

The Regents of the University of California

COMMITTEE ON LONG RANGE PLANNING

July 22, 2015

The Committee on Long Range Planning met on the above date at UCSF–Mission Bay Conference Center, San Francisco.

Members Present: Regents Blum, De La Peña, Elliott, Gould, Kieffer, Lansing, Makarechian, Oved, and Reiss; Ex officio members Lozano, Napolitano, and Varner; Advisory member Hare; Staff Advisors Acker and Richmond

In attendance: Regents Davis, Gorman, Island, Newsom, Ortiz Oakley, Pérez, Ruiz, Sherman, and Zettel, Regents-designate Brody and Schroeder, Faculty Representative Gilly, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Chief Investment Officer Bachher, Provost Dorr, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Executive Vice President Stobo, Senior Vice Presidents Henderson and Peacock, Vice Presidents Brown, Duckett, and Sakaki, Chancellors Block, Blumenthal, Dirks, Gillman, Hawgood, Katehi, Khosla, Wilcox, and Yang, and Recording Secretary Johns

The meeting convened at 9:40 a.m. with Committee Chair Gould presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of May 21, 2015 were approved.

2. ANNUAL UNIVERSITY OF CALIFORNIA ACCOUNTABILITY REPORT

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Provost Dorr explained that the annual UC Accountability Report was introduced by former President Yudof and had been continued by President Napolitano. The Report is voluminous and illustrates UC's performance over time and in comparison with other institutions.

Vice President Brown discussed indicators from the Report that demonstrate how the University's mission supports the State of California. UC's teaching enterprise promotes social mobility and produces graduates who meet the state's workforce needs. The University prides itself on the proportion of its undergraduates who are the first in their families to attend college, 42 percent. The average proportion for very selective public research universities is 36 percent, and 25 percent for very selective private research

universities. Counting only incoming California resident freshmen, UC's percentage is closer to 50 percent.

UC provides access to a higher proportion of low-income students than its Association of American Universities (AAU) peers. Forty-two percent of UC undergraduates are Pell Grant recipients, compared to 22 percent at AAU public institutions and 16 percent at AAU private institutions. Forty-six percent of California State University (CSU) students are Pell Grant recipients. Five UC campuses – Davis, Irvine, Los Angeles, Riverside, and San Diego – each enroll more Pell Grant recipients than the entire Ivy League.

UC has made significant improvements in four-year graduation rates, which increased from 45 percent to 60 percent between 1997 and 2007. Comparison data for four-year graduation rates in 2007 were 55 percent for AAU public institutions, 82 percent for AAU private institutions, and 16 percent for CSU. UC's six-year graduation rate was currently approximately 83 percent, compared to 78 percent for AAU public institutions, 91 percent for AAU private institutions, and 52 percent for CSU.

Within five years of graduation, more than 50 percent of Pell Grant recipients with a bachelor's degree have higher earnings than their family members. The four-year graduation rate for Pell Grant recipients was 52 percent, and the six-year graduation rate was 81 percent. The four- and six-year rates for Pell Grant recipients at CSU were ten percent and 46 percent, respectively.

UC graduates are meeting key workforce needs in the State of California. UC awards a larger number of degrees in the science, technology, engineering, and mathematics (STEM) fields than CSU or private California colleges and universities. UC awards 42 percent of California bachelor's degrees in the STEM fields and 40 percent of all STEM degrees, undergraduate and graduate. Ms. Brown pointed out that more than 70 percent of UC graduates go on to work in California.

UC research benefits the state, drawing talented individuals and outside funding. UC has over 12,500 active patents. Since 1976, there have been more than 840 startup companies based on UC patents, and 85 percent of them in California. UC performs research in critical areas. Ms. Brown presented a chart showing the amounts of UC research grants in the prior five years in the areas of renewable energy, alternatives to natural gas, and energy efficiency. In the health sciences area, she noted that UC was involved in over 2,800 clinical trial projects during the previous year. Treatments developed at UC, such as a hepatitis B vaccine, have saved millions of lives. UC operates the largest health science instructional program in the U.S. and educates half of the medical students and residents in California. Nearly 60 percent of patients treated at UC medical centers are covered by Medicare or Medi-Cal, or lack health insurance. UC's five major trauma centers provide half of California's organ transplants and treat a quarter of extensive burn care cases in the state.

The University operates thousands of public service programs. The impact of UC's work reaches far beyond the campuses in areas such as agricultural research, community health and nutrition programs, and student preparation programs.

Regent Ruiz stressed that the Accountability Report is an important document to communicate to leaders in Sacramento. He asked how the Report would help in efforts for faculty diversity. Ms. Brown responded that there were indicators in the Report on the proportion of underrepresented minority scholars and how this compares to availability pools. This information would be of assistance in UC's faculty diversity efforts.

Regent Makarechian stressed that the State did not sufficiently recognize the greatness and contributions of UC and that State support for UC had declined dramatically, as shown in the Report. He referred to the executive summary of the Report and two tables with rankings of top U.S. universities by *Washington Monthly* and *U.S. News and World Report*. He asked about how the rankings were developed, noting that the *U.S. News and World Report* ranking for UC Riverside had dropped from 39 in 2007 to 55 in 2015, while in the *Washington Monthly* ranking, UCR rose from 22 in 2006 to second place in 2014. He asked which factors accounted for these different evaluations. Ms. Brown responded that a chapter in the Report provided more information on the rankings. The methodology and criteria of the ranking systems may change over time. In including these charts in the executive summary, the University wished to indicate the high concentration of UC campuses that enjoy high rankings. *U.S. News and World Report* rankings tend to focus on resources and admissions rates, while *Washington Monthly* focuses on social mobility and composition of the student body. The change in UCR's ranking by *U.S. News and World Report* might be due to change in how *U.S. News and World Report* evaluates financial resources for faculty and graduation rates. The specific reasons for the change from 2007 to 2015 could be provided. Ms. Dorr acknowledged that the executive summary of the Accountability Report should include more information about the factors and criteria used by *Washington Monthly* and *U.S. News and World Report* in developing numerical rankings of U.S. colleges and universities.

Regent Kieffer referred to information in the executive summary according to which research expenditures at UC nearly doubled over the past 15 years to more than \$4.3 billion, mostly fueled by federal funds. He asked how much of this funding came from federal grants. Ms. Brown responded that about 60 percent came from federal grants. Regent Kieffer stated that UC, in communicating with legislators, should highlight the role of UC research faculty, the Laboratories, and UC's institutes in garnering significant federal funding, \$2.5 billion or more, in comparison to support provided by the State.

Regent Ortiz Oakley observed that this Report tries to address many audiences. He asked if the Accountability Report could be consolidated with other reports the University is required to produce, in order to reduce the amount of time spent on preparing reports. Ms. Brown responded that the University was seeking to integrate as much reporting as possible. Data gathered for the UC Information Center would feed the Accountability Report. Data on graduation rates for Pell Grant recipients in the Accountability Report

were drawn from the annual report to the Legislature on Performance Outcome Measures.

Regent Ortiz Oakley stressed that UC should focus on graduating students in four years, rather than on six-year graduation rates. He also stated his view that *U.S. News and World Report* was outdated and antiquated, without value for a public education system. UC should not use these rankings as a reference, but rankings that reflect UC's values. He asked how the University measures student learning outcomes. Ms. Brown responded that each campus can evaluate learning outcomes at the program level. In order to provide information at the systemwide level, the University relies on information from the UC Undergraduate Experience Survey, which provides perspective from students.

Regent Oved asked about retention rates for underrepresented minorities. Ms. Brown responded that the University collects this information and President Napolitano discusses this information with the chancellors each year. These data are not included in the Report. Regent Oved suggested that the Accountability Report include data on retention rates for underrepresented minorities, and data disaggregated by student community. He recalled statistics from the 2013 Accountability Report indicating that within ten years, nearly 50 percent of UC faculty would be eligible for retirement. He asked if there were any mechanisms in place to increase the diversity of the faculty applicant pool.

Ms. Dorr responded that many efforts and programs were under way to diversify faculty applicant pools by race and gender. President Napolitano has been vigorous in this effort. Regarding differential graduation rates for underrepresented minorities, she noted that these students are more likely to have attended high schools that do not provide the same level of college preparation as other schools. The Report sought to identify all the factors that affect these rates, such as income level, quality of schools, and the economic and educational environment and opportunities of students who come to UC.

Regent Zettel asked that UC provide a one-page "summary of the summary" of the Accountability Report, with bullet points highlighting issues important to legislators, such as carbon neutrality and health sciences education.

Regent Gould stated that data on the social mobility of first-generation college graduates from UC should be highlighted and communicated to various audiences, including the Legislature.

3. **P200 PROGRAM UPDATE**

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Executive Vice President and Chief Financial Officer Brostrom began the discussion of the P200 Program, the University's systemwide procurement initiative. He recalled that the P200 Program and the UCPath project, to be discussed subsequently, arose from a

request by the Regents that UC examine its administrative processes in order to provide better services in a more cost-effective manner. In some cases, initiatives UC has undertaken are best located at campuses, while other solutions lend themselves to a regional approach. UC Berkeley and UC San Francisco have merged their procurement offices. UCLA provides financial services for the Office of the President and UC Merced. The Office of the President has examined systemwide enterprises that lend themselves to economies of scale and standardization. In the area of procurement, UC can leverage the size and scale of its purchasing power to achieve significant benefits. The P200 Program and the UCPath project were not simply technology replacement projects, but represented business transformation.

Chief Procurement Officer William Cooper recalled that the original goal of the P200 Program had been to redirect \$200 million to the University's core missions of teaching, research, and public service. In three years, the P200 Program had implemented five state-of-the-art electronic procurement solutions. He outlined the progress of the Program, including establishment of Centers of Excellence, small, focused groups of commodity and sourcing specialists from across the system. Moving forward, the Program would expand its activities from traditional expense categories to non-traditional categories, which account for \$5 billion annually. In fiscal year 2013-14, the Program provided \$133 million in benefit to UC, exceeding its goal by \$13 million. In 2014-15, the benefit was \$170 million, \$30 million above target.

UC researchers spend \$100 million annually on life sciences supplies. In the past, UC awarded multiple contracts, reducing any one contractor's ability to gain more market share. UC had now implemented a prime vendor strategy, and Fisher Scientific emerged as UC's flagship distributor of general laboratory supplies. In its first year, this agreement had yielded \$13.9 million in savings. P200 had implemented enhanced analytics and benefits tracking to focus on small business and diversity spending, saving staff time. Thirty-six employees were preparing for professional procurement certification.

Mr. Cooper outlined future steps for the Program. P200 was working with the Office of the President and campus-based design and construction staff to identify benefit opportunities in construction. A Center of Excellence for this category would be launched in January 2016. The Program would evaluate and possibly launch new technology, such as supplier relations management software, to better track vendor performance. UC travel and bank card programs would become fully integrated into procurement services. The Program was working with the Office of Risk Services to develop a self-insured equipment maintenance warranty program, expected to save \$40 million to \$50 million annually. Initiatives in transportation and logistics might deliver \$37 million to \$42 million in savings over a five-year period. Upcoming discussions with the California State University would concern possible collaboration on the e-procurement system and supplier marketplace. Mr. Cooper concluded by noting that certain measures were necessary to ensure the success of the P200 Program initiatives: continuing outreach, contract utilization tracking, and lost opportunity cost reporting.

Regent Kieffer emphasized the importance of the P200 Program. He observed that this kind of program impinges on the ability of campuses to make their own decisions. It is painful to give up flexibility, and therefore it was not surprising that the Program caused some discomfort. No doubt mistakes were made and would continue to be made. Regent Kieffer commended the Program and the systemwide savings it generated. Mr. Brostrom called attention to the fact that P200 was not being run as a top-down centralized procurement operation at the Office of the President, but as a virtual operation across campuses. Most of the 230 employees working in UC procurement were on the campuses.

Regent Ruiz requested information on how savings from the P200 Program are re-allocated. The Regents should receive reports on where these savings have gone to demonstrate the real value of the Program. Mr. Cooper responded that the procurement program is not involved in the re-allocation of savings. Mr. Brostrom added that this re-allocation takes place in thousands of decisions across the campuses. The University builds savings from the P200 Program into its annual budget process, along with other revenue sources. The savings are harvested by the campuses in different ways. Committee Chair Gould observed that these funds support research, academic programs, and public service.

Regent Ortiz Oakley remarked that the University must communicate the impact the Program has on UC students. Although the Program's initial \$200 million goal was aggressive, it can continue to build economies of scale and have a greater impact on UC spending. He hoped that this was the future direction of the Program. Mr. Brostrom responded that there would be many opportunities for P200 to work with UC's captive insurance program and with Human Resources to reduce spending in financial insurance services, and health and welfare. Mr. Cooper anticipated that the Program would have a positive impact after its initial successes and significant organizational culture change at UC.

Regent Makarechian suggested that national purchasing contracts could provide rebates for the University. Mr. Cooper responded that the University has a national contract with Fisher Scientific and does receive incentives or rebates on some contracts. He agreed that the strategy proposed by Regent Makarechian was correct.

Regent Newsom asked if the procurement efficiencies included information technology procurement, and if the \$133 million in savings in fiscal year 2013-14 mentioned earlier was net of the cost overruns in information technology procurement, specifically for the UCPath project. Mr. Brostrom responded that the increase in UCPath was not due to Oracle or other consultants. That contract has not changed. The increase in the UCPath project was primarily due to the cost of UC's own employees and consultants, based on length of time.

Regent Newsom again asked about information technology spending in UC's \$7 billion procurement reform. This spending, such as spending on UCPath, should be identified as

savings or increased costs. Mr. Brostrom explained that the UCPATH project is expensed and capitalized separately.

Regent Newsom asked why UCPATH expenses were not included in the procurement data. Mr. Brostrom responded that it was preferable to treat UCPATH expenses separately, and capitalize the project separately, as UC was doing.

Regent Newsom referred to \$406 million in information technology spending shown on a slide in the presentation. He asked if this included large-scale information technology procurement. Mr. Cooper responded that this expenditure amount did not include UCPATH.

Regent Newsom requested an explanation of the \$406 million in information technology spending identified in the presentation, asking which specific information technology projects were included in this total. Mr. Brostrom responded that many information technology commodities are purchased every year, such as computers and servers. The cost included projects such as one at UC Berkeley to replace its student information system, at a cost of approximately \$80 million.

Regent Newsom raised the question of why large-scale information technology projects such as the one at UC Berkeley were included in the P200 Program data, while UCPATH was not. He criticized the UCPATH procurement process, which he described as disastrous. Mr. Brostrom countered that part of a project such as UCPATH involves procurement, but part of it does not. He stated that the University's shortcoming and mistake in its original approach to UCPATH was precisely the fact that it viewed UCPATH as a procurement project, simply introducing a readymade software package. Regent Gould asked Mr. Brostrom to provide information on the \$406 million in information technology spending, in order to clarify how the UCPATH project relates to this expenditure category.

4. **UCPATH PROJECT UPDATE**

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Executive Vice President and Chief Financial Officer Brostrom recalled that the last report to the Regents on the UCPATH project was in July 2014. There had been significant progress since that time. The first deployment of UCPATH was scheduled to take place that fall at the Office of the President. The rationale for the project was the fact that UC's existing payroll system, the Payroll Personnel System (PPS), was 35 years old. PPS employs antiquated technology, such as a software code that is no longer written. This technology was fragile: in one recent month, 6,000 emergency checks, representing about three percent of the payroll population, had to be issued manually. Mr. Brostrom stressed his view that the University had no choice but to replace this superannuated system. An alternative would have been to replace each individual campus and location system, or 11 distinct replacement projects. This would have been substantially more expensive and would not provide the benefits of standardization that would be provided by UCPATH. He

acknowledged that the UCPATH project had turned out to be far more complex and was taking much longer than originally envisioned, but expressed confidence in the current project scope, approach, and leadership.

Deputy Chief Information Officer Mark Cianca reiterated Mr. Brostrom's point about the age and fragility of the existing payroll system, which made the transition to a new system inevitable. There was an opportunity for UC in this situation to examine how it can take advantage of new technology and business processes to increase efficiencies in Human Resources, benefits administration, payroll, and commitment accounting support.

A survey carried out in 2010 with an external consultant showed that in the delivery of these core services for payroll and Human Resources, UC was in the bottom tenth percentile in business efficiency among higher education institutions nationwide. This was due to highly individualized services at each campus, lack of consistency among those services, and a staff-intensive method of delivery.

UCPATH was formally launched in fall 2011, following a comprehensive Request for Proposals process. The University entered into a contract with Oracle for consulting services, the actual software application, and data hosting in cloud-based services. UC attempted to use the software itself as a means of achieving more efficient business practices. The University pursued this path for about a year-and-a-half, ultimately expanding the timeline of the project in order to make the progress necessary for a satisfactory transfer from PPS to UCPATH. Mr. Cianca emphasized that the main lesson learned by the University was the need for the process to begin with an examination of business practices and the development of a vision and a shared understanding of the desired outcome, and then to proceed to the software deployment.

The University stepped back and spent almost ten months designing, reviewing, and approving nearly 100 standardized business processes for Human Resources, benefits administration, payroll, and commitment accounting, in order to ensure clarity about the desired end result. This was a difficult task. Representatives from all campuses spent a great deal of time discussing issues such as how the hiring process would be consistent across the UC system. Mr. Cianca recounted how employee data are regularly lost when employees move from one UC location to another. Many employees have encountered difficulties due to PPS, and there is a general understanding on the campuses of the need to replace it. Time has been spent arriving at an agreement of what the future outcome should be.

The University has successfully launched a shared services center in Riverside, not on campus, but in the Riverside community. There was now a small initial team in place, already providing payroll support services to UC Santa Cruz and UCLA, in anticipation of those campuses moving to UCPATH, and as a way of demonstrating the effectiveness of shared services, even when those services are not located near a campus.

The current focus of UCPATH was on the deployment process: deployment at the Office of the President in the fall, and preparation for successful deployment later at the campuses.

An important benefit of UCPATH would be common data definition, including a comprehensive view of the UC workforce that was not yet available. UCPATH would also provide campuses the opportunity to see how well they were delivering local human resources and payroll services and to introduce efficiencies. With the UCPATH Center in place, it would be possible to provide additional services on behalf of the campuses, such as accounts payable, travel reimbursement, credit card processing, and other labor-intensive transactional support services.

Associate Vice President Peggy Arrivas observed that deployment of UCPATH at the Office of the President would begin in a little more than 100 days. Project design, with conferral of all the campuses, had been completed over a year earlier. The University spent several months building the system and then began testing the system in late 2014. Several rounds of testing had been successfully completed, and UC was currently fine-tuning UCPATH to ensure that paychecks were error-free, down to the penny. Ms. Arrivas emphasized that UC staff members were very much involved in the project, attending design sessions and contributing input to the design of the portal that all employees would use to access their personal information, paychecks, and W-2 forms.

Mr. Cianca described the upcoming UCPATH implementation at the Office of the President. In spite of the fact that the Office of the President is a small entity compared to the entire University system, the functionality to be put in place in the fall would include roughly 70 percent of the functionality all campuses would use when they transition from PPS to UCPATH. Following the deployment at the Office of the President, attention would then turn to working with pilot campuses on the design and construction of the remaining functionality that would support the academic employee population, student workers, and health sciences employees. The final deployment would release the last elements of UCPATH to be built – functionality for employee recruiting support and performance management. Mr. Cianca estimated that when UCPATH implementation was achieved at the pilot campuses, the underlying software would be 95 percent complete.

UCPATH deployment would be divided into four waves. The first deployment in the fall at the Office of the President would cover about 1,800 employees, mostly staff employees paid monthly or biweekly. The campus pilot deployments would introduce academic, health sciences, and student populations. The pilot deployment was expected to take place at least a year from fall 2015 and would cover roughly an additional 55,000 employees. There would be two more deployments, and Mr. Cianca anticipated that they could take place relatively quickly. About six months after the pilot deployment, UC could move to Deployment 1, which would include the Davis, Irvine, Santa Barbara, and Riverside campuses, and Agriculture and Natural Resources, or approximately 72,000 employees. Deployment 2, scheduled for six months after Deployment 1, or tentatively for the end of calendar year 2017, would add 75,000 more employees. Certain variables could affect the deployment schedule and timeline, such as campus readiness, the change management necessary at the campus level, and the ability of the UCPATH Center in Riverside to add required staff.

Mr. Cianca referred to a chart outlining the development of the UCPATH budget. In summer 2011, the project's duration was expected to be 36 months. There is currently a general agreement and understanding that this was a vast underestimation. There was not an appreciation of the full complexity of this undertaking, and thus the initial budget was insufficient. An interim bridge allocation of \$188 million was made. In 2014, the Regents approved \$220.5 million in external financing for UCPATH. The University has capped financing at this amount. Mr. Cianca stated that any remaining project costs would be paid by the campuses, by redirecting information technology project funds to UCPATH. The current projected cost of the project was \$375 million, assuming that UCPATH deployment would be completed by the end of calendar year 2017. The ultimate cost would depend on time. Costs would increase if campuses experienced delays in achieving certain target dates. Measures have been taken to reduce spending on UCPATH. In spring of the current year, the University managed to reduce its costs for Oracle cloud services by 38 percent through a more effective contract, savings of approximately \$6 million over the next three years.

Ms. Arrivas explained that the operating costs of UCPATH would largely depend on the size of the UCPATH Center in Riverside. A study by a consultant in the past year helped the University determine the appropriate size of the UCPATH Center. The projected number of staff at the Center was reduced from the preliminary estimate of over 500 to about 400 employees. The University expects all campuses to be using the UCPATH system in the 2018-19 fiscal year. UC has over 190,000 employees on its payroll at any given time. Annually, UC issues over 280,000 W-2 forms. The operating cost of UCPATH amounted to \$20 per person per month. Ms. Arrivas pointed out that this cost was at the low end of an expected range in industry, if an outside vendor were managing payroll for the University. Vendors would generally bid between \$17 and \$35 per person per month to manage payroll. It was remarkable that the cost of UCPATH was at the low end of the range, given the complexity of UC's workforce and compensation arrangements.

Ms. Arrivas referred to the \$220.5 million in external financing for UCPATH project costs mentioned earlier. This would be an annual charge of \$17.7 million over the next 20 years. While some project costs are vendor-related, around 50 percent are costs for UC employees working on UCPATH. The salary for any employee working more than 20 percent time on UCPATH was captured in the project cost estimates.

Regent Makarechian expressed concern about the consolidation of all UC payrolls in one location and asked about protections against cyber attacks. He underscored that he understood the need for the project and the need for scope changes in the project, but cited the rising costs of this behemoth-like undertaking, \$375 million in project costs, \$70 million in operating costs, and \$17 million in interest. He stated that UC should compare its cost figures to an outside vendor and that outside vendors provide payroll services to companies at a cost of about \$7 to \$10 per employee per month. The University should have an upper limit on what it would spend on UCPATH. Mr. Brostrom responded that the \$17 million figure referred to by Regent Makarechian represented amortization of \$220 million in financing. This would increase the operating costs by about 25 percent. He estimated that UCPATH costs including that amortized cost would be

about \$25 per paycheck. This estimate did not include costs for campus personnel working on UCPATH, which would be covered by redirecting campus information technology project funds. The University does take outside vendors into consideration and could provide figures for ADP or other outside vendors, but these vendors could not provide the specialized services UC needs.

Responding to Regent Makarechian's question about cyber security, Mr. Cianca noted that currently, ten of the 11 versions of the PPS system being run were already consolidated in one location, at the Office of the President, while UCLA ran its own version of PPS. Part of the University's due diligence in considering a contract for Oracle cloud services concerned Oracle's hosting facility and its ability to meet UC security requirements. UC carried out on-site inspection and received assurance about physical and cyber security. Mr. Cianca stated that UC has purchased services from Oracle that ensure UC can meet its security obligations. The UCPATH project has worked with the Office of Ethics, Compliance and Audit Services in developing security controls in the software and in the work processes at the UCPATH Center, in the management of payroll-related data. Security for the UCPATH project is layered, and the aggregate impact of these layers can provide confidence in the system. The operations of the UCPATH project would continue to be audited and monitored to ensure that UC data are secure.

Regent Ortiz Oakley observed that UC was not the only university to undertake this kind of implementation. He described the California State University as "stumbling through" its implementation of a Peoplesoft system and referred to a problematic implementation at the California Community Colleges. He hoped that UC would learn from these mistakes and asked if the University had considered how Human Resources, information technology, and other UC offices and functions might change as a result of the UCPATH implementation. Mr. Cianca responded that in the supporting infrastructure necessary for UCPATH, the University is moving toward a shared services model in information technology, drawing on expertise at various UC locations and avoiding replication of functions that are already being performed well. The Career Tracks initiative standardizes job descriptions in the UC system, providing greater consistency among campuses. Human Resources management would shift to a systemwide focus as UCPATH is deployed.

Regent Ortiz Oakley cautioned that even with the most aggressive projections, UC might encounter budgetary problems with this project. It was clear that the University must carry out the UCPATH implementation to gain economies of scale, but Regent Ortiz Oakley underscored that these types of implementations have not gone well at other institutions. The University must carry out this project with full awareness of the risks involved.

Regent Newsom stated that according to a recent report by the Standish Group, an information technology consultant, 94 percent of large-scale information technology projects at the federal, State, and local levels fail to meet objectives, either timelines or actual budgets. Two billion dollars of taxpayer money had been wasted in the State of California on other large-scale information technology projects. Three of seven such

projects were completely abandoned after the State had paid out \$900 million. Regent Newsom stressed that there was nothing surprising about the problems that had arisen with HealthCare.gov, the federal government's health insurance exchange website. He decried what he described as a lack of accountability. The UCPATH project was intended to be complete in 2014 at a cost of \$156 million; the University now hoped to complete it by 2018 at a cost of \$375 million. He criticized the procurement process of the UCPATH project, stating that it had made serious errors from the very beginning, and emphasized that the University must learn lessons from this situation. Mr. Brostrom acknowledged that the University had begun on the wrong track by issuing a Request for Qualifications, rather than developing standardized processes and shared services first, then looking for the information technology resources. This was the fundamental lesson learned. A vendor-implemented solution would not work for an institution as complex and far-reaching as UC. Mr. Brostrom noted that he would be speaking with the State Treasurer and the State Controller about this very matter.

Regent Newsom remarked that the State Controller's Office had been the site of an egregious failed payroll software implementation, at a cost of \$250 million.

Committee Chair Gould affirmed that the Regents were aware of the problems with system implementations by the State of California. The costs of the UCPATH project were significant. The Regents would like to remain informed about the progress of the implementation and hope that the lessons learned would lead to a positive outcome.

Chairman Lozano stated her view that the University had corrected its course on this project and would end up with a better, enhanced business system.

The meeting adjourned at 11:45 a.m.

Attest:

Secretary and Chief of Staff