

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

September 14, 2017

The Regents of the University of California met on the above date at the Price Center, San Diego campus.

Members present: Regents Anguiano, Blum, Guber, Kieffer, Lemus, Lozano, Mancina, Monge, Napolitano, Newsom, Ortiz Oakley, Park, Pattiz, Pérez, Sherman, and Zettel

In attendance: Regents-designate Anderson, Graves, and Morimoto, Faculty Representatives White and May, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Bustamante, Chief Investment Officer Bachher, Provost Brown, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Vice Presidents Brown, Budil, Duckett, and Holmes-Sullivan, Chancellors Blumenthal, Christ, Gillman, Khosla, Leland, May, Wilcox, and Yang, and Recording Secretary McCarthy

The meeting convened at 10:20 a.m. with Chair Kieffer presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETINGS

Upon motion duly made and seconded, the minutes of the meeting of July 13, 2017 were approved.

2. PUBLIC COMMENT

Chair Kieffer explained that the public comment period permitted members of the public an opportunity to address University-related matters. The following persons addressed the Board concerning the items noted.

- A. Ms. Audrey Dow, of the Campaign for College Opportunity, commented on its report, “The Transfer Maze: The High Cost to Students and the State of California,” which found that only four percent of students intending to transfer from a California Community College (CCC) to UC or the California State University (CSU) do so within two years, and just 38 percent after six years. The report found that students starting at a CCC spend roughly \$36,000 more to earn their bachelor’s degree than students beginning at a four-year university. Ms. Dow expressed hope that UC would continue to align the 21 UC transfer pathways with the Associate Degrees for Transfer.
- B. Mr. James Garrafa, UC San Diego freshman, asked the Regents to amend residency requirements for unaccompanied minors at risk of homelessness. He said that 16 years prior, his parents had been deported and took him to Mexico to

live with them, even though he was a U.S. citizen. Three years prior, Mr. Garrafa returned to the U.S. to complete high school and attend a four-year university. He was not considered a California resident because his parents were not California residents. He did not qualify for an AB 540 exemption because he attended high school for two years, rather than three. He anticipated that in the near future more students could be in this situation given the current immigration situation. He expressed his view that UC should guarantee the education of unaccompanied youth at risk for homelessness.

- C. Ms. Jacquelyn Holmes, UC San Diego employee and chair-elect of the Council of UC Staff Assemblies, expressed concern about proposed changes to UC's retiree health benefits. She commented on the impact such changes would have on UC faculty and staff who have faithfully served UC based on the promise of a robust retirement to offset lower-than-market wages. She urged the Regents to maintain the current 70 percent University contribution to post-employment health benefits.
- D. Ms. Betty Hung, of the College for All Coalition, said that in 2016 the Coalition worked with State Senate President pro Tempore Kevin De León to enact SB 1050, which provided a \$200 million college readiness K-12 block grant; expansion of UC enrollment with an \$18.5 million allotment; increasing UC admission for students from Local Control Funding Formula (LCFF) plus high schools; and \$20 million to UC for outreach and student services to support low-income and underrepresented students. She urged sustaining the SB 1050 approach to increasing the pipeline for these students.
- E. Ms. Jeanette Ellis-Royston, president of the Pomona Valley branch of the National Association for the Advancement of Colored People (NAACP), advocated support for multicultural programs, the importance of community relations in student support, and implementation of programs of community support. The Pomona School District worked closely with the Latino Roundtable, the NAACP, and the College for All Coalition. She urged the Regents to continue to reinvest in education.
- F. Ms. Laura Cuellar, of the College for All Coalition, expressed support for President's Napolitano's opposition to President Donald Trump's proposed elimination of Deferred Action for Childhood Arrivals. Ms. Cuellar had been an alien minor under the terms of the Development, Relief, and Education for Alien Minors Act and was a UCLA graduate. She noted the challenges she faced while a UCLA student.
- G. Mr. James Juarez, graduate of an LCFF plus high school, first-year computer science student at Santa Monica College, and software engineer at a wireless company, said he was rejected by all the UC campuses to which he applied, along with many of his high school peers. He stated that his high school and many other LCFF plus high schools did not offer the courses or other resources necessary for students to gain admission to UC computer science programs. He expressed

support for development of more community resources for low-income students who want to work in the technology industry.

- H. Ms. Jazmin Valenzuela, first-generation graduate of UC Santa Barbara and member of the College for All Coalition, commented on the challenges she faced as a college student. She experienced feelings of isolation, a lack of cultural support, and pressure from the need to work substantial hours while attending school. She asked the Regents to create more support for underrepresented students, transfer students, and low-income students.
- I. Ms. Leidy Vasquez, fourth-year, first-generation UCLA student and member of the College for All Coalition, said that her first year at UCLA was particularly challenging. She had noticed that UCLA had begun to invest more in support for first-generation college students, but urged increased long-term investment in such support.
- J. Ms. Ashley Santillanes, member of the College for All Coalition, graduate of an LCFF plus high school, and third-year UC Riverside student, noted the paucity of female students from backgrounds similar to hers in her applied mathematics program. She also noted the lack of faculty diversity in fields of science, technology, engineering, and mathematics.
- K. Mr. Matthew Barba, graduate of an LCFF plus high school, second-year UCLA student, and participant in Kid City Hope Place, commented that his high school offered insufficient Advanced Placement (AP) classes and no science clubs such as robotics through which he could demonstrate his interest in mathematics and science. He asked the Regents to adjust UC admissions to account for these disparities of opportunity.
- L. Mr. Jose Galdamez, UC Irvine transfer student, participant in Kid City Hope Place, and member of the College for All Coalition, reported that his high school did not offer a variety of AP courses. College affordability was his biggest challenge, as he had to work throughout his time at community college. While he was admitted to both of his top two UC campuses, in reality his choice was limited by financial considerations as his total cost of attendance would be \$7,000 more per year at one campus. He noted that UC Irvine had been very welcoming.
- M. Ms. Naty Rico, recent UC Irvine graduate, said she was a first-generation and disabled student who almost dropped out of UC Irvine. Many areas of the campus were inaccessible to her. She asked the Regents to address this issue.
- N. Ms. Victoria Dominguez, graduate of UC Santa Cruz and member of the College for All Coalition, expressed appreciation for the time to address the Regents.

- O. Professor Eric Halgren, UC San Diego graduate and professor, expressed great affection for UC. He noted that UC San Diego faculty passed a resolution asking the Regents to divest holdings in the fossil fuel industry. UC employs the world's best climate scientists who have been saying for decades that fossil fuel industry stocks do not have a future.
- P. Mr. Miguel Ramirez, second-year UC Riverside student, vice chair of UCR California Student Public Interest Research Group, Inc. (CalPIRG), and Pell Grant recipient, stated that CalPIRG is focusing on protecting Pell Grants, which he said are essential for ensuring that low-income students have the opportunity to attend and complete college. He said the UC system increases access to college by educating more Pell Grant recipients than other universities. He expressed opposition to proposals to cut Pell Grants and asked for the Regents' support of this effort.

3. COMMITTEE REPORTS INCLUDING APPROVAL OF RECOMMENDATIONS FROM COMMITTEES

Chair Kieffer stated that Chairs of Committees and Subcommittees that met the prior day and off-cycle would deliver reports on recommended actions and items discussed, providing an opportunity for Regents who did not attend a particular meeting to ask questions.

Report of the Governance and Compensation Committee

Regent Ortiz Oakley reported that the Committee considered five action items. He requested that two of the items be pulled, one for discussion and the other because there was not the required two-thirds quorum.

A. Salary Adjustments for Chancellors and the Director of the Lawrence Berkeley National Laboratory

The Committee recommended approval of the salary adjustments for the chancellors listed below, effective July 1, 2017, and for the Laboratory Director, effective October 1, 2017. There are no exceptions to policy.

Campus	Last Name	First Name	Title	Current Annual Base Salary	Proposed Salary Increase	Proposed Annual Base Salary	Funding Source
San Francisco	Hawgood	Samuel	Chancellor	\$795,675	3.00%	\$819,545	Partially or Fully State Funded
Irvine	Gillman	Howard	Chancellor	\$499,550	3.00%	\$514,537	Partially or Fully State Funded
Los Angeles	Block	Gene	Chancellor	\$454,574	3.00%	\$468,211	Partially or Fully State Funded
San Diego	Khosla	Pradeep	Chancellor	\$449,208	3.00%	\$462,684	Partially or Fully State Funded
LBNL	Witherell	Michael	Laboratory Director	\$440,000	3.00%	\$453,200	No State Funds
Santa Barbara	Yang	Henry	Chancellor	\$401,020	3.00%	\$413,051	Partially or Fully State Funded
Merced	Leland	Dorothy	Chancellor	\$394,655	3.00%	\$406,495	Partially or Fully State Funded
Riverside	Wilcox	Kim	Chancellor	\$394,655	3.00%	\$406,495	Partially or Fully State Funded
Santa Cruz	Blumenthal	George	Chancellor	\$394,655	3.00%	\$406,495	Partially or Fully State Funded

The base salaries described above shall constitute the University's total commitment for base salary until modified by the Regents or the President, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Regent Ortiz Oakley stated that the Committee recommended approval of this three percent salary increase for all UC chancellors, except UC Berkeley Chancellor Christ and UC Davis Chancellor May who began recently. He requested a roll call vote and opportunity for discussion.

Regent Ortiz Oakley reported the Committee's complete and unanimous support for UC's chancellors. The question was not whether chancellors deserve a salary increase, but rather the best way to go about providing equitable increases that recognize value and reward loyalty to the University. He was not prepared to support this action at the current time. He welcomed consideration at a future meeting of a plan to address the issues.

Regent Pérez expressed his view that consideration of a salary adjustment for UC chancellors should be more thorough and thoughtful, considering the issues of equity that had been raised. UC chancellors' compensation currently had an indirect penalty for loyalty of chancellors who had been at UC for a long time. Regent Pérez suggested holding off on this matter until a more thorough approach was put forward.

Chair Kieffer added that the Committee recommended approval of this three percent increase as a step in the right direction, and that President Napolitano had expressed support for developing a glide path to a longer term solution. Compensation of UC chancellors is currently in the lowest quartile of Association of American Universities while UC is the top public university in the nation. The Committee was of the opinion that this issue should be more thoroughly considered.

President Napolitano agreed that this action should be viewed as a step toward a market adjustment for UC's chancellors. She urged the Board to approve this increase and accepted the Board's direction to come back with a more comprehensive approach and glide path to an equitable plan that recognizes longevity.

With apologies to the chancellors, Regent Park said she would be unable to vote for this action at the current time, as she did not consider it the right timing, policy, or message. She commented that the Board could have a more thoughtful approach about what it wanted from its chancellors, what its chancellors wanted from the University, and ways in which monetary compensation and non-monetary changes could support the chancellors.

Regent Monge said he would not support this action at the current time because of unresolved questions regarding pay equity, and the signal an action increasing salaries at a time of possible tuition increases and reductions in retiree health benefits would send to students and workers.

Regent Pattiz said he would support the action even though it did not adequately express the importance of UC's chancellors. He agreed that the Board should examine chancellors' salaries more holistically and should be able to evaluate each chancellor individually.

Regent Mancina expressed his high regard for UC's chancellors, but said their compensation should be examined more comprehensively.

Upon motion duly made and seconded, the Regents approved the Committee's recommendation, Regents Anguiano, Blum, Guber, Kieffer, Lemus, Lozano, Napolitano, Pattiz, Sherman, and Zettel voting "yes," and Regents Mancina, Monge, Newsom, Ortiz Oakley, Park, and Pérez voting "no."

B. *Suspension of Bylaw 21.7 for the Limited Purpose of Enabling the Los Angeles Campus to Reappoint Regent Guber to Part-Time Teaching and Advisory Board Positions, Provided that Any Such Positions are Uncompensated*

Regent Ortiz Oakley explained that, due to the lack of a quorum, action on this item would be deferred. Since this action was for suspension of a Bylaw, it required approval of two-thirds of the Board. He expressed hope that Regent Guber would continue to teach at UCLA on an uncompensated basis. Chair Kieffer added that Bylaw 21.7 should also be reevaluated.

Regent Pérez noted the support of the Regents present for this action; Chair Kieffer agreed.

C. *Incentive Compensation Using Non-State Funds for Fiscal Year 2016-17 for Jagdeep Singh Bachher as Chief Investment Officer and Vice President – Investments, Office of the President*

The Committee recommended approval of an incentive award of \$1,013,959 for Plan Year 2016-17, under the Office of the Chief Investment Officer Annual Incentive Plan (AIP), for Jagdeep Singh Bachher as Chief Investment Officer and Vice President – Investments, Office of the President. The recommended incentive award represents 155 percent of Mr. Bachher's annual base salary of \$652,454.

Recommended Compensation

Effective Date: upon Regents' approval

Base Salary: \$652,454

AIP Award: \$1,013,959 (155 percent of base salary)

Base Salary Plus Recommended AIP Award: \$1,666,412

Funding: non-State-funded

Prior Year Data (2015-16 Plan Year)

Base Salary: \$632,380

AIP Award: \$841,096 (133 percent of base salary)

Base Salary Plus Recommended AIP Award: \$1,473,476

Funding: non-State-funded

D. *Resolutions to Exclude Access to Federal Classified Information*

The Committee recommended that the Resolution shown below be approved.

Pursuant to the *Policy on Security Clearance for Access to Federal Classified Information* adopted on March 29, 2012, and amended on December 30, 2015 and March 16, 2017, and this Resolution, the following named Key Management Personnel members as defined in Regents Policy 1600 shall not require, shall not have, and can be effectively excluded from access to all classified information and/or special nuclear material released to the Regents of the University of California until such individual is granted the required access authorization from the cognizant security agency. And, as a consequence of this Resolution, such individual does not occupy a position that would enable him to adversely affect the policies or practices of the University of California, or its subsidiary, regarding the performance of classified contracts for the United States Government.

NAME	TITLE
Alexander Bustamante	Senior Vice President and Chief Compliance and Audit Officer
Michael Brown	Provost and Executive Vice President – Academic Affairs

E. *Dates of Regents Meetings for 2019*

The Committee recommended that the following dates of Regents meetings for 2019 be approved:

2019

January 16-17, 2019

March 13-14, 2019

May 15-16, 2019

July 17-18, 2019

September 18-19, 2019

November 13-14, 2019

Upon motion of Regent Ortiz Oakley, duly made and seconded, the recommendations of the Governance and Compensation Committee were approved.

Report of the Academic and Student Affairs Committee

Regent Pérez reported that the Committee considered one item for action and six items for discussion.

A. ***Appointment of Regent as Executive Committee Governor and Chair of the Board of Governors of the Los Alamos National Security, LLC and Lawrence Livermore National Security, LLC***

The Committee recommended that:

- (1) The appointment of Ellen Tauscher as an Executive Committee Governor of the Boards of Governors of the Los Alamos National Security, LLC and Lawrence Livermore National Security, LLC, effective February 16, 2018, replacing Norman Pattiz, be approved.
- (2) The appointment of Ellen Tauscher as Chair of the Boards of Governors of the Los Alamos National Security, LLC and Lawrence Livermore National Security, LLC, effective February 16, 2018, replacing Norman Pattiz, be approved.
- (3) The Regents endorse the President's and Chair's designation of Regent Tauscher as the primary liaison for the Regents regarding the contract competition for management of the Los Alamos National Laboratory.

Regent Pattiz commented on Regent Tauscher's outstanding qualifications for these roles and expressed support for this action.

Upon motion of Regent Pérez, duly made and seconded, the recommendation of the Academic and Student Affairs Committee was approved.

B. ***Implementation Update on Regents Policy 3103: Policy on Professional Degree Supplemental Tuition***

Regent Pérez commented that this policy changed approval of requests regarding Professional Degree Supplemental Tuition from year-by-year to multi-year. Regents said requested increases should include discussion of a variety of goals, particularly of increasing diversity in graduate professional programs.

C. ***Campus Admissions Verification Processes and Policies***

Regent Pérez reported that this discussion involved the intersection of UC's policies regarding admissions verification processes and policies, and UC's values-based approach. The Committee was pleased to hear from Chancellor Gillman on the evolution of that campus' approach to a recent incident and the core values with which the University serves its prospective students.

D. ***Enhancing Science, Technology, Engineering and Mathematics (STEM) Preparation through Community Partnerships: Launch Academy Summer STEM Program***

Regent Pérez explained that this in-depth discussion involved a community partnership of UCLA and LAUNCH Academy in Los Angeles, with excellent engagement in the underserved community around STEM education. The program would affect the community in a long-term meaningful way while also increasing UC's pipeline of diverse students.

E. ***Basic Needs Security: Year Three Update***

Regent Pérez commented that this thoughtful discussion with student leaders provided an update on work building on initiatives of the Office of the President and the Legislature in partnering with UC students around basic needs security, such as food and housing. The discussion involved ways that eligibility for a variety of programs could be better coordinated to improve the lives of UC's students.

F. ***Update on Regents Policy 3501: Student Athletes and Guiding Principles to Enhance Student-Athlete Welfare***

Regent Pérez noted that this discussion focused on how UC was materially improving the conditions for its student-athletes rather than just complying with technical policies.

G. ***University of California's Land-Based Observatories***

Regent Pérez summarized that this discussion involved the central systemwide investment of funds in core astronomical facilities enabling scientists from across the University to collaborate on trailblazing scientific projects.

Report of the Compliance and Audit Committee

Regent Zettel reported that the Committee considered six items for discussion.

A. ***Ethics and Compliance Activities Report***

Regent Zettel commented that the presentation focused on activities and updates for two health sciences risk priority areas: conflicts of interest in pharmacy services, and Health Insurance Portability and Accountability Act (HIPAA) Privacy Rule monitoring. The Committee discussed guidance provided to mental health providers on disclosure of patient information.

B. ***Internal Audit Activities Report***

Regent Zettel reported that the Committee was briefed on significant recent internal activity, including the results of systemwide audits of the UC Fair Wage/Fair Work Plan and outside professional activities, and an upcoming State audit of sexual harassment. The Committee discussed the results of the Fair Wage/Fair Work Plan, including the process for granting exceptions to inclusion of the Fair Wage/Fair Work provision and the frequency of exceptions. The Committee also discussed the opportunity for student involvement in the outcomes of the upcoming State audit of sexual harassment.

C. ***Report on Independent Assessment of Audit Implementation Plans***

Regent Zettel informed the Regents that Kurt Sjoberg of Sjoberg Evashenk Consulting, Inc. provided an update on his firm's assessment of the Office of the President's (UCOP's) progress in implementing the recommendations from the State audit of UCOP administrative expenditures. The firm's early observations and limited analysis suggest that UCOP is fully embracing the California State Auditor's recommendations and is devoting significant resources, attention, and priority to achieving the intended improvements. The Committee also discussed the University's approach to compensation benchmarking. The Committee asked about the extent of cooperation and commitment observed in UCOP's response to the audit recommendations. Mr. Sjoberg commented that he had never before observed such a significant response to State Auditor recommendations.

D. ***State Audit of Contracted Employees and Contracting Practices***

Regent Zettel said the Committee received an update on the results of the California State audit of contracted employees and contracting practices, which resulted in two reports, one focused on service contracts and the other on UCPATH and information technology (IT) contracting. The report on service contracts discussed areas of strength in the University's procurement practices, and provided recommendations relating to employee displacement when contracting for services, comparison of wages of contract workers with those of comparable University employees, adherence to procurement policies, use of competitive bidding, tracking contract information, and measuring savings from procurement activity. The report on UCPATH included findings and recommendations relating to the original business case for UCPATH compared with the current project status, the oversight of the UCPATH project, UCPATH project management, and management of IT vendors in general.

The University's response to the California State audit indicated that it welcomes the constructive input from these reports, which align with its proactive efforts to continually improve and strengthen its procurement policies and procedures, and transparency to the Legislature and the public at large. The response also emphasized some important context regarding the implementation and effectiveness of UCPATH.

The Committee discussed some concerns regarding the IT outsourcing at UCSF and inquired whether the University has made subsequent changes to policy and procedures. The Committee also discussed challenges faced by the University in balancing tradeoffs when making the decision to use employees or contract for services, how cost savings from outsourcing are realized, and the risk of overly bureaucratic processes. Regarding the UCPATH audit report, the Committee discussed concerns around budget, schedule and scope changes, and transparency on these issues. The Committee requested that the State Auditor be invited to present the audit results to the Regents at a future meeting.

E. ***Update on Risk Services and Fiat Lux Captive Insurance Company***

Regent Zettel explained that Fiat Lux Risk and Insurance Company is a wholly-owned, single-parent, not-for-profit captive insurance company established in 2012. Fiat Lux now purchases a majority of the insurance to cover the University's risks systemwide. The Committee received an update on Fiat Lux activities to date and future opportunities.

F. ***Cyber Incident Response Process***

Because of time constraints, this discussion item was postponed to a future meeting.

General Counsel Robinson discussed the recent tragic passing of UC Berkeley General Counsel Chris Patti, who was killed two weeks ago while he was bicycling in Sonoma County by a hit-and-run driver. Mr. Robinson said that Mr. Patti was one of the two or three best lawyers he had had the pleasure of working with in his career. Mr. Patti started with the University in 1990 in then General Counsel Holst's office in Oakland, and assumed the Chief Counsel position at UC Berkeley after a national search in 2010. During his 27 year tenure at the University, Mr. Patti was the attorney assigned the most complex and difficult matters.

To cite but two matters, Mr. Patti was the lead University lawyer, who assumed an exceptionally active role with outside counsel, in prosecuting the Enron Securities litigation, in which the University served as lead counsel for the class of investors. That case resulted in the largest recovery at that time in a security class action, \$7.2 billion for the class, of which \$42 million was awarded to UC. Mr. Patti also successfully defended UC's decision to release documents from world's largest tobacco companies that had been provided to the University anonymously. Mr. Patti defeated Big Tobacco's relentless efforts to suppress the documents, which remain a valuable archive for researchers and advocates.

Beyond being a brilliant lawyer, Mr. Patti was an exemplary human being. He was a person of high character and high integrity, who always, inevitably, did the right thing, and skillfully guided his clients in the same direction. He was understated, respectful to all, and humble in his manner. Mr. Patti was extremely generous with his time and regularly collaborated with his colleagues on the other campuses and in the Office of General Counsel (OGC) on the most challenging issues, among them First Amendment and affirmative action in admissions, in which he was a nationally recognized expert. He personally mentored a dozen or more OGC attorneys and one of his legacies to the University is the other lawyers and staff in the UC Berkeley General Counsel's office, who are skilled practitioners.

Mr. Patti was extremely passionate about UC, the Berkeley campus, and the University's mission. He was in awe of the groundbreaking research of its faculty, and extremely proud and protective of UC's students, especially undocumented students and those in the lesbian, gay, bisexual, transgender, and queer community. Mr. Patti was an extraordinary servant for the Regents, who would be proud to know a person of his caliber represented their interests.

Report of the Finance and Capital Strategies Committee

Regent Sherman reported that the Committee considered three items for action and eight items for discussion.

A. Consent Agenda

- (1) ***Approval of Preliminary Plans Funding, Northern Regional Library Facility Phase 4 Expansion, Systemwide***

The Committee recommended that the 2018-19 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Systemwide: Northern Regional Library Facility Phase 4 Expansion – preliminary plans – \$600,000 to be funded from Strategic Priority Reserves resulting from one-time budget savings in prior year(s).

Regent Sherman said this project would enable the Northern Regional Library to house an additional 3.1 million volumes. The Regents were being asked to approve preliminary plans funding in the amount of \$600,000 to be funded from Strategic Priority Reserves resulting from one-time budget savings in prior years.

B. *Amendment of the Budget and Scope, Approval of External Financing, and Approval of Design Following Action Pursuant to the California Environmental Quality Act, Interdisciplinary Science and Engineering Building, Irvine Campus*

(1) The Committee recommended that:

a. The 2017-18 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Irvine: Interdisciplinary Sciences Building – design, construction, and equipment – \$120 million from external financing (\$37.75 million), gift funds (\$30 million), campus indirect cost recovery reserves (\$2.25 million), and external financing supported by State appropriations under Sections 92493 through 92496 of the California Education Code (\$50 million).

To: Irvine: Interdisciplinary Science and Engineering Building – design, construction, and equipment – \$156,235,000 from external financing (\$72.75 million), gift funds (\$30 million), campus indirect cost recovery reserves (\$3,485,000), and external financing supported by State appropriations under Sections 92493 through 92496 of the California Education Code (\$50 million).

b. The scope of the Interdisciplinary Science and Engineering Building shall consist of constructing an approximately 181,700-gross-square-foot (gsf), 85,200-assignable-square-foot (asf) building that would provide instructional laboratory and support space, research and scholarly activity space, academic and administrative offices, shared assembly and colloquium space, and approximately 41,400 gsf of shell space to be built out for

laboratory and academic uses at a later date as gift funds and other non-State resources become available. The scope shall also include associated site development and utilities.

- c. The President of the University be authorized to obtain external financing in an amount not to exceed \$72.75 million plus additional related financing costs. The President shall require that:
 - i. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
 - ii. As long as the debt is outstanding, the general revenues of the Irvine campus shall be maintained in amounts sufficient to pay the debt service and to meet the requirements of the authorized financing.
 - iii. The general credit of the Regents shall not be pledged.
- (2) Following review and consideration of the environmental consequences of the proposed Interdisciplinary Science and Engineering Building project, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than 24 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Committee reported its:
 - a. Adoption of the Initial Study/Mitigated Negative Declaration for the Interdisciplinary Science and Engineering Building project in accordance with CEQA.
 - b. Adoption of the CEQA Findings for the Interdisciplinary Science and Engineering Building project.
 - c. Approval of the design of the Interdisciplinary Science and Engineering Building project.
- (3) The Committee recommended that the President be authorized, in consultation with the Office of the General Counsel, to execute all documents necessary in connection with the above.

Regent Sherman explained that the Regents approved this project in November 2016. The plans were revised to add two additional floors and some additional square footage to the original plans.

C. *Approval of Budget Amendment and External Financing, Precision Cancer Medicine Building at Mission Bay, San Francisco Campus*

(1) The Committee recommended that:

a. The 2017-18 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: San Francisco: Precision Cancer Medicine Building at Mission Bay – preliminary plans, working drawings, construction, and equipment – \$275 million to be funded from campus funds (\$175 million) and gifts (\$100 million).

To: San Francisco: Precision Cancer Medicine Building at Mission Bay – preliminary plans, working drawings, construction, and equipment – \$285 million to be funded from external financing (\$175 million), gifts (\$100 million), and campus equity (\$10 million).

b. The President of the University be authorized to obtain external financing not to exceed \$125 million plus additional related financing costs. The President shall require that:

i. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.

ii. As long as the debt is outstanding, general revenues from the San Francisco campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.

iii. The general credit of the Regents shall not be pledged.

c. The President be authorized to utilize existing Century Bond proceeds in an amount not to exceed \$50 million.

(2) The Committee recommended that the President, in consultation with the General Counsel, be authorized to execute all documents necessary or appropriate in connection with the above.

Regent Sherman stated that the campus was requesting use of external financing instead of campus funds because of current low interest rates.

D. ***Kresge College Project, Santa Cruz Campus***

Regent Sherman commented that, in reviewing the eight discussion items, the Committee supported the campuses' efforts to enhance square footage of campus facilities and reduce student-faculty ratios. In discussions involving student housing, the committee urged the campuses to aim for the goal of having the cost of on-campus housing be 20 to 25 percent lower than area market-rate housing.

E. ***Engineering Interdisciplinary Building, San Diego Campus***

Regent Sherman noted that this project would increase the size of teaching facilities for the School of Engineering.

F. ***Emerson Hall Housing Replacement Project, Davis Campus***

This discussion item was not summarized at the Board meeting.

G. ***Teaching and Learning Complex, Davis Campus***

This discussion item was not summarized at the Board meeting.

H. ***Student Success Center Project, Riverside Campus***

This discussion item was not summarized at the Board meeting.

I. ***Parnassus Heights Health Sciences Instruction and Research Buildings Seismic Improvements, San Francisco Campus***

Regent Sherman commented that this seismic work could be accomplished without building occupants moving out and was necessary to ensure seismic safety.

J. ***University of California 2018-19 Budget for State Capital Improvements***

Regent Sherman reported that this budget totaled slightly more than \$300 million, including \$265.8 million for eight capital projects and \$35 million for the second phase of a systemwide deferred maintenance program. These capital projects will be supported with approximately \$110 million from non-State resources. The projects address seismic and life safety corrections at various campuses. The Committee discussion focused on what information is provided to the State and the timing and potential for further State General Obligation or Lease Revenue Bonds.

K. ***Preliminary Discussion of the University's 2018-19 Budget***

Regent Sherman said this discussion of UC's 2018-19 budget showed that the University is exploring additional funding options, including new revenue associated with asset management strategies, such as moving funds from the Short Term Investment Pool to the Total Return Investment Pool or the General Endowment Pool, increases in unrestricted gift revenue, student tuition and fees, and other possible sources of revenue, consistent with the long-term funding framework. As of the most recent available data, 58 percent of California resident undergraduates pay no tuition, 15 percent pay partial tuition, and 27 percent pay full tuition. The Committee discussed the total cost of attendance, and enrollment growth and its funding.

Upon motion of Regent Sherman, duly made and seconded, the recommendations of the Finance and Capital Strategies Committee were approved.

Report of the Health Services Committee (meeting of August 16, 2017)

Regent Sherman reported that the Committee considered three items for discussion and two items for action under delegated authority.

A. ***Salary Adjustment Using Non-State Funds for Patricia Maysent as Chief Executive Officer, UC San Diego Health System, San Diego Campus***

This action under the Committee's delegated authority was not summarized at the Board meeting.

B. ***Salary Adjustments Using Non-State Funds for Certain Members of the Senior Management Group within the UC Health System***

This action under the Committee's delegated authority was not summarized at the Board meeting.

C. ***Remarks of the Executive Vice President – UC Health***

This discussion item was not summarized at the Board meeting.

D. ***Overview of Health Professions Education Foundation***

Regent Sherman reported that Regent Emerita Cinthia Flores presented an overview of the impressive Health Professions Education Foundation (HPEF), a non-profit, public benefit corporation established by the State Legislature in 1987. Ms. Flores serves as a Trustee on the Foundation's Board. HPEF provides scholarships and loan repayment programs to medical students and graduates who provide patient care in underserved areas. HPEF has granted about 15,000 awards with a total value of about \$170 million.

E. ***UC Health Affiliations: Report on Quality Standards for Brand Extension***

This discussion item was not summarized at the Board meeting.

F. ***UCLA Health Budget Overview, Los Angeles Campus***

This discussion item was not summarized at the Board meeting.

Report of the Investments Subcommittee

Regent Sherman reported that the Subcommittee considered one item for discussion.

Update on Investment Products

Regent Sherman said the Subcommittee heard a presentation on the investment products of the Office of the Chief Investment Officer and the good investment returns for the fiscal year ending June 30, 2017. The Subcommittee also heard from two guest speakers, Laurence Fink, Chief Executive Officer of BlackRock, and philanthropist Ratan Tata of India.

Report of the Public Engagement and Development Committee

Regent Lozano reported that the Committee considered three items for discussion.

A. ***Follow-up Discussion on Public Outreach Campaign***

Regent Lozano remarked that the Committee discussed the objectives for a potential upcoming market research study, the most pressing questions that are of interest to the Committee, and which audiences should be addressed. Interim Senior Vice President Holmes would put together a survey instrument.

B. ***Community Outreach and Impacts, Riverside Campus***

Chancellor Wilcox, accompanied by the Chair of the local Chamber of Commerce, the Dean of the UCR School of Education, and a third-year UCR medical student reported on UCR's community partnerships, which are a basis of the campus' success.

While 84 percent of high school students in the region graduate, only 37 percent of them are prepared to attend a California State University or UC campus. UCR's collaborations to advance college readiness are vitally important. The presentation also included UCR's partnership with the California Air Resources Board and the campus' development of the Entrepreneurial Proof of Concept and Innovation Center.

C. ***Regents Legislative Engagement Overview***

Regent Lozano reported that the Committee had asked Associate Vice President Kieran Flaherty to develop a systematic plan to allow the Regents to engage with the Legislature. The plan would include establishing direct relationships with the Legislature, visiting legislators in district offices, engagement on UC campuses, appearances at public events, and fostering existing relationships around issues important to legislators. The UC Office of State Government Relations would identify specific Regent engagement activities and provide guidance to Regents in preparation for meetings, events, and communications. Events would be coordinated through the office of the Secretary and Chief of Staff.

Report of the National Laboratories Subcommittee

Regent Pattiz reported that the Subcommittee considered two items for discussion.

A. ***Update on the Los Alamos National Laboratory Contract***

The management and operating contract for Los Alamos National Laboratory (LANL) was extended through September 30, 2018, to give the National Nuclear Security Administration time to conduct a competition for the contract. The director of LANL would be stepping down at the end of the current year. Regent Pattiz said a modified search for an acting director would be conducted and completed no later than December 1.

Regent Pattiz reported that Vice President Budil reviewed the criteria for the contract competition. President Napolitano recently visited LANL and expressed UC's commitment to the Laboratory. Regent Tauscher would serve as the primary liaison for the Regents regarding the LANL contract competition.

B. ***Update on the Lawrence Berkeley National Laboratory Contract Reform***

Regent Pattiz reported that Vice President Budil provided an update on the ongoing negotiation of a substantive modification to the Lawrence Berkeley National Laboratory prime contract with the Department of Energy to make the contract a more useful, efficient, and effective instrument for accountable mission execution.

4. **REMARKS OF THE PRESIDENT OF THE UC STUDENT ASSOCIATION**

President Napolitano introduced the incoming President of the UC Student Association (UCSA), Judith Gutierrez, fourth-year UC Santa Cruz student.

Ms. Gutierrez remarked that she was a Latina, first-generation college student, who grew up in a low-income, single-parent household, and was told by her high school counselor that if she applied to UC, she would be wasting her time. Attending UC represents

achieving a goal that generations before her were told was unattainable. Most students face obstacles on their paths to UC. However, attending UC also presents difficulties.

In the current academic year, UCSA would urge the University to make investments to improve the condition of students. The current state of the nation has placed issues of mass incarceration, white supremacy, racism, and safety at the top of students' minds. She expressed UCSA's confidence that UC campuses can be places that inspire and implement solutions to these concerns. UCSA hopes that the Regents will lead in protection of undocumented students, workers, and their families, and work with the Academic Senate to implement a systemwide Ethnic Studies requirement. The Regents should investigate ways UC could use its financial and intellectual assets to end the school to prison pipeline.

UCSA would continue to ask the Regents to secure more food and housing for students. Ms. Gutierrez acknowledged that President Napolitano and the Board have made progress on this issue, but students, especially students of color, were still experiencing hunger and homelessness. As a low-income student, Ms. Gutierrez sometimes had to rely on support systems at UC Santa Cruz for food and rent.

At the UCSA annual summit the prior month, students expressed the urgent concern that UC was not accessible to students with disabilities. UCSA would collect feedback from students and would request increased academic, housing, and transportation accommodations for disabled students.

Ms. Gutierrez encouraged the Regents to see these challenges as opportunities for cooperation to continue the University's legacy and dedication to public service.

5. ANNUAL UPDATE ON INVESTMENT PRODUCTS

Chief Investment Officer (CIO) Bachher reported that it had been a good year for UC investments. He reaffirmed his office's long-term goal of achieving steady progress and contributing to the success of the University. He shared investment results for fiscal year 2016-17, from June 30, 2016 to June 30, 2017.

Assets under management grew by more than \$10 billion during the fiscal year, from \$97.6 billion to \$109.8 billion. Mr. Bachher reminded the Regents that his office's holdings had negative returns the prior fiscal year. Over the three years Mr. Bachher had been the CIO, assets under management had grown more than \$20 billion. Approximately 80 percent of the holdings were invested in the U.S. with the balance invested around the world. As the global gross domestic product continues to have a larger share from India and China, Mr. Bachher intended to diversify assets globally in Europe, India, and China, as opportunities arise, and reduce dependence on U.S. holdings. UC holdings were invested 85 percent in public markets, and 15 percent in private markets.

The Office of the CIO manages six distinct products for the University: the General Endowment Pool (GEP), the UC Retirement Plan (UCRP), the UC Retirement Savings

Program (UCRSP), the working capital portfolios including the Total Return Investment Pool (TRIP) and the Short Term Investment Pool (STIP), and beginning this year the assets of UC's captive insurance company Fiat Lux.

The \$10.9 billion GEP serves UC's students and faculty, being a collection of 5,400 distinct smaller endowments tailored to unique programs and services across the UC system. The total UC endowment, including \$7 billion managed by the ten campus foundations, was \$18 billion as of the end of the fiscal year. Mr. Bachher's report would involve only the \$10.9 billion GEP managed by the Office of the CIO. The GEP pays out 4.75 percent annually and had contributed more than \$2 billion in payouts over the past 20 years. Since 2014, the GEP has had \$2.15 billion of new inflows. Mr. Bachher expressed pride in the trust his office had developed with UC campuses. He noted that the recently deceased T. Gary Rogers, former member of the Investment Advisory Group, had moved his personal endowment from the UC Berkeley campus foundation to the GEP shortly before his passing.

The GEP returned 15.1 percent for the fiscal year, 12.5 percent from market gains and 2.6 percent from value added above the benchmark. Market gains were achieved based on the asset allocation determined by the Regents. More importantly, the GEP returned 7.3 percent annually over 20 years and 9.4 percent over the past five years. Even though the GEP held a 6.5 percent cash position, it still earned 15.1 percent. The goal of the Office of the CIO is to continue to increase the size of the GEP so it can continue to make its payouts for the benefit of UC students and faculty.

Mr. Bachher reported on the \$22.3 billion UCRSP with 312,000 participants, who collectively save voluntarily \$1 billion a year. The UCRSP offers participants 16 investment options, including the default investment target date funds. The UCRSP management cost is just seven basis points (bps), less than half the cost of other investment options in the marketplace. The Office of the CIO is focused on offering the best investment options to UCRSP participants.

There are 233,000 members of UCRP who contribute, along with the University, to their future retirement income. On average, UCRP retirees receive \$42,000 in annual income. Half of UCRP's \$62 billion in assets were invested in public markets, 45 percent of those passively invested in index funds and five percent actively managed through third-party managers. About \$30 billion would have earned 19 percent for the fiscal year in a global index fund, a good year by any measure. The best investments for UC were those invested outside the U.S. Active management in Europe and China earned close to 35 percent, above a 20 percent benchmark. When those returns are blended with public market returns, the half of the UCRP portfolio invested in public equities earned close to 22 percent. In addition, UCRP's private equity holdings had double-digit returns.

Mr. Bachher questioned how much further equity markets could increase in this low-growth, low interest rate, low inflation, low energy prices market. Holding cash was one way to be defensive. Most assets at the current time were fully valued and the market was more a seller's market than a buyer's market. UCRP earned 14.5 percent, 12.7 percent

from market gains and 1.8 percent from value added above the benchmark. Mr. Bachher expressed his view that UC assets were likely more defensively postured than other endowments'. Long-term returns in UCRP were paramount, since its liabilities are long-term. Over 20 years, UCRP had earned 6.7 percent a year. UCRP's discount rate, an estimation of its expected rate of future returns, was currently 7.25 percent, down from 7.5 percent a few years prior. UCRP has borrowed from STIP. UCRP's current estimated funding ratio was 82 percent. Final funding would be reported by the University's actuaries at the November meeting.

Regarding the University's working capital portfolios, Mr. Bachher reported that in any given year the University manages \$82 billion in systemwide cash flows. STIP holds about \$5.5 billion; TRIP holds \$9 billion. These amounts were relatively unchanged from the beginning of the fiscal year. STIP earned 1.3 percent; TRIP earned 7.7 percent, fulfilling its purpose of earning higher returns than STIP. Over the long term, STIP has earned two percent and TRIP has earned seven percent.

Mr. Bachher summarized highlights of the annual report. Returns were good. He had focused on establishing a well-defined culture in the Office of the CIO around underlying principles of: less is more; being risk managers as opposed to asset managers; concentration not over-diversification; being innovative; building knowledge; and teaming up. The Office of the CIO manages \$109.8 billion with only 26 investment professionals and therefore must partner with third parties to find investment opportunities. Since the beginning of Mr. Bachher's tenure, the Office of the CIO had reduced its number of external managers from more than 240 in 350 funds, to 120 external managers, allowing deeper relationships. The 26 investment professionals in the Office of the CIO have an average accountability for \$4.2 billion, compared with the industry average of \$1.1 billion.

Aggressively reducing costs has been another focus. The management fees of the Office of the CIO are 2.7 bps, less expensive than buying an index fund. In managing investment costs with its external managers, the Office of the CIO has renegotiated every contract and has saved \$230 million. Through active management, the Office of the CIO added \$2.2 billion above benchmark returns in the past three years.

Regent Pattiz asked if good investment returns were ever swept and used for University operations. Mr. Bachher commented that returns in any year could be good or bad. While he appreciated these good returns, the University's overall financial health and future budgeting must be done on the basis of long-term results. Over the long term, UCRP's 20-year 6.75 percent return was less than its current expected return of 7.25 percent. That gap needs to be filled. It was necessary for the GEP to continue to make its 4.75 percent payout. Mr. Bachher did not expect the current fiscal year's returns to match the prior year's returns. His office would partner with Executive Vice President and Chief Financial Officer Brostrom, President Napolitano, and the campus chancellors to find ways that working capital can help them, to improve the funding ratio of the retiree health plan, and to ensure the GEP payout. Realistic expectations must be set with all stakeholders.

Regent Ortiz Oakley asked if the GEP returns exceeded those of the campus foundations and, if so, what efforts were being made to pool those resources in the GEP to gain greater returns for all the campuses. Mr. Bachher commented that the GEP's returns had improved relative to comparable endowments and he anticipated that its returns would be in the top quartile nationally. The GEP outperformed all UC campus foundations for the fiscal year, except for UC Riverside's foundation, which returned 19 percent, and the UCLA foundation, which returned 15.6 percent. Mr. Bachher said his focus had been to collaborate with the campus foundations. During the current fiscal year, the Office of the CIO had introduced a new unitized private equity product in which the campus foundations can invest.

Regent Ortiz Oakley suggested that future presentations include a display demonstrating the value provided to UC students by these investment returns.

Regent Newsom expressed concern about the 7.25 percent discount rate. He noted that the California Public Employees' Retirement System (CalPERS) had recently reduced its discount rate from 7.5 percent to seven percent over three years; the California State Teachers' Retirement System (CalSTRS) had previously done the same over two years. UCRP's funding ratio was currently 82 percent, compared with 68 percent for CalPERS and 64 percent for CalSTRS. He expressed his view that the Regents should vote to immediately lower the discount rate to seven percent, which he thought was likely still too high. Maintaining the 7.25 percent discount rate would have a huge cost in the long term. Mr. Bachher said that in theory he agreed completely; the question was only how to achieve the change practically and at what rate. He anticipated low returns and commented that the University must adjust to that reality. He explained that for every one-quarter of a percent that the discount rate were lowered, UCRP's liabilities would increase by about \$2 billion. His office would partner with President Napolitano and Mr. Brostrom's office to balance these important governance issues. Chair Kieffer agreed that it would be beneficial to consider these questions at an upcoming meeting.

Mr. Bachher expressed appreciation for the support of President Napolitano and Regent Sherman.

6. CARBON NEUTRALITY AT THE UNIVERSITY OF CALIFORNIA

President Napolitano commented that, with the support of the Regents and UC chancellors, UC's Carbon Neutrality Initiative (CNI) was launched in 2013, with the goal of achieving systemwide carbon neutrality by 2025. It is increasingly clear that the threats from climate change are real and UC leadership is more important than ever. This presentation would focus on CNI's achievements and the challenges ahead.

Executive Vice President and Chief Operating Officer Nava stated that UC had become a national leader in translating the research and scholarly work of its faculty into actionable solutions to address climate change. This work offers an opportunity for UC to partner with the State administration, the Legislature, and other academic institutions.

Ms. Nava reviewed UC's history of leadership in climate change research. The research of UC San Diego Professor Charles David Keeling first established the link between fossil fuel consumption and global climate change as a result of the greenhouse gas effect. His work is a cornerstone of modern climate science. UC Irvine Professors Frank Sherwood Rowland and Mario Molina share a Nobel Prize for their pioneering contribution explaining how the ozone is formed and decomposes in the atmosphere.

Beginning in 2006, UC established internal policies to reduce its own greenhouse gas emissions. This was further advanced by all ten UC chancellors in 2007 and became a systemwide goal in 2013 when President Napolitano launched the CNI. Since that time UC had made excellent progress, yet is not on track to meet the 2025 goal.

Associate Vice President David Phillips reported that the prior year his office had developed a Strategic Framework for Carbon Neutrality, incorporating planning done on all ten campuses to reduce their emissions and outlining the potential strategies and their costs. This framework would serve as a living roadmap for actions that could achieve the 2025 goal. Since 2004, UC had initiated more than 1,000 energy efficiency projects that had saved a total of \$224 million, and had received \$88 million in incentives from utilities. However, UC's impressive progress had plateaued in recent years, with the completion of those projects easier to implement. Recent studies had shown that many more opportunities exist to reduce UC's energy use further by as much as one-third, but this would require acceleration of efforts to increase energy efficiency.

In addition to reducing energy consumption on UC campuses, using clean energy sources is a priority, first by installing as much clean energy production on the campuses as possible. The University has greatly surpassed its original goal of producing ten megawatts of onsite renewable energy, and would produce 50 megawatts by the end of the current year, with another 30 megawatts in planning. Most of that renewable energy comes from solar photovoltaic panels; another source is biogas, derived from a sewage treatment plant and from agricultural waste.

The University has become an electric service provider supplying all or part of the electricity needed by seven of its campuses. Both of UC's first large-scale photovoltaic projects were currently in operation. They cover 660 acres in Fresno County and supply roughly 14 percent of UC's total electricity use. During a recent sunny week, the panels provided 80 percent of the electricity needed by those seven campuses. With this solar power and other renewable energy that UC purchases, UC's electricity supplies would be 80 percent clean power in the current year.

Regent Ortiz Oakley asked if surplus power was generated and if so how it was used. Mr. Phillips said that renewable power generation in California had been so successful that occasionally more power is generated than is needed by the grid, so at those times UC turns its project off for some hours during the day. UC researchers are working to find methods of storing excess production to enable scalable solutions to statewide energy production.

Mr. Phillips cautioned that serious challenges remain. A year prior, President Napolitano appointed a Carbon Neutrality Finance and Management Task Force, chaired by UCLA Professor Ann Carlson, to study key barriers and recommend possible solutions. Ms. Carlson stated that the Task Force's charge was to examine organizational impediments on UC campuses to achieving UC's ambitious goal of systemwide carbon neutrality by 2025 and to incorporate this goal into campus-based decisions on capital projects. She discussed examples of campus consideration of whether to expand co-generation facilities that would not lead to carbon neutrality and campus staff reporting inadequate resources to accomplish deeper energy savings in capital projects. Task Force interviews with key stakeholders across UC campuses led to the conclusion that the successful transition to carbon neutrality depends on securing broad support for the initiative among senior administrators, faculty, and UC students. A key focus of the Task Force is to achieve that support, which did not exist yet. In addition, the way in which carbon neutrality measures are implemented must respect campuses' autonomy in charting their own progress toward carbon neutrality, while providing campuses with the leadership, tools, and authority to accomplish the goal. The campuses vary greatly in their facilities and needs, and there is no standard solution that can be dictated from the Office of the President.

Ms. Carlson described six Task Force recommendations that would be contained in its detailed report that would be issued soon and could be a blueprint to achieve carbon neutrality for UC and other complex organizations. First, campuses should account for the cost of carbon and integrate their carbon management with utility budgets that could take revenue generated from energy efficiency savings and reinvest it in more carbon neutrality goals. Second, campuses should invest in deeper energy efficiency and train staff to operate finely tuned building systems. Third, campuses should procure as much renewable energy as possible to provide power to UC campuses, particularly on those campuses not served by the new solar array. Fourth, new buildings on UC campuses must be designed to carbon-neutral standards, or off-setting carbon reductions must be provided elsewhere on campuses. Fifth, the Task Force developed special recommendations for UC medical centers, which pose a particular challenge, as they are energy-intensive and have regulatory requirements aimed at patient safety that must be met. Sixth, the Task Force recommends engaging faculty, students, and staff in the commitment to achieving carbon neutrality. Ms. Carlson commented that the ambitious 2025 goal would focus UC campuses to make current decisions that would have ramifications many years into the future.

UC Santa Barbara Research Professor David Auston discussed the UC TomKat Carbon Neutrality Project designed to support UC's CNI by focusing on two challenges: the use of natural gas at UC's ten campuses and communication about the importance of the CNI. Natural gas accounts for two-thirds of UC's greenhouse gas emissions, substantially higher than the state and national level, largely because some UC campuses generate their own power and have onsite combined heat and power plants that consume substantial amounts of natural gas. From an economic perspective, these have been very successful, producing electricity at a cost half of that of the utilities. However, they represent long-term investments, substantial upfront capital, and are a continuing source of greenhouse

gas emissions that need to be addressed if the University is to meet its 2025 goal of carbon neutrality.

Drawing on the vast intellectual resources of the University and its affiliated National Laboratories, the TomKat Project brought together a 27-person working group of faculty, students, research staff, sustainability managers, facilities staff, energy managers, and administrators from multiple UC campuses and the Lawrence Berkeley National Laboratory. Mr. Auston emphasized that the working group included the facilities managers who actually operated campus physical plants responsible for providing electricity and power to the campuses. The working group developed three complementary strategies to exit from the use of natural gas over time. The first strategy would be to make further substantial investments in increasing energy efficiency and to use the resulting savings to make further investments in energy efficiency. The second strategy is to replace natural gas with biomethane derived from the anaerobic digestion of organic waste, potentially supplying as much as 50 percent of UC's need for natural gas with biogas. The third strategy is a longer term investment in complete electrification by replacing all natural gas usage with electrical energy and investing in sources to achieve 100 percent renewable electricity through a large solar facility in the Central Valley, onsite solar at the campuses, and procurement of renewable electricity from other sources. He anticipated that savings could cover the cost of converting from natural gas to biogas. The working group would complete its report within the upcoming month.

Ms. Nava provided an overview of funding for the CNI. Since 2013, her office had coordinated several rounds of funding for projects from President Napolitano's initiative fund. During the prior two fiscal years, \$3.67 million was allocated to fund 28 separate projects. Over 90 percent of these funds were used by campuses and over 80 percent stayed at UC. These funds were critical to advancing the Initiative's goals. Funded projects included the "Bending the Curve" report chaired by UC San Diego Professor Veerabhadran Ramanathan with 50 UC collaborators, and hosting the Carbon and Climate Neutrality Summit at UC San Diego. Mr. Ramanathan used the report to develop a UC San Diego climate solutions pilot course that would be offered at all UC campuses this fall and also be available online. In 2016, the CNI funded faculty curriculum skill-sharing workshops on each campus to explore how to integrate climate concepts into existing courses. The 280 participants were from 160 wide-ranging academic disciplines. Content has been integrated into courses that can reach more than 11,000 students each year.

UC Berkeley student Pallavi Sherikar described CNI-funded student-focused activities. There have been four cohorts of CNI Student Fellows, totaling 164 undergraduate and graduate students from all ten campuses, Lawrence Berkeley National Laboratory, and the Division of Agriculture and Natural Resources. The Cool Campus Challenge, launched in 2015, was an online platform for making pledges to reduce one's individual carbon footprint. The challenge had 19,000 participants. Ms. Sherikar said her participation in the CNI had been a pivotal part of shaping her academic and professional aspirations.

Ms. Nava highlighted recognition UC has received for the work of the CNI. UC recently became the leading university in the U.S. Environmental Protection Agency's Green Power Partnership for its renewable power generation, Ms. Nava said the threats of climate change are real and must be addressed quickly to mitigate the change and adapt to changes that have already occurred. UC recognized this threat through the groundbreaking work of its faculty and has long led in this area. More than ever, UC's leadership from all levels is required to find solutions that serve as a road map for other institutions. She urged the Regents to support the important goals of the CNI.

Chair Kieffer expressed his support. Regent Newsom offered congratulations for these efforts. He asked what level of Leadership in Energy and Environmental Design (LEED) certification was expected for new UC buildings. Mr. Phillips said all new campus buildings must be LEED certified and most new buildings greatly exceed basic certification. Regent Newsom commented that new buildings must be carbon neutral to contribute to achieving the CNI 2025 goal, but noted associated costs. He asked if remodeling projects had sustainability requirements. Mr. Phillips said UC's Green Building Policy addresses such issues and has budget thresholds that trigger standards.

Regent Newsom asked if UC's vehicle fleets were required to be zero-emission. Mr. Phillips stated that on-campus fleet emissions were part of UC's carbon neutrality goal. Currently both zero-emission and hybrid vehicles were permitted.

Regent Newsom asked about composting requirements. Mr. Phillips said UC had a 2020 zero waste goal. Regent Newsom inquired about sustainability requirements for campus food purveyors. Mr. Phillips said there were policy requirements for sustainable food including local food procurement and for organic food detailed in the annual Sustainability Report.

Regent Lemus asked whether any UC buildings that would generate power were being designed, and whether private-public partnerships were being used to accelerate the pace of achieving carbon neutrality goals. Mr. Phillips said such buildings were discussed by the Task Force, but any given building would be considered within its campus context. Private-public partnerships were also being considered.

7. **REPORT OF INTERIM, CONCURRENCE AND COMMITTEE ACTIONS**

Approvals under Interim Action

- A. The Chair of the Regents, the Chair of the Finance and Capital Strategies Committee, and the President of the University approved the following action:

Approval of Indemnification Terms in Agreement with the Pacific Gas & Electric Company and the California Independent System Operator Corporation, Berkeley Campus

That UC Berkeley be authorized to execute a Large Generator Interconnection Agreement with the Pacific Gas & Electric Company (PG&E) and the California Independent System Operator Corporation (CAISO) containing an indemnification provision obligating the University to defend, indemnify, and hold harmless PG&E and CAISO from a loss caused by any party to the agreement except in cases of gross negligence or intentional wrongdoing.

Approvals Under Health Services Committee Authority

- B. At its June 21 meeting, the Health Services Committee approved the following recommendation:

Approval of Proposal on Withdrawal from Corporate Membership in a Health Maintenance Organization, Davis Campus

- (1) Approve UC Davis Medical Center's withdrawal from Western Health Advantage.
- (2) Authorize the President of the University, or her designee, after consultation with the Office of the General Counsel, to approve and execute any agreements reasonably required to implement the foregoing action, including any subsequent agreements, modifications, or amendments thereto, provided that such agreements, modifications, amendments, or related documents do not otherwise materially increase the obligations of the Regents or materially decrease the rights of the Regents.

- C. At its August 16 meeting, the Health Services Committee approved the following recommendations:

- (1) ***Salary Adjustment Using Non-State Funds for Patricia Maysent as Chief Executive Officer, UC San Diego Health System, San Diego Campus***

The following items in connection with the salary adjustment using non-State funds for Patricia Maysent as Chief Executive Officer, UC San Diego Health System, San Diego campus:

- a. Per policy, a market-based salary adjustment of 8.9 percent (following a systemwide three percent merit increase action), increasing Ms. Maysent's base salary to \$880,770, effective August 1, 2017.
- b. Per policy, continued eligibility to participate in the Clinical Enterprise Management Recognition Plan's (CEMRP) Short Term Incentive (STI) component, with a target award of 20 percent of

base salary (\$176,154) and maximum potential award of 30 percent of base salary (\$264,231). Actual award will be determined based on performance against pre-established objectives.

- c. Per policy, continued eligibility to participate in CEMRP's Long Term Incentive (LTI) component, with a target award of ten percent of base salary and a maximum potential award of 15 percent of base salary. As the LTI uses rolling three-year performance periods, the first possible award payout would be after the end of the 2018-19 Plan Year. Actual award will be determined based on performance against pre-established objectives.
- d. Per policy, continued annual automobile allowance of \$8,916.
- e. Per policy, continuation of a monthly contribution to the Senior Management Supplemental Benefit Program.
- f. Per policy, continuation of standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability after five consecutive years of Senior Management Group service).
- g. Per policy, continued eligibility to participate in the UC Home Loan Program, subject to all applicable program requirements.

The base salary described above shall constitute the University's total commitment for base salary until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

(2) ***Salary Adjustments Using Non-State Funds for Certain Members of the Senior Management Group Within the UC Health System***

The merit-based salary adjustments for the individuals listed below, effective July 1, 2017.

Last Name	First Name	Location	Working Title	Current Annual Base Salary	Proposed Salary Increase %	Proposed Annual Base Salary
Laret	Mark	UCSF	Chief Executive Officer	\$1,041,536	3.00%	\$1,072,782
Spisso	Johnese	UCLA	Chief Executive Officer	\$998,649	3.00%	\$1,028,608
Rice	Ann Madden	UCD	Chief Executive Officer	\$878,425	3.00%	\$904,778
Federoff	Howard	UCI	Chief Executive Officer	\$800,000	3.00%	\$824,000
Maysent	Patricia	UCSD	Chief Executive Officer	\$785,000	3.00%	\$808,550

The base salaries described above shall constitute the University's total commitment for base salary until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Approvals Under Health Services Committee Delegated Authority

- D. The Chair of the Health Services Committee and the Executive Vice President – UC Health approved the following recommendation:

Establishment of an Accountable Care Organization, San Francisco Campus

- (1) UCSF Health's management be authorized to create, and implement the operations of, an accountable care organization (the "ACO"), subject to the following conditions:
 - a. Purpose: The purposes of the ACO are (i) to function as an "accountable care organization" under the Medicare Shared Savings Program (the "MSSP") established by the Centers for Medicare and Medicaid Services ("CMS"), (ii) to house a clinically integrated provider network, as may be subsequently desired by UCSF, and (iii) to engage in any and all activities related or incident thereto.
 - b. Structure, Ownership and Governance: The ACO will be formed by the Regents and operated as a California limited liability company. The Regents will be the ACO's initial member. The ACO will be governed by a Board of Managers, which will be comprised of between six and 25 managers, all of whom will be appointed by the member, and which will comply with the requirements of applicable law.

- c. Financial Terms: The Regents, through UCSF, will initially invest up to \$5 million, in cash or in kind, as an initial capital contribution to the ACO. UCSF may make additional capital contributions to cover program expenses to the extent not covered by ACO revenues.
 - d. Exclusivity: Nothing in any agreement signed in connection with the ACO shall bind the University as a whole, UC Health, or any UC campus or medical center other than UCSF; and all definitive agreements shall preserve UCSF's right at all times to participate directly or through new companies in systemwide (i.e., UC Health) initiatives.
 - e. Dissolution: The definitive agreements shall either include appropriate provisions for termination or dissolution of the ACO or rely on the applicable provisions of California law that govern the dissolution of California limited liability companies.
- (2) After consultation with the Office of the General Counsel, the President of the University, or her designee, be authorized to approve and execute any agreements reasonably required to implement the ACO, including any subsequent agreements, modifications, or amendments thereto; provided that such agreements, modifications, amendments or related documents are materially consistent with the terms above, and do not otherwise materially increase the obligations of the Regents or materially decrease the rights of the Regents.

8. 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 the Regents of the University of California

- A. From the Secretary and Chief of Staff, a press release regarding Student Regent and Student Advisor nominations. July 3, 2017.
- B. From the Secretary and Chief of Staff, the Summary of Communications for June, 2017. July 7, 2017.
- C. From the Secretary and Chief of Staff, a letter with the announcement of the appointment of Regent Lozano to the Governance and Compensation Committee, effective July 5 to March 2018. July 5, 2017.

- D. From the President of the University, the 2017-18 Report on Professional Degree Supplemental Tuition Levels for Graduate Professional Degree Programs. July 11, 2017.
- E. From the President of the University, the 2017-18 Annual Report on Self-Supporting Graduate Professional Degree Programs. July 11, 2017.
- F. From the President of the University, the 2017 Annual University of California Accountability Report. July 14, 2017.
- G. From the President of the University, a letter with an update on UC Advocacy Network activities. July 27, 2017.
- H. From the President of the University, an email regarding the recent admissions decisions at UC Irvine. August 3, 2017.
- I. From the Secretary and Chief of Staff, the Summary of Communications for July, 2017. August 22, 2017.
- J. From the Chair of the Board, an announcement and press release regarding Regent Lozano's appointment as the President and Chief Executive Officer of the College Futures Foundation and her resignation from the Board of Regents, effective November 30, 2017. August 25, 2017.
- K. From the President of the University, an op-ed piece and speech to the annual meeting of the American Political Science Association, "Educators must counter hate and falsehoods by shining light on facts." August 31, 2017.

To the Members of the Investments Subcommittee

- L. From the Chief Investment Officer (CIO), the draft Update on Investment Performance for Periods ending June 30, 2017. July 31, 2017.
- M. From the CIO, the CIO Annual Letter, "Growing Portfolios, Building Partnerships, and Adding Value." July 31, 2017.
- N. From the CIO, an article in *Bloomberg*, "Money-Manager Purge Boosts University of California's Return." August 1, 2017.
- O. From the CIO, an article co-authored by CIO Bachher entitled "Theory to Practice: The Collaborative Model for Investing in Innovation and Energy." August 21, 2017.
- P. From the CIO, the Investment Product Update ending June 30, 2017, providing the investment performance of the products managed at the Office of the CIO. August 21, 2017.

The meeting adjourned at 1:00 p.m.

Attest:

Secretary and Chief of Staff