

The Regents of the University of California

GOVERNANCE AND COMPENSATION COMMITTEE

July 12-13, 2017

The Governance and Compensation Committee met on the above dates at UCSF–Mission Bay Conference Center, San Francisco.

Members present: Regents Blum, Elliott, Lansing, Lozano, Ortiz Oakley, and Pérez; Ex officio members Kieffer and Napolitano

In attendance: Regents Anguiano, Lemus, and Park, Regents-designate Anderson and Morimoto, Faculty Representative White, Secretary and Chief of Staff Shaw, General Counsel Robinson, Executive Vice President and Chief Operating Officer Nava, Vice President Duckett, Chancellors Blumenthal, Gillman, and Hawgood, and Recording Secretary Johns

The meeting convened at 1:20 p.m. with Committee Vice Chair Ortiz Oakley presiding.

1. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of May 17, 2017 were approved.

2. **APPROVAL OF APPOINTMENT OF AND COMPENSATION FOR ALEXANDER BUSTAMANTE AS SENIOR VICE PRESIDENT AND CHIEF COMPLIANCE AND AUDIT OFFICER, OFFICE OF THE PRESIDENT AS DISCUSSED IN CLOSED SESSION**

[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 Vice Chair Ortiz Oakley explained that action on this item had been deferred.

3. **APPROVAL OF APPOINTMENT OF AND COMPENSATION FOR MICHAEL BROWN AS PROVOST AND EXECUTIVE VICE PRESIDENT – ACADEMIC AFFAIRS, OFFICE OF THE PRESIDENT AS DISCUSSED IN CLOSED SESSION**

[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 Vice Chair Ortiz Oakley explained that action on this item had been deferred.

4. **ANNUAL REPORTS ON COMPENSATED AND UNCOMPENSATED OUTSIDE PROFESSIONAL ACTIVITIES FOR CALENDAR YEAR 2016, AND SEMI-ANNUAL REPORT ON OUTSIDE PROFESSIONAL ACTIVITIES APPROVED BETWEEN DECEMBER 1, 2016 AND MAY 31, 2017**

[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.]

Vice President Duckett introduced the annual reports on compensated and uncompensated Outside Professional Activities (OPA) for calendar year 2016, and the semi-annual report on OPA approved between December 1, 2016 and May 31, 2017. He recalled that Regents Policy 7707, Senior Management Group Outside Professional Activities, was revised in July 2016. The revised policy allows a Senior Management Group (SMG) member to participate in up to two concurrent compensated OPA. Since the new policy imposed tighter restrictions on compensated OPA, the Regents allowed SMG members who had more than two compensated activities at the time of the policy change to continue those activities. However, new SMG members hired after the policy change must comply with the policy limitations, and those SMG who exceeded the limit may not accept new compensated OPA until their activities align with policy.

Mr. Duckett described training that had been developed for SMG members, including an online training module. Detailed communications were broadly distributed that provided policy clarification and explanations of the approval process. Activities of SMG members who left UC before January 1, 2017, activities of those who served in SMG positions in an acting capacity, or activities that occurred before the SMG member's appointment were not included in these reports. There were fewer compensated and uncompensated OPA in 2016 than in the previous year.

Committee Vice Chair Ortiz Oakley asked how well implementation of the revised policy was working. Mr. Duckett responded that in the view of his office, the policy was working well. SMG members understand the restrictions and are mindful of them.

Committee Vice Chair Ortiz Oakley asked if newly hired SMG members are briefed immediately about the OPA policy. Mr. Duckett responded that orientation sessions for new SMG members are held to make them aware of the policy before they begin work for UC.

Regent Elliott asked how existing OPA for new SMG hires are handled to ensure compliance with UC's policy. Mr. Duckett responded that the activities are discussed. A decision is made about whether any of the activities present concerns; the activities are evaluated on the basis of policy criteria. The initial evaluation would be made by the hiring manager.

The Committee recessed at 1:25 p.m.

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The Committee reconvened on July 13, 2017 at 9:15 a.m. with Committee Vice Chair Ortiz Oakley presiding.

Members present: Regents Elliott, Lansing, Lozano, Ortiz Oakley, and Pérez; Ex officio members Kieffer and Napolitano

In attendance: Regents Anguiano, De La Peña, Guber, Lemus, Makarechian, Mancía, Monge, Park, Sherman, and Tauscher, Regents-designate Anderson, Graves, and Morimoto, Faculty Representatives Chalfant and White, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Dorr, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Executive Vice President Stobo, Vice Presidents Brown, Budil, Duckett, and Humiston, Chancellors Block, Blumenthal, Christ, Gillman, Hawgood, Khosla, Wilcox, and Yang, Interim Chancellor Hexter, and Recording Secretary Johns

5. **APPROVAL OF APPOINTMENT OF AND COMPENSATION FOR ALEXANDER BUSTAMANTE AS SENIOR VICE PRESIDENT AND CHIEF COMPLIANCE AND AUDIT OFFICER, OFFICE OF THE PRESIDENT AS DISCUSSED IN CLOSED SESSION, CONTINUED**

Recommendation

The Committee recommended approval of the following items in connection with the appointment of and compensation for Alexander Bustamante as Senior Vice President and Chief Compliance and Audit Officer, Office of the President:

- A. Per policy, appointment of Alexander Bustamante as Senior Vice President and Chief Compliance and Audit Officer, Office of the President, at 100 percent time.
- B. Per policy, an annual base salary of \$350,000.
- C. Per policy, standard pension and health and welfare benefits and standard senior management benefits (including eligibility for senior management life insurance and eligibility for executive salary continuation for disability after five consecutive years of Senior Management Group service). Mr. Bustamante will not participate in the Senior Management Supplemental Benefit Program.
- D. Per policy, eligibility to participate in the UC Home Loan Program, subject to all applicable program requirements.
- E. Per policy, reimbursement of actual and reasonable moving and relocation expenses associated with relocating his primary residence, subject to the limitations under Regents Policy 7710, Senior Management Group Reimbursement.

- F. Per policy, an administrative fund will be established for official entertainment and other purposes permitted by University policy. Adjustments may occur annually as allowed by policy.
- G. This action will be effective on or about September 5, 2017.

The compensation described above shall constitute the University's total commitment 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.

Background to Recommendation

The Chair of the Board and the President of the University recommended approval for the appointment of and compensation for Alexander Bustamante as Senior Vice President and Chief Compliance and Audit Officer, effective on or about September 5, 2017. This request is being made in response to the departure of the previous incumbent, Sheryl Vacca, in 2016. The position has been held on an interim basis since November 2016 by John Lohse. As this is a Level One position in the Senior Management Group (SMG), this action requires the Regents' approval.

Reporting directly to the Regents and to the President of the University, the Senior Vice President and Chief Compliance and Audit Officer is responsible for developing and overseeing the University's corporate compliance and audit program. Functioning as an independent and objective officer, this position reviews and evaluates ethics, compliance and audit matters within the University, and monitors and reports to the Board and to the administration regarding compliance with rules and regulations of regulatory agencies and University policies and procedures.

Following a nationwide open recruitment, Mr. Bustamante emerged as the top candidate for this role. The proposed base salary will be slightly below the 60th percentile of the Market Reference Zone and is less than the previous incumbent's salary. Additionally, Mr. Bustamante has deep and broad experience and a strong skill set in that he has served as an Assistant U.S. Attorney and most recently as an Inspector General for the Los Angeles Police Department.

Mr. Bustamante started his career in 1997 as a Judge Advocate General for the United States Army where he provided legal advice to senior military commanders and their staffs and represented the U.S. Army in criminal investigations and prosecutions. Mr. Bustamante was deployed for a period of time to Kosovo where he assisted the United Nations and non-governmental organizations in developing political and judicial infrastructure for the region. In 2002, Mr. Bustamante was appointed as an Assistant U.S. Attorney for the Central District of California, covering the counties of Riverside, San Bernardino, Orange, Los Angeles, San Luis Obispo, Santa Barbara, and Ventura. He was responsible for investigating and prosecuting complex, high-profile cases involving civil

rights violations, organized crime groups, and various white-collar and financial-related crimes, employing investigative techniques requiring detailed forensic accounting and analysis. In 2011, Mr. Bustamante was appointed to his current position as the Inspector General for the Los Angeles Police Department (LAPD). In this role, he is responsible for the development and implementation of an integrated compliance program, including the design of policies and procedures, performance of risk assessments, and monitoring of compliance performance. Mr. Bustamante provides strategic guidance to leadership to ensure full compliance with all applicable laws, regulations, and policies. He identified several high-risk areas that had previously escaped examination which he remedied by broadening oversight to include the entirety of LAPD's operations to fully assess the overall health of the organization and its leadership. In addition to revising and restructuring the LAPD's investigative systems and ethics processes, he created and implemented a multi-tiered community outreach program, including social media and the creation of a smartphone application to improve community engagement and crisis management response capabilities.

Mr. Bustamante received his bachelor of arts degree in rhetoric from the University of California, Berkeley and his juris doctor degree from the George Washington University Law School.

For any outside professional activities related to his professional expertise, Mr. Bustamante will comply with current Outside Professional Activity (OPA) policies.

In light of Mr. Bustamante's strong experience and skill set, the proposed base salary of \$350,000 is 2.4 percent below the 60th percentile (\$359,000) of the Market Reference Zone (MRZ) for this position. The recommended base salary is consistent with Regents Policy 7701, Senior Management Group Appointment and Compensation. As a point of comparison, the Vice Chancellor and Chief Audit Officer for California State University (CSU) in 2016 had total pay of \$255,800.¹ It should be noted that the CSU position has a smaller scope of responsibility: it does not include oversight of the compliance function, nor does the CSU position have audit or compliance for a large medical enterprise, high-volume research, or a National Laboratory.

[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.]

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

¹ Information taken from the online database Transparent California for 2016.

6. APPROVAL OF APPOINTMENT OF AND COMPENSATION FOR MICHAEL BROWN AS PROVOST AND EXECUTIVE VICE PRESIDENT – ACADEMIC AFFAIRS, OFFICE OF THE PRESIDENT AS DISCUSSED IN CLOSED SESSION, CONTINUED

Recommendation

The Committee recommended approval of the following items in connection with the appointment of and compensation for Michael Brown as Provost and Executive Vice President – Academic Affairs, Office of the President.

- A. Per policy, appointment of Michael Brown as Provost and Executive Vice President – Academic Affairs, Office of the President, at 100 percent time.
- B. Per policy, an annual base salary of \$379,000.
- C. Per policy, continued eligibility to accrue sabbatical credits as a member of tenured faculty, consistent with academic personnel policy. Mr. Brown will retain a tenured faculty appointment at zero percent time on the Santa Barbara campus. After stepping down as Provost and upon returning to UC Santa Barbara, Mr. Brown's step and academic salary will be determined by the academic process at the campus.
- D. Per policy, standard pension and health and welfare benefits and standard senior management benefits (including eligibility for senior management life insurance and executive salary continuation for disability after five consecutive years of Senior Management Group service). Mr. Brown will not participate in the Senior Management Supplemental Benefit Program.
- E. Per policy, eligibility to participate in the UC Home Loan Program, subject to all applicable program requirements.
- F. Per policy, reimbursement of actual and reasonable moving and relocation expenses associated with relocating his primary residence, subject to the limitations under UC Regents Policy 7710, Senior Management Group Moving Reimbursement.
- G. Per policy, an administrative fund will be established for official entertainment and other purposes permitted by University policy. Adjustments may occur annually as allowed by policy.
- H. This action will be effective on or about September 5, 2017.

The compensation described above shall constitute the University's total commitment 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.

Background to Recommendation

The President of the University recommended approval for the appointment of and compensation for Michael Brown as Provost and Executive Vice President – Academic Affairs, Office of the President, effective on or about September 5, 2017. This request is being made in response to the retirement of Aimée Dorr. As this is a Level One position in the Senior Management Group (SMG), this action requires the Regents' approval.

Reporting directly to the President of the University, the Provost and Executive Vice President – Academic Affairs is responsible for fostering a spirit of partnership and teamwork among multiple constituencies across the University system. This role will develop and implement strategies, policies, and processes across the University system that align with the public mission of the University. Additionally, the position requires a strong commitment to fostering diversity among students, faculty, and staff and maintaining an inclusive and respectful environment. The Provost must develop close working relationships with the campus provosts and key stakeholders such as the Academic Senate, Regents, Legislature, and the public to bring together disparate views and build a systemwide academic strategy.

Mr. Brown began his career with the University of California, Santa Barbara in 1993 as an Associate Professor of Counseling, Clinical and School Psychology. In 2000, he was appointed as a Professor in the same discipline and in 2009 became Acting Dean for Extension and Off-Campus Studies before being named to his present role as Dean for UC Santa Barbara Extension. Mr. Brown has served the Board of Regents as a Faculty Representative, Member of the Special Committee to Select the President of the University as Chair of the Academic Advisory Committee, and Member of the Regents' Study Group on University Diversity as Chair of the Work Team on Undergraduate Student Diversity. Additionally, throughout his career with the University, Mr. Brown has held numerous administrative and shared governance roles, including serving as the Chair of the Systemwide Academic Senate and Chair of the Board of Admissions and Relations with Schools (BOARS). Mr. Brown has published numerous books, book chapters, and articles that contribute to understanding the cultural variables underlying the career and educational choice behavior of racial/ethnic minorities and women. He has made international, national, regional, and local presentations relevant to advancing personal and career development and serves on a number of editorial boards. He was elected fellow of the American Psychological Association in 2001.

Mr. Brown received his bachelor of arts degree in psychology from the University of California, Irvine and his master of arts degree in counseling psychology and his Ph.D. in counseling psychology both from Southern Illinois University.

For any outside professional activities related to his professional expertise, Mr. Brown will comply with current Outside Professional Activity (OPA) policies.

The proposed base salary of \$379,000 is six percent below the 25th percentile (\$403,000) of the Market Reference Zone (MRZ) for this position. The recommended base salary is less than the previous incumbent's salary by 0.9 percent. As an additional point of comparison, the Executive Vice Chancellor for Academic and Student Affairs for California State University in 2016 had total pay of \$340,504.²

[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.]

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

The meeting adjourned at 9:20 a.m.

Attest:

Secretary and Chief of Staff

² Information taken from the online database Transparent California for 2016.