

D. ***University of California 2005-06 Final Budget***

The Committee recommended that the changes, as reflected in Attachment 3, to the University of California 2005-06 budget plan for State General Funds be approved, consistent with the final Budget Act approved by the Legislature and the Governor.

Upon motion of Regent Hopkinson, duly seconded, the recommendations of the Committee on Finance were approved.

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

The Committee presented the following from its meeting of July 19, 2005:

A. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program for Davis Hall North Replacement Building, Berkeley Campus***

The Committee recommended that, subject to the concurrence of the Committee on Finance, the 2005-06 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Berkeley: Davis Hall North Replacement Building – preliminary plans, working drawings, construction, and equipment – \$117,650,000, to be funded from the State through the California Institutes for Science and Innovation program (\$87,325,000) and gifts (\$30,325,000).

To: Berkeley: Davis Hall North Replacement Building – preliminary plans, working drawings, construction, and equipment – \$161,490,000, to be funded from the State through the California Institutes for Science and Innovation program (\$87,325,000), gifts (\$54,165,000), and external financing (\$20,000,000).

B. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program for Sierra Terraces Housing Project, Merced Campus***

The Committee recommended that, subject to the concurrence of the Committee on Finance, the 2005-06 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Merced: Sierra Terraces Housing Project – preliminary plans \$990,000 to be funded from University of California Housing System Net Revenue Reserves.

To: Merced: Sierra Terraces Housing Project – preliminary plans, working drawings, construction, and equipment – \$21,942,000 to be funded from external financing.

C. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program for Long Hospital 13, Moffitt Hospital 13 (South) Acute Care Unit Remodel, and Moffitt Hospital 13 (North and East) Intensive Care Unit Remodel, San Francisco Campus***

The Committee recommended that the 2005-06 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Francisco: Long Hospital 13, Moffitt Hospital 13 (South) Acute Care Unit Remodel, and Moffitt Hospital 13 (North and East) Intensive Care Unit Remodel – preliminary plans, working drawings, construction, and equipment – \$36.2 million to be funded from hospital reserves.

D. ***Adoption of Addendum and Findings and Approval of Design, Underhill Parking Facility and Field Replacement, Berkeley Campus***

The Committee reported its:

- (1) Adoption of the Addendum, Findings, and Statement of Overriding Considerations pursuant to the California Environmental Quality Act.
- (2) Approval of the design of the Underhill Parking Facility and Field Replacement, Berkeley campus.

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

E. ***Adoption of Mitigated Negative Declaration and Approval of Design, Price Center Expansion, San Diego Campus***

The Committee reported its:

- (1) Adoption of the Initial Study/Mitigated Negative Declaration.
- (2) Adoption of the Mitigation Monitoring Program and Findings.

- (3) Approval of the design of the Price Center Expansion, San Diego campus.

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

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

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

Establishment of the College of Biological Sciences, Davis Campus

The Committee recommended that, effective immediately, Section 6 of The Regents' provisions as covered under Standing Order 110.1—Academic Units and Functions, Affiliated Institutions, and Related Activities of the University, be amended as follows:

additions shown by underscoring

* * *

6. Academic Colleges at UC Davis:

- (a) There is established at Davis the following academic college with curricula based on two or more years of undergraduate work:

* * *

College of Biological Sciences, with curricula leading to the degrees of Bachelor of Arts, Bachelor of Science, Master of Arts, Master of Science, and Doctor of Philosophy.

* * *

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

11. **REPORT OF THE NOMINATING COMMITTEE**

The Nominating Committee recommended the following appointments, effective immediately, except Item C:

A. STANDING COMMITTEE ASSIGNMENTS

- (1) Appointment of Regent Island to the Committees on Educational Policy and Health Services.
- (2) Appointment of Regent Rominger to the Committee on Health Services. Regent Rominger resigned from the Committee on Grounds and Buildings.
- (3) Appointment of Regent Juline as Vice Chair of the Committee on Grounds and Buildings.

B. ADVISORY COMMITTEE ASSIGNMENTS

- (1) Appointment of Regent-designate Coombs as an advisory member of the Committees on Educational Policy, Grounds and Buildings, and Health Services.
- (2) Appointment of Regent-designate Ledesma as an advisory member of the Committees on Educational Policy, Finance, and Grounds and Buildings.
- (3) Appointment of Regent-designate Schreiner as an advisory member of the Committees on Educational Policy, Finance, and Investments.

C. FACULTY REPRESENTATIVES AS ADVISORY MEMBERS

Effective with the September 1, 2005 assumption of their positions as Chair and Vice Chair, respectively, of the Academic Senate:

- (1) Appointment of Professor Clifford Brunk as an advisory member of the Committees on Educational Policy, Health Services, and Oversight of the Department of Energy Laboratories.
- (2) Appointment of Professor John Oakley as an advisory member of the Committees on Audit, Finance, Grounds and Buildings, and Investments.

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

12. REPORT OF PERSONNEL ACTIONS

In accordance with Bylaw 14.7(b), the following reports personnel actions taken at the May 26, 2005 meeting. There were no roll call votes taken on these actions.

- A. Appointment of Angela Oh as Regents' Professor, Department of Asian American Studies, Los Angeles campus, for one quarter of her choice during the 2005-06 academic year.
- B. Appointment of Robert W. Kuckuck as Interim Director, Los Alamos National Laboratory, 100 percent, effective May 15, 2005.
- C. Appointment of Michael R. Anastasio to a five-year term as Director of the Los Alamos National Laboratory, contingent upon the award of the Los Alamos National Laboratory management contract to the University of California and Bechtel International, Inc.
- D. Appointment of Michael V. Drake, M.D. as Chancellor of the Irvine campus, 100 percent, effective July 1, 2005.

13. **REPORT OF COMMUNICATIONS**

Secretary Trivette presented summaries of communications received subsequent to the May 2005 meeting. The residency appeals will be referred to General Counsel Holst, and the remaining communications will be referred to President Dynes for response as appropriate.

14. **SUPPLEMENTAL REPORT ON COMPENSATION**

A. ***Compensation for Marie N. Berggren as Interim Treasurer and Interim Vice President—Investments, Office of the Treasurer***

The Committee on Finance recommended that, contingent upon approval of her appointment by The Regents as Interim Treasurer and Interim Vice President—Investments, an annual administrative stipend of \$33,500 (15 percent) be approved for Marie N. Berggren, effective July 8, 2005, and to continue until the appointment of a permanent Treasurer and Vice President—Investments, Office of the Treasurer.

B. ***Compensation for Wyatt R. Hume as Executive Vice Provost and Vice President—Academic Affairs, Office of the President***

The Committee on Finance recommended that, contingent upon his appointment by The Regents as Executive Vice Provost and Vice President—Academic Affairs, 100 percent, an annual salary of \$295,000 be approved for Wyatt R. Hume.

Upon motion duly made and seconded, the recommendations of the Committee on Finance were approved.

15. **REPORT OF THE PRESIDENT**

President Dynes presented the report concerning University activities and individuals.

Upon motion duly made and 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 Dynes called upon Faculty Representative Blumenthal to present his remarks. Professor Blumenthal reported that the Academic Senate had recommended that the University no longer use University funds to support National Merit Scholarships. The Senate found that the criteria used by the National Merit Scholarship program were inconsistent with the academic criteria for excellence of the University. The Chancellors have agreed that, once the University has met its commitment to existing National Merit scholars, those funds will be redirected to other merit-based scholarship programs that reflect more accurately the measures of quality and excellence that the University has developed. He recalled that the UC Merced division of the Academic Senate had been approved, subject to certain conditions, by the Senate. Those conditions have been met, and the UC Merced faculty are an active division of the Academic Senate.

Professor Blumenthal commented that his term as Faculty Representative had been intellectually stimulating and rewarding. During the year, the Academic Senate established initiatives concerning transfer students, scholarly publications, admissions policy, research policy, and strategic sourcing. He thanked the Regents for their interest in academic issues at the University. He noted that he was leaving on a positive note: staff advisors had been added to the Board; faculty and staff were slated to receive a raise for the first time in years; the issue of graduate education was being addressed; there is an increased commitment to access; and long-range planning has become a strong focus. He introduced his successor, Professor John Oakley, from the Davis campus, whose term would begin in September.

At President Dynes' invitation, Mr. David Miller, outgoing president of the Council of University of California Staff Assemblies, presented its annual report. Mr. Miller recalled that among its accomplishments for the year the Council had formed a standing Diversity Committee to maintain an ongoing review of the work done in that area by the University; established a multi-year project team to support and enhance the work of the Office of the President on planning for increased staff retirements; and addressed strengthening the interaction among staff, Regents, and administrators. He observed that the staff of the University is a powerful resource that is important to the maintenance of the University's quality.

16. **REPORT OF THE PRESIDENT**

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

To Members of the Committee on Audit

- A. Internal Audit Activity report for the quarter ended March 31, 2005. June 28, 2005 (Schedule of Reports)

To Members of the Committee on Health Services

- B. Activity and Financial Status Report for the UC Medical Centers for nine months ended March 31, 2005. May 16, 2005 (Schedule of Reports)
- C. Activity and Financial Status Report for the UC Medical Centers for ten months ended April 30, 2005. June 9, 2005 (Schedule of Reports)

To Members of the Regents' Special Committee on Regents' Procedures

- D. Update on two-year staff advisor pilot program. May 16, 2005

To The Regents of the University of California

- E. Response to a letter from the Chairman and President of the American Heart Association concerning UC's policies relating to acceptance of funding from research sponsors. May 6, 2005
- F. Press release on agreement between the University of California and Bechtel National, Inc., jointly to prepare for the contract competition to manage the Los Alamos National Laboratory (LANL). May 11, 2005
- G. Two new reports on the University's admissions outcomes. May 13, 2005
- H. Testimony of President Dynes at the first series of State legislative hearings focusing on the central role UC plays in the life of the State of California. May 20, 2005
- I. Copy of *One Thousand Teachers, One Million Minds*, a report on the partnership program to increase the number of science and mathematics teachers for California's secondary schools. May 24, 2005
- J. Copy of *Health Sciences Education: Workforce Needs and Enrollment Planning*, Universitywide Health Sciences Committee's final report. June 7, 2005.
- K. Report of salary actions taken for Professors. June 29, 2005

The meeting adjourned at 12:45 p.m.

Attest:

Secretary