

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

March 19, 2015

The Regents of the University of California met on the above date at UCSF–Mission Bay Conference Center, San Francisco.

Members present: Regents Blum, De La Peña, Elliott, Engelhorn, Gould, Island, Kieffer, Lansing, Leong Clancy, Lozano, Makarechian, Napolitano, Newsom, Ortiz Oakley, Pattiz, Pérez, Saifuddin, Sherman, Varner, and Zettel

In attendance: Regents-designate Davis, Gorman, and Oved, Faculty Representatives Gilly and Hare, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Dorr, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Senior Vice Presidents Henderson and Peacock, Vice Presidents Allen-Diaz, Budil, and Sakaki, Chancellors Block, Blumenthal, Gillman, Hawgood, Wilcox, and Yang, and Recording Secretary Johns

The meeting convened at 9:55 a.m. with Chairman Varner presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of January 22 and the meetings of the Committee of the Whole of January 21 and 22, 2015 were approved.

2. REPORT OF THE PRESIDENT

The President presented her report concerning University activities and individuals. The previous month the National Academy of Engineering elected new members, including three faculty from UC Berkeley and UC Santa Barbara. Eighteen UC faculty members were selected to receive Alfred P. Sloan Research Fellowships, awarded to early-career scientists carrying out promising research. Vice President Allen-Diaz received the Frederic G. Renner Award from the Society for Range Management. She was the first woman to receive this award. Chancellor Block would be honored the following month with the Visionary Award by the Friends of the Semel Institute for Neuroscience and Human Behavior. Chief of Staff Seth Grossman was elected to the American Law Institute. UC continues to be a national and international leader in sustainability research and practice. The GreenMetric ranking of world universities for 2014 ranked UC Davis fourth and UC Berkeley ninth among the top 20 “greenest” universities in the world. In addition, UC Merced was ranked 23rd and UC Riverside 185th.

The University was mourning the death of Charles H. Townes (1915-2015), a University Professor at UC Berkeley and 1964 Nobel Prize laureate in physics. His work in quantum electronics led to the development of the laser, and he pioneered the use of lasers in astronomy.

3. REPORT OF THE COMMITTEE ON COMPLIANCE AND AUDIT

The Committee presented the following from its meeting of March 17, 2015:

Approval of External Audit Plan for the Year Ending June 30, 2015

The Committee recommended that the KPMG external audit plan and fees for the University for the year ending June 30, 2014, as shown in Attachment 1, be approved.

Upon motion of Regent Zettel, duly seconded, the recommendation of the Committee on Compliance and Audit was approved.

4. REPORT OF THE COMMITTEE ON EDUCATIONAL POLICY

The Committee presented the following from its meeting of March 18-19, 2015:

Amendment of Regents Policy 3106: Policy on Waiver of Tuition and Fees to Comply with the Veterans Access, Choice, and Accountability Act of 2014

The Committee recommended that Regents Policy 3106: Policy on Waiver of Tuition and Fees be amended as shown in Attachment 2.

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

5. REPORT OF THE COMMITTEE ON FINANCE

The Committee presented the following from its meeting of March 18, 2015:

A. *Authorization of 100-Year Taxable External Financing*

The Committee recommended that the Regents authorize the President of the University to:

- (1) Issue a taxable 100-year borrowing (bonds) in one or more series in an aggregate principal amount not to exceed \$500 million plus financing costs with an interest rate not to exceed 5.5 percent, to be issued under the University's general revenue bond indenture. As long as the bonds are outstanding, the campuses receiving such proceeds shall satisfy the following requirements:

- a. Campuses receiving proceeds (Davis, Irvine, Riverside, San Francisco, and Santa Cruz) shall maintain general revenues in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.

- b. Use of bond proceeds shall comply with all applicable University policies with respect to capital projects and real estate transactions, including, without limitation, environmental review, provided, however, that any specific authorization of the Regents to use proceeds of a borrowing for a specific project shall not be affected by this requirement.
- (2) Take all necessary actions related to the action approved above, including, but not limited to, approval, execution, and delivery of all necessary or appropriate financing documents.

B. *Authority to Indemnify the City of Davis in Durable Encroachment Agreement and Union Pacific Railroad in Pipeline Crossing Agreement, Davis Campus*

The Committee recommended that:

- (1) The President of the University be authorized to approve the terms of a Durable Encroachment Agreement for Installation and Maintenance of Water Pipeline within Public Right of Way (Encroachment Agreement) allowing the Davis campus to construct and maintain a pipeline to transmit the water from the point of delivery north of the City of Davis through the city to the campus. This agreement includes a provision whereby the University will indemnify, defend, and hold harmless the City of Davis, its officers, agents, and employees, for any injury, damage, or loss arising directly or indirectly out of the installation, maintenance, operation, and the existence of UC Davis pipeline in the City's right of way, excluding claims arising from the City's sole acts of negligence, omissions, or willful misconduct.
- (2) The President be authorized to approve the terms of a Pipeline Crossing Agreement with Union Pacific Railroad (the UPRR Agreement) that would allow the Davis campus, along with the City of Davis, to install a culvert containing two steel sleeves (one 24-inch diameter and one 14-inch diameter) under the railroad tracks at a location at or near the northern boundary of the City of Davis, travelling from east to west, to enable the City's and the campus' respective water pipes coming from the City of Woodland to travel to delivery points within the City of Davis and on campus. The UPRR Agreement includes a provision whereby the University will indemnify, defend, and hold harmless UPRR, its officers, agents, and employees, and any other railroad company using the area, for any injury, damage, or loss arising out of, resulting from, or related to the work contemplated by the culvert and the UPRR Agreement.
- (3) The President, or her designee, after consultation with the General Counsel, be authorized to approve and execute any additional documents necessary in connection with the above.

C. *Continuation of Life-Safety Fee, Berkeley Campus*

The Committee recommended that the life-safety portion of the Berkeley Campus Fee continue at its current level for five years, from summer 2015 through spring 2020, with the following specifications:

- (1) All students enrolled at the Berkeley campus during the regular academic year be assessed a mandatory life-safety portion of the Berkeley Campus Fee of \$46 per student per term from fall 2015 through spring 2020.
- (2) Students enrolled in summer sessions be assessed a mandatory life-safety portion of the Berkeley Campus Fee at \$23 per student from summer 2015 through summer 2019.

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

6. **REPORT OF THE COMMITTEE ON GOVERNANCE**

The Committee presented the following from its meeting of March 18, 2015:

A. *Appointment of Regent to Standing Committee*

The Committee recommended that Regent Elliott be appointed to the Committee on Compensation, effective immediately, through June 30, 2015.

B. *Reappointment of Members to the Investment Advisory Group*

The Committee recommended that T. Gary Rogers and Robert Samuels be reappointed to the Investment Advisory Group until March 2017.

Upon motion of Regent Gould, duly seconded, the recommendations of the Committee on Governance were approved.

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

The Committee presented the following from its meeting of March 18, 2015:

Approval of Preliminary Plans Funding, Downtown Center, Merced Campus

The Committee recommended that the 2014-15 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Merced: Downtown Center – preliminary plans – \$1.36 million to be funded from campus funds.

Upon motion of Regent Makarechian, duly seconded, the recommendation of the Committee on Grounds and Buildings was approved.

8. **AMENDMENT OF STANDING ORDER 100.4 – DUTIES OF THE PRESIDENT OF THE UNIVERSITY**

In accordance with notice previously served and upon motion of Regent Gould, duly seconded, the amendment of Standing Order 100.4 – Duties of the President as shown in Attachment 3 was approved.

9. **REPORT OF COMMUNICATIONS RECEIVED**

Secretary and Chief of Staff Shaw reported that, in accordance with Bylaw 16.9, Regents received a summary of communications in reports dated February 13 and March 9, 2015.

10. **REPORT OF MATERIALS MAILED BETWEEN MEETINGS**

Secretary and Chief of Staff Shaw reported that, on the dates indicated, the following were sent to the Regents or to Committees:

To Members of Compensation

- A. From the President, Annual Report on Compensated Outside Professional Activities for Report Period July 1, 2013 to June 30, 2014. (February 2, 2015)

To Members of Finance

- B. From the President, an annual report on the University Employee Housing Assistance Program for 2013-14. (January 12, 2015)
- C. From the Office of General Counsel, the new Litigation and Arbitration Proceedings Report. (January 27, 2015)
- D. From the President, Annual Report on Debt Capital and External Finance Approvals for calendar year 2014. (January 30, 2015)
- E. From the Office of General Counsel, a bi-monthly report of New Litigation for Reporting Period of December 1, 2014 to February 2, 2015. (March 2, 2015)

To Members of Health Services

- F. From the President, the Medical Center Activity and Financial Status Report for the 12 months ended on June 30, 2014. (January 7, 2015)

To the Regents of the University of California

- G. From the President, the Governor's proposal for the State's 2015-16 budget. (January 9, 2015)
- H. From the Secretary and Chief of Staff, a summary of communications. (January 9, 2015)
- I. From the President, an announcement stating that UC Santa Barbara had been officially designated as a Hispanic-Serving Institution by the Hispanic Association of Colleges and Universities. (January 28, 2015)
- J. From the President, a copy of the Board of Admissions and Relations with Schools' Annual Report on Undergraduate Admissions Requirements and Comprehensive Review. (February 10, 2015)
- K. From the Secretary and Chief of Staff, the January Summary of Communications Received. (February 13, 2015)
- L. From the Secretary and Chief of Staff, an email informing Regents that President Napolitano would announce that UC would not implement previously authorized tuition increases for the upcoming summer session. (February 18, 2015)
- M. From the Secretary and Chief of Staff, an announcement from UC Davis regarding the campus meningitis case. (February 25, 2015)
- N. From the President, a copy of the Pullias Lecture that the President gave at the University of Southern California. (February 25, 2015)
- O. From the Secretary and Chief of Staff, an announcement regarding the Regents appointed to the Committee on Governance for 2015-16. (March 3, 2015)
- P. From the Secretary and Chief of Staff, the President's Testimony to the State Assembly Budget Subcommittee on Education Finance. (March 3, 2015)

Chairman Varner requested that the minutes of the meeting of the Board include the announcement that the appointment of Professor Randy Schekman, Department of Molecular and Cell Biology, Berkeley campus, as University Professor had been approved in closed session.

The meeting adjourned at 10:05 a.m.

Attest:

Secretary and Chief of Staff

Deliverables

Financial Statement Audit Opinions

- **University of California Systemwide Financial Statements**
- **Each of the 5 University Medical Centers**
- **University of California Retirement System**
- **University Captive Insurance Company**

Additional Reports

- **Single Audit of Federal Funds expended in accordance with OMB Circular A-133**
- **Report on the University of California Cash Contributions to the Retirement System**
- **Agreed-upon procedures related to the Mortgage Origination Loan Program**
- **Agreed-upon procedures related to NCAA requirements (6 campuses)**
- **Agreed-upon procedures related to Student Health Insurance Program**

Internal Controls

- **Letter to Regents on internal control deficiencies that are considered Significant Deficiencies and/or Material Weaknesses**

Required Communications

- **Audit Plan**
- **Audit results and required communications relating to the conduct of the audit**

Fees

UC Entity/Report	2015 Fees
UC Consolidated Entity	\$ 1,370,250
Single Audit (A-133 Audit)	393,900
Medical Center Audits	1,096,470
University of California Retirement System Audits	152,300
NCAA Agreed-Upon Procedures	85,925
Mortgage Origination Program Agreed-Upon Procedures	9,280
UC Captive Insurance Company Audit	28,600
UC Retirement Plan's Schedule of Cash Contributions	4,910
UCLA Medical Center Bond Opinion	2,455
Consolidated Form 990T Review	15,200
Total	\$ 3,159,290

**Additions shown by underscoring; deletions shown by strikethrough.
Ellipses indicate intervening portions of the policy that remain unchanged.**

REGENTS POLICY 3106
POLICY ON WAIVER OF TUITION AND FEES

1. The University of California shall exempt students from tuition and/or fees or waive tuition and/or fees, as set forth below. (All statutory references herein, unless otherwise noted, are to the California Education Code.)

...

- F. A student who meets the definition of “covered individual” as defined in federal law in Section 702 of the Veterans Access, Choice, and Accountability Act of 2014 (Public Law 113-146) shall be exempt from paying nonresident tuition at the University.

Additions shown by underscoring; deletions shown by strikethrough

STANDING ORDER 100.4

DUTIES OF THE PRESIDENT OF THE UNIVERSITY

100.4 Duties of the President of the University

(q)(1)

Except as provided in paragraph (q)(2) below, the President is authorized to approve amendments to the Capital Improvement Program for projects not to exceed \$10 million. The President is also authorized to approve amendments to the Capital Improvement Program for projects exceeding \$10 million up to and including \$20 million, provided that concurrence is obtained from the Chairman of the Board and the Chairman of the Committee on Grounds and Buildings, and also provided that all actions taken in excess of \$10 million up to and including \$20 million under this authority be reported at the next following meeting of the Board. However, the following shall be approved by the Board: (1) projects with a total cost in excess of \$20 million, (2) for projects in excess of \$20 million, any modification in project cost over standard cost-rise augmentation in excess of 25%, or (3) capital improvement projects of any construction cost when, in the judgment of the President, a project merits review and approval by The Regents because of special circumstances related to budget matters, external financing, fundraising activities, project design, environmental impacts, community concerns, or substantial program modifications.

(q)(2)

This paragraph shall apply exclusively to capital projects for those campus entities approved by the Committee on Grounds and Buildings for inclusion in the ~~P~~pilot ~~P~~phase of the Delegated Process for Capital Improvement Projects.

The President is authorized to approve amendments to the Capital Improvement Program for projects not to exceed \$70 ~~\$60~~ million. However, the following shall be approved by the Board: (1) projects with a total cost in excess of \$70 ~~\$60~~ million, (2) capital improvement projects of any construction cost when, in the judgment of the President, a project merits review and approval by The Regents because of special circumstances related to budget matters, external financing, fundraising activities, project design, environmental impacts, community concerns, or substantial program modifications. The President is authorized to approve an increase in project cost as long as the total augmented project cost remains under \$70 ~~\$60~~ million; for augmented projects resulting in a total project cost in excess of \$70 ~~\$60~~ million, the augmented project shall be approved by the Board.

This paragraph shall become inoperative and is repealed on March 31, 2017 ~~March 31,~~

2015, unless a later Regents' action, that becomes effective on or before March 31, 2017 ~~March 31, 2015~~, deletes or extends the date on which it becomes inoperative and is repealed.

* * *

(nn)(1)

Except as provided in paragraph (nn)(2) below, the President shall be the manager of all external financing of the Corporation. The President is authorized to obtain external financing for amounts up to and including \$10 million for the planning, construction, acquisition, equipping, and improvement of projects. The President is also authorized to obtain external financing for amounts in excess of \$10 million up to and including \$20 million, provided that concurrence is obtained from the Chairman of the Board and the Chairman of the Committee on Finance, and also provided that all actions taken to obtain external financing for amounts in excess of \$10 million up to and including \$20 million be reported at the next following meeting of the Board. External financing in excess of \$20 million requires Board approval. The President shall have the authority to (1) negotiate for and obtain interim financing for any external financing, (2) design, issue, and sell revenue bonds or other types of external financing, (3) issue variable rate or fixed rate debt, and execute interest rate swaps to convert fixed or variable rate debt, if desired, into variable or fixed rate debt, respectively, (4) refinance existing external financing for the purpose of realizing lower interest expense, provided that the President's authority to issue such refinancing shall not be limited in amount, (5) provide for reserve funds and for the payment of costs of issuance of such external financing, (6) perform all acts reasonably necessary in connection with the foregoing, and (7) execute all documents in connection with the foregoing, provided that the general credit of The Regents shall not be pledged for the issuance of any form of external financing.

(nn)(2)

This paragraph shall apply exclusively to capital projects for those campus entities approved by the Committee on Grounds and Buildings for inclusion in the pilot phase of the Delegated Process for Capital Improvement Projects.

The President shall be the manager of all external financing of the Corporation. The President is authorized to obtain external financing for amounts up to and including \$70 ~~\$60~~ million for the planning, construction, acquisition, equipping, and improvement of projects. The President shall have the authority to (1) negotiate for and obtain interim financing for any external financing, (2) design, issue, and sell revenue bonds or other types of external financing, (3) issue variable rate or fixed rate debt, and execute interest rate swaps to convert fixed or variable rate debt, if desired, into variable or fixed rate debt, respectively, (4) refinance existing external financing for the purpose of realizing lower interest expense, provided that the President's authority to issue such refinancing shall not be limited in amount, (5) provide for reserve funds and for the payment of costs of issuance of such external financing, (6) perform all acts reasonably necessary in connection with the foregoing, and (7) execute all documents in connection with the

foregoing, provided that the general credit of The Regents shall not be pledged for the issuance of any form of external financing.

This paragraph shall become inoperative and is repealed on March 31, 2017 ~~March 31, 2015~~, unless a later Regents' action, that becomes effective on or before March 31, 2017 ~~March 31, 2015~~, deletes or extends the date on which it becomes inoperative and is repealed.

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