

The Regents of the University of California

COMMITTEE ON GOVERNANCE

May 12, 2016

The Committee on Governance met on the above date at the Sacramento Convention Center, 1400 J Street, Sacramento.

Members Present: Regents Gould, Lansing, Reiss, Sherman, and Varner; Ex officio member Brown

In attendance: Regents Davis, De La Peña, Elliott, Gorman, Island, Kieffer, Lozano, Napolitano, Ortiz Oakley, Oved, Pattiz, Pérez, Torlakson, and Zettel, Regents-designate Ramirez and Schroeder, Faculty Representatives Chalfant and Hare, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Dorr, Executive Vice President and Chief Operating Officer Nava, Senior Vice Presidents Henderson and Peacock, Vice Presidents Budil, Duckett, and Sakaki, Chancellors Block, Blumenthal, Dirks, Hawgood, Khosla, Leland, Wilcox, and Yang, Acting Chancellor Hexter, and Recording Secretary McCarthy

The meeting convened at 9:20 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 January 21, 2016 were approved.

2. BOARD GOVERNANCE RESTRUCTURE AND BYLAWS REVISION

[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.]

Committee Chair Gould recalled that the Regents had discussed how the Board operates at the Regents' November retreat. This discussion would focus on proposed revisions to the Bylaws that would reshape Board operations. Based on the Regents' discussion, priorities were to enable more focused decision-making, to ensure transparency to the public, and to improve accountability.

Committee Chair Gould provided an overview of the philosophy behind the proposed changes to the Bylaws. This discussion was an opportunity for input from the Regents; the proposed Bylaw revisions would be brought back to the Committee for a vote at a future meeting. The proposed revisions were based on a consideration of how the Regents want to make decisions, including focusing attention on more in-depth deliberations in committees. The Board's current structure has ten committees, some of which are rarely used. The proposed revisions would reduce the number of standing committees to six.

Committee Chair Gould reviewed the proposed six committees. The Committee on Finance and Capital Strategies would encompass the Committee on Grounds and Buildings and the Committee on Finance, and would include the current Committee on Investments as a subcommittee. The Committee on Compliance and Audit would remain unchanged and with increased focus as a matter of good governance. The third committee would be the Committee on Health Services, as it was recently reconfigured incorporating non-voting members with healthcare expertise. The fourth committee, the Committee on Academic and Student Affairs, would bring together issues on educational policy and the student perspective, with the current Committee on Oversight of the Department of Energy (DOE) Laboratories as a subcommittee, in order to increase the focus on the important research performed at the Laboratories. A new Committee on Public Engagement and Development would be concerned with dissemination of information about the University in a more visible way. The Committee on Governance and Compensation, comprised of the chairs of the other standing committees and chaired by the Chair of the Board, would help shape compensation policies to provide accountability and visibility. The Committee on Grounds and Buildings and the Committee on Long Range Planning would be eliminated. Committee Chair Gould stated that this change would allow the Regents to focus their efforts in a more deliberative way. Chancellors would be active, non-voting members of each committee, so that they would be more integrated in the Board's decision-making. One or two chancellors would be on each committee.

Committee Chair Gould discussed proposed changes to the Regents' meeting schedule. The first meeting day would still begin with a public comment session, after which two committees would meet concurrently to allow time for more in-depth focus on issues. In the morning, the Committee on Academic and Student Affairs would meet concurrently with the Committee on Compliance and Audit. Regents could attend the meeting of a committee of which they are not a member if an item was of interest. In the afternoon of the first day, the Committee on Finance and Capital Strategies would meet concurrently with the Committee on Public Engagement and Development. The final meeting of the first day would be the Committee on Governance and Compensation. The second meeting day would be devoted to consideration of those broader issues from the first day that warrant the attention of the entire Board, providing Regents with an opportunity to ask questions. Reports, more substantive than current reports, from the committee meetings of the prior day would be provided to the Regents by the committee chairs, some for information and some for decision-making.

The Regents' Bylaws were last reviewed rigorously in 1969 and would be updated to reflect the new Board structure. Committee Chair Gould invited feedback on the proposed changes. Until the new structure is adopted, existing committee assignments would be extended. Once the new structure is adopted, new committee assignments would be determined.

Regent Pérez requested a redline version of the proposed changes to the Bylaws.

Regent Reiss expressed support for the proposed changes and appreciation for attention to Regents' ideas expressed at the retreat. The new structure would allow deeper consideration of issues important to the future of UC and more involvement of UC chancellors. If approved, the new structure should be reevaluated in a year.

Regent Lansing urged support for the proposal. Under the current structure, presentations often repeat material that was already reviewed by the Regents and in-depth conversations are limited by time constraints. The new structure would allow deeper consideration of important issues by the committees.

In response to a question from Regent Oved, Committee Chair Gould stated that each committee would probably have ten to 12 members.

Regent Oved expressed support for the proposed new structure. The Committee on Academic and Student Affairs would allow more consideration of the student perspective on important issues, which would allow the Regents to be more proactive.

Regent Davis commended the effort to develop the proposal, but urged careful consideration of changes he considered important. In particular, Regent Davis said the proposal would invest authority in adjudicating and establishing procedures around charges of misconduct by a Regent in the Committee on Governance and Compensation, rather than the full Board. In addition, Regent Davis expressed his view that the Regents' current Bylaws were unclear on who had the authority to dismiss a chancellor. The proposed revision would clarify that authority with the Board of Regents. He said these proposed changes should be fully discussed and that a detailed review of the proposed changes should be undertaken. He expressed his understanding that the chancellors had reviewed the proposal and had issued a response, which he had not seen. Committee Chair Gould stated that he welcomed any comments from the chancellors.

Regent Pattiz expressed concern that, under the proposed new structure, all Regents would not hear all committee presentations and discussions. Regents who are not committee members often have valuable input. He also questioned the concentration of power in the Committee on Governance and Compensation. Information heard by the Regents would be filtered through committee chairs and heavily influenced by the Committee on Governance and Compensation. He questioned how the proposed structure would affect the availability of information for all Regents. In addition, the public and press would not be able to attend all committee meetings, since some would be held concurrently. Regents gain valuable information by hearing the presentations at all committee meetings. He noted the importance of Regents' involvement in past years for the good governance of the University in times of crisis. Regent Pattiz expressed his disagreement with making the Committee on Oversight of the DOE Laboratories a subcommittee, because of the Laboratories' unique dealings with the Department of Energy and the National Nuclear Security Administration and their staffs. Regent Pattiz expressed appreciation for the work done on the proposal, but said it deserved careful consideration.

Committee Chair Gould pointed out that important issues would be discussed by the full Board on the second meeting day. Regent Pattiz said that the committee chairs would determine what would be presented the second day.

Chancellor Leland commented that the chancellors would look forward to being more involved with the Regents and would like to have their role in the proposed new structure more clearly defined. The chancellors had given this request to General Counsel Robinson who would circulate it to the Regents.

Regent Kieffer recalled that the Regents' comments at the retreat were clearly in favor of an updated Board structure. Any structure involves compromise. He suggested that the new structure be reviewed one year after its implementation.

Regent Ortiz Oakley asked who would review the efficacy of the new structure after a year. Committee Chair Gould responded that the full Board would assess the operations. Regent Ortiz Oakley asked if the establishment of a Committee on Public Engagement and Development meant that the Regents would become involved with donors or with an overview of University philanthropy. Committee Chair Gould expressed his view that Regents would not be involved with day-to-day fundraising, but might help shape and support a campaign.

Regent Ortiz Oakley suggested that the Regents consider adding a provision whereby any Regent could ask that any item on the consent agenda of a committee be heard by the full Board. In addition, he recommended development of an evaluation tool for the Board, through which Regents could submit opinions and continuous feedback could be obtained about Board operations.

Staff Advisor Acker said that the role of the staff advisors should be included in the proposed Committee Charters.

Regent Pérez expressed his view that this conversation was a good start to what should be a thorough deliberation. He associated himself with the comments of Regent Davis about the need for a detailed review of the way some proposed Bylaws relate to one another and the concentration of responsibility in the proposed new structure. Regent Pérez also suggested an examination of the culture within which the Board operates. The revised Bylaws must emphasize the public charge of the Regents. The issues of the Regents' public trust and the trust among the Regents are essential. He noted his past ongoing concerns about delegations of authority for items that had been under the authority of the Regents to the chancellors or the Office of the President. He shared the concern expressed earlier about giving what he called super-committee authority to the proposed Committee on Governance and Compensation, which could delegate some of the authority the Regents have retained to a small subset of Regents.

Regent Pérez also expressed concern about his and other Regents' prior requests for information that had not been fulfilled, and then only partially fulfilled after he requested the information again, even though the information had already been made available to

the press. He had the sense of an inadequate level of trust in the Regents, because of the timing and manner in which information is shared with the Regents. He often finds out information he needs from student and regional newspapers before he gets the information from official channels. He stated that a discussion needed to occur about the sharing of information and the Regents' role in governing. Too often the Regents are treated as a step on a checklist of public disclosure, underutilizing the resources and skills of the Regents. In considering these proposed changes to the Bylaws, an honest conversation should take place about the culture of governance of the Board.

Regent Pérez stated that it was troubling that the chancellors had submitted a response to this item that had not been shared with the Regents. A sense had been created that the chancellors cannot have an ongoing free flow of information with the Regents, which he considers very problematic. Chancellors are used in a limited role during presentations, often subordinated to the role of staff of the Office of the President. This should also be discussed in an attempt to achieve an alignment among the Board's structure, the Bylaws, and the Board's operating culture. Regent Pérez suggested having further conversation at the next meeting assimilating the input regarding the proposed changes and having a final discussion, before adoption of a new set of Bylaws.

Governor Brown expressed his recollection that, during his earlier time as a Regent in the 1970s, the Board's committees were powerful and were the place where most in-depth discussion and resolution of issues took place. He expressed his view that increasing the committees' power is a more practical way of conducting the Board's business and would be best for the long-term effectiveness of the institution, as it is difficult to hold substantive discussions in a group as large as the full Board.

Regent Island commended the effort of those who worked on this proposal. He associated himself with the comments of Regents Pattiz and Pérez. Regarding the current committee structure, the ten committees provide an opportunity for in-depth engagement for all the Regents on the various issues across the very complex institution of the University, and an opportunity to apply Regents' expertise and knowledge. He cautioned that the possible increased efficiency of reducing the number of committees to six must be weighed against encouraging Regents' engagement with the full range of issues that come before the Board. Regent Island noted the value of being able to express his point of view, which was sometimes unique among the Regents, across a wide variety of issues.

Regent Island expressed agreement with Regent Pattiz's view that the proposed concurrent committee meetings would tend to isolate issues. If issues were debated and decided within a committee, the other Regents would have no involvement. He also expressed his disagreement with making the Committee on Oversight of the DOE Laboratories a subcommittee of the Committee on Academic and Student Affairs, because of the Laboratories' unique research and business elements involving the LLC and related opportunities for revenue. In addition, Regent Island discussed an issue that he had also raised 11 years prior during a debate about how items should be placed on the agenda. It was decided then and it remains imperative that any Regent be allowed to place an item on a committee agenda.

Regent Gorman commented that this was an effort to align with best practices for board governance. She supported Regent Ortiz Oakley's comment about the importance of developing a tool to assess Board performance. Regent Gorman agreed with Regent Pérez that having regular conversations about Board culture would improve Board functioning.

Regent-designate Ramirez noted the importance of considering how to encourage the participation of those Regents with shorter terms and the engagement of students.

Committee Chair Gould expressed appreciation for the Regents' observations. He encouraged the Regents to communicate any further comments.

Chairman Lozano affirmed that the purpose of this proposal is to improve Board practices so its deliberations can be strategic and thoughtful about the important issues facing the University.

The meeting adjourned at 10:20 a.m.

Attest:

Secretary and Chief of Staff