

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

January 25, 2018

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

Members present: Regents Anguiano, De La Peña, Elliott, Guber, Kieffer, Lansing, Lemus, Makarechian, Mancia, Monge, Napolitano, Ortiz Oakley, Park, Pérez, Tauscher, Varner, and Zettel

In attendance: Regents-designate Anderson, Graves, and Morimoto, Faculty Representatives May and White, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Bustamante, Provost Brown, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President Stobo, Interim Senior Vice President Holmes, Vice Presidents Brown, Duckett, Ellis, and Holmes-Sullivan, Chancellors Block, Blumenthal, Christ, Hawgood, Khosla, Leland, May, and Wilcox, and Recording Secretary McCarthy

The meeting convened at 8:45 a.m. with Chair Kieffer presiding.

1. 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. Andrea Hesse, UC Santa Cruz employee and alumna, commented on the high cost of living in Santa Cruz, which UC's own 2015 data marked at 147 percent of the national average. The average salary at UCSC was about \$60,000 a year, \$10,000 less than the Economic Policy Institute calculated one adult and one child needed to get by. Wages at UC Santa Cruz have not kept pace with the cost of living, making recruiting and retention difficult. She urged the Regents to address this wage gap.
- B. Ms. Lynne Sheehan, non-represented UC Santa Cruz employee for 30 years, stated that labor studies had demonstrated the importance of organized labor in reducing poverty and maintaining a strong middle class, yet the University was trying to block unions from organizing UC employees.
- C. Ms. Rebecca Ora, UC Santa Cruz doctoral student, urged the Regents to consider support for graduate students in budget discussions, since they are essential to support undergraduate enrollment growth. UC Santa Cruz lacked housing for graduate students. Its graduate students are paid the same as those at UC Merced, not enough to live in Santa Cruz. She said the campuses with the least housing for

graduate students were UC Berkeley, UCSF, and UC Santa Cruz, campuses with the most expensive off-campus housing markets.

- D. Mr. Neil McClintick, UC Berkeley student, expressed appreciation for the Regents' support of UC students by deferring the vote on a tuition increase. He reaffirmed UC students' commitment to working with the Regents to find a more stable funding source for the University. He urged the Regents to visit UC campuses more often.
- E. Mr. Rigel Robinson, UC Berkeley student, expressed appreciation for the Regents' discussion of the prior day about the budget and potential tuition increase, and for the statements by Chancellors Christ and Leland about ways in which budget shortfalls affect students on their campuses. He expressed his view that information about campus conditions were most resonant with legislators.
- F. Mr. George Michael Mitchell, undocumented UC Berkeley student and representative of the UC Undocumented Student Coalition, commented on the detention of UC Berkeley undocumented student Luis Mora by U.S. Border Patrol. He asked what the Regents were doing to support UC's undocumented students, not only those with Deferred Action for Childhood Arrivals status.
- G. Ms. Maureen Dugan, UCSF registered nurse (RN) for 28 years, member of the California Nurses Association (CNA), and member of the CNA bargaining team, stated that during CNA's eight months of bargaining with UC, the University was proposing egregious takeaways that would affect patient care and safe staffing. UC continued to put profits over patients by refusing to agree to lift teams, RN transport teams, additional nurses to provide meal and break relief, and additional nurse resources to assist in times of emergency and other need. The University's proposals would destabilize and defund the pension through changes that she said would affect RNs significantly more than other job classifications. RNs, 90 percent women, would face retirement insecurity. She expressed CNA's support for UC's other unions in bargaining negotiations and its students.
- H. Ms. Caroline Siegel Singh, UC San Diego student, expressed appreciation for the Regents' decision to defer consideration of a tuition increase to a future meeting. She affirmed UC's students' intention to work with the Regents in discussions with the Legislature to advocate for appropriate State funding.

2. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the special meeting of November 16, 2017 and the meeting of November 16, 2017 were approved.

3. **REMARKS OF UC STUDENT ASSOCIATION PRESIDENT**

President Napolitano introduced UC Student Association President Judith Gutierrez.

Ms. Gutierrez expressed students' disappointment in the proposal to increase tuition. Student petitions and testimonials were given to the Regents the prior day. Students were opposed to the proposed increase to protect future students' access to UC. Students already faced debt burdens, homelessness, and hunger. She urged the Regents to work with students to find solutions to these problems and to ask the State to return to adequate funding of the University. Ms. Gutierrez expressed appreciation for the decision to postpone a vote on the tuition increase.

4. **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 Academic and Student Affairs Committee

Regent Pérez reported that the Committee considered three action items and three discussion items. One discussion item was deferred to a future meeting.

A. ***Endorsement of Recommendations of the Academic Verification Task Force***

The Committee recommended endorsement of the recommendations of the Academic Verification Task Force, as shown in Attachment 1.

Regent Pérez said this item had been discussed at length at the Committee's prior meeting.

B. ***Approval of Professional Degree Supplemental Tuition for a Graduate Professional Degree Program at the Merced Campus***

The Committee recommended that the multi-year plan for charging Professional Degree Supplemental Tuition (PDST) for the Master of Management graduate professional degree program at UC Merced be approved. Effective upon approval of the multi-year plan, PDST is established for the program and the maximum annual PDST levels for the five-year period specified in the program's multi-year plan can be assessed (as shown in Display 1).

DISPLAY 1: Proposed Professional Degree Supplemental Tuition Levels for AY 2018-19 through AY 2022-23*

Master of Management Merced	2018-19	2019-20	2020-21	2021-22	2022-23
Resident PDST Level	\$20,000	\$21,000	\$22,050	\$23,152	\$24,308
Nonresident PDST Level	\$20,000	\$21,000	\$22,050	\$23,152	\$24,308

* The amounts in the display reflect the maximum PDST levels to be assessed, effective as of the academic year indicated. Assessing PDST levels less than the level indicated in the display requires approval by the President with the concurrence of the Chancellor. PDST levels may be assessed beyond the period covering the program's approved multi-year plan but not in excess of the maximum levels specified in the final year. Assessing PDST levels greater than the amounts in the display requires Regents' approval of a new multi-year plan.

Regent Pérez stated that UC Merced's first professional degree program was a strong sign of that campus' expansion of its graduate education.

C. ***Revised Agreement Between the University of California and the California Institute of Technology for the California Association for Research in Astronomy***

The Committee recommended that the Second Amended and Restated Agreement Regarding California Association for Research in Astronomy by and between California Institute of Technology and the Regents of the University of California, effective April 1, 2018 (the "Second Amended and Restated Agreement") be approved and the Chair of the Regents and the President be authorized, following consultation with the General Counsel, to approve and execute (i) the Second Amended and Restated Agreement and (ii) any modifications, addenda, or amendments (collectively, "amendments"), provided, however, that such amendments do not materially reduce the rights of the Regents or materially increase the obligations of the Regents.

D. ***Benefits of the University of California Undergraduate Research Experience***

Regent Pérez reported that this was a productive, wide-ranging discussion of UC undergraduate research, its benefits for UC's undergraduates, and UC campuses' relationships about its research with California Community Colleges and their students.

E. ***Update on UC Center in Sacramento***

This update included ideas for the expansion of the UC Center in Sacramento.

F. ***Update on Implementation of Recommendations of the Total Cost of Attendance Working Group***

This discussion item was not summarized at the Board meeting.

G. ***Discussion of Future Items for the Committee and Board***

Because of insufficient time, the Committee did not discuss this item. Chair Kieffer invited the Regents to submit subjects in academic affairs for consideration by the Committee or the Board. Chair Kieffer suggested consideration of: the status of undergraduate education within UC as a research university, including a presentation by the Academic Senate and a few chancellors on the process for determining undergraduate curriculum, general education requirements, and how those align with current needs of the State; and a presentation on UC's research enterprise. Suggestions could be submitted to either Chair Kieffer or Committee Chair Pérez.

Upon motion of Regent Pérez, duly made and seconded, the recommendations of the Academic and Student Affairs Committee were approved, with Regent Lansing recusing herself from voting on Recommendation C.

Report of the Compliance and Audit Committee

Regent Zettel reported that the Committee considered one item for discussion.

Internal Audit Activities Report

Regent Zettel reported that this discussion of the internal audit activities plan for the year involved the work of the cybersecurity audit team, which would focus on vulnerability assessment and penetration testing at UC Health campus locations, and advisory services about proper protocols in the event of a security breach.

Regent Zettel provided a report on implementation of recommendations of the State audit of the UC Office of the President (UCOP) administrative expenditures. The State Auditor's report, released in April of the prior year, included 33 recommendations to UCOP and seven recommendations to the Board. The 33 recommendations to UCOP were assigned due dates in three phases: the first ten recommendations were due in April 2018, the next 11 in April 2019, and the final 12 in April 2020. The day the audit report was released, President Napolitano created an internal task force, chaired by Executive Vice President and Chief Operating Officer Nava, to ensure timely and thorough implementation of the recommendations to UCOP.

The implementation of the 33 recommendations was grouped into ten work streams. At the November meeting of the Compliance and Audit Committee, Ms. Nava presented an overview of implementation status at six months, reporting that the task force was on track to implement the ten recommendations due in April 2018.

Ms. Nava highlighted key achievements of the task force, including: changes to systemwide expense reimbursement policies for car allowances, meal limits during business travel, hotel rates, relocation allowances, moving reimbursements and senior manager supplemental retirement contributions, effective October 2017; presentation of

the current fiscal year's UCOP budget in a format recommended by the State Auditor; the reconvening of the UCOP budget Executive Budget Committee, an advisory body comprised of leaders from every campus, the Academic Senate, and UCOP, charged with reviewing and providing input on UCOP's annual budget; completion of benchmarking analysis for the development of a UCOP reserve policy; identification of more than 500 restricted funds used within the UCOP budget, along with their respective key attributes; and compilation of a comprehensive categorized data set of systemwide programs and initiatives, including individual purposes, costs, and key attributes to assist with reporting.

Also at the November meeting, Sjoberg Evashenk Consulting, the independent consultant contracted by the Regents to assess UCOP's progress in implementing the State Auditor's recommendations, presented its second quarterly report on implementation progress. The firm reported that it continued to see that UCOP was fully embracing the State Auditor's recommendations and was devoting significant resources, attention, and priority to achieving the intended improvements. Further, it found that the task force's workgroups were focused on addressing the underlying issues raised by the State Auditor, and outlined the steps needed to develop appropriate policies and procedures by the deadlines established by the State Auditor.

In late December, the State Auditor finalized its assessment of UCOP's six-month status report. Of the ten recommendations due in April of the current year, the State Auditor assessed one as fully implemented, the convening of the Executive Budget Committee. The State Auditor also provided feedback on the documentation it reviewed as part of its six-month assessment, which included concerns the Auditor would like to see addressed by the April 2018 deadline. On January 5, President Napolitano sent a letter to the Board summarizing and attaching the State Auditor's six-month assessment. The task force was currently working to address the issues identified by the State Auditor in its six-month assessment as part of its ongoing implementation efforts.

Chair Kieffer noted that Kurt Sjoberg of Sjoberg Evashenk Consulting had commented that he had never seen people work so hard in taking on a task as large as in UCOP's response to the recommendations of the State Audit Report.

Report of the Finance and Capital Strategies Committee

Regent Makarechian reported that the Committee considered six action items and six discussion items.

A. ***Approval of Amendment #6 to the UCLA 2002 Long Range Development Plan for Additional On-Campus Student Housing Following Action Pursuant to the California Environmental Quality Act, Los Angeles Campus***

Following review and consideration of the environmental consequences of the proposed Amendment #6 to the UCLA 2002 Long Range Development Plan (LRDP), 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 the Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Committee recommended:

- (1) Certification of the *UCLA Long Range Development Plan Amendment (2017) and Student Housing Projects Subsequent Environmental Impact Report*.
- (2) Adoption of the CEQA Findings, Statement of Overriding Considerations, and Mitigation Monitoring and Reporting Plan.
- (3) Approval of Amendment #6 to the UCLA 2002 LRDP to add 1.5 million gross square feet to the campus development allocation.

Regent Makarechian commented that this project would increase student housing on campus and was a part of the effort to add affordable housing on UC campuses. He applauded the fact that there were five items at the current meeting that would increase student housing.

B. *Approval of Budget, External Financing, and Design Following Action Pursuant to California Environmental Quality Act, Lot 15 Residence Hall, Los Angeles Campus*

The Committee recommended that:

- (1) The 2017-18 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Los Angeles: Lot 15 Residence Hall – preliminary plans – \$3 million to be funded from housing reserves.

To: Los Angeles: Lot 15 Residence Hall – preliminary plans, working drawings, construction, and equipment – \$237,449,000 to be funded from external financing (\$193,449,000) and housing reserves (\$44 million).
- (2) The Lot 15 Residence Hall project shall construct approximately 343,600 gross square feet (gsf) of housing space, supplying approximately 1,781 beds, related commons space, and site improvements. The scope includes demolition of Ornamental Horticultural Buildings J and M, totaling approximately 12,000 gsf, to create the site for the proposed residential facility.

- (3) The President of the University be authorized to obtain external financing not to exceed \$193,449,000, plus additional related financing costs. The President shall require that:
 - a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - b. As long as the debt is outstanding, general revenues from the Los Angeles campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - c. The general credit of the Regents shall not be pledged.
- (4) Following review and consideration of the previously certified *LRDP Amendment (2017) and Student Housing Projects Subsequent Environmental Impact Report* of which the proposed Lot 15 Residence Hall project is a part, 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 Regents:
 - a. Determine that no further environmental analysis pursuant to the California Environmental Quality Act is required and re-adopt and affirm the Findings for the UCLA LRDP Amendment (2017) and Student Housing Projects.
 - b. Approve the design of the Lot 15 Residence Hall project, Los Angeles campus.
- (5) The President, or designee, be authorized, in consultation with the General Counsel, to execute all documents necessary or appropriate in connection with the above.

C. *Approval of Budget, External Financing, and Design Following Action Pursuant to California Environmental Quality Act, 10995 Le Conte Apartments, Los Angeles Campus*

The Committee recommended that:

- (1) The 2017-18 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Los Angeles: 10995 Le Conte Apartments – preliminary plans – \$3.1 million to be funded from housing reserves.

To: Los Angeles: 10995 Le Conte Apartments – preliminary plans, working drawings, construction, and equipment – \$209.64 million to be funded from external financing (\$156.64 million) and housing reserves (\$53 million).

- (2) The 10995 Le Conte Apartments project shall construct approximately 301,900 gross square feet (gsf) of housing space, supplying approximately 1,159 beds, related commons space, and site improvements. The scope includes demolition of the University Extension Building, a 93,500-gsf seismically deficient structure, to create the site for the proposed residential facility.
- (3) The President of the University be authorized to obtain external financing not to exceed \$156.64 million, plus additional related financing costs. The President shall require that:
 - a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - b. As long as the debt is outstanding, general revenues from the Los Angeles campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - c. The general credit of the Regents shall not be pledged.
- (4) Following review and consideration of the previously certified *LRDP Amendment (2017) and Student Housing Projects Subsequent Environmental Impact Report* of which the proposed 10995 Le Conte Apartments project is a part, 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 Regents:
 - a. Determine that no further environmental analysis pursuant to the California Environmental Quality Act is required and adopt and affirm the Findings for the UCLA LRDP Amendment (2017) and Student Housing Projects.
 - b. Approve the design of the 10995 Le Conte Apartments project, Los Angeles Campus.
- (5) The President, or designee, be authorized, in consultation with the General Counsel, to execute all documents necessary or appropriate in connection with the above.

D. ***Approval of Budget, External Financing, and Design Following Action Pursuant to California Environmental Quality Act, Southwest Campus Apartments, Los Angeles Campus***

The Committee recommended that:

- (1) The 2017-18 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Los Angeles: Southwest Campus Apartments – preliminary plans – \$4.3 million to be funded from housing reserves.

To: Los Angeles: Southwest Campus Apartments – preliminary plans, working drawings, construction, and equipment – \$383.29 million to be funded from external financing (\$303.29 million) and housing reserves (\$80 million).
- (2) The Southwest Campus Apartments project shall construct approximately 591,100 gross square feet (gsf) of housing space, supplying approximately 2,279 beds, related commons space, and site improvements. The scope includes demolition of Warren Hall (102,200 gsf) and a modular research building (7,200 gsf), to create the site for the proposed residential facility.
- (3) The President of the University be authorized to obtain external financing not to exceed \$303.29 million, plus additional related financing costs. The President shall require that:
 - a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - b. As long as the debt is outstanding, general revenues from the Los Angeles campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - c. The general credit of the Regents shall not be pledged.
- (4) Following review and consideration of the previously certified *LRDP Amendment (2017) and Student Housing Projects Subsequent Environmental Impact Report* of which the proposed Southwest Campus Apartments Project is a part, 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 Regents:

- a. Determine that no further environmental analysis pursuant to the California Environmental Quality Act is required and adopt and affirm the Findings for the UCLA LRDP Amendment (2017) and Student Housing Projects.
 - b. Approve the design of the Southwest Campus Apartments project, Los Angeles campus.
- (5) The President, or designee, be authorized, in consultation with the General Counsel, to execute all documents necessary or appropriate in connection with the above.

Regent Makarechian noted that UCLA's housing projects were part of its effort to guarantee on-campus housing to all of its students.

E. ***Adoption of Regents Policy on a Central Operating Reserve for the University of California Office of the President and Discussion of Guidelines Governing the Central Operating Reserve***

The Committee recommended adoption of the Policy on a Central Operating Reserve for the University of California Office of the President, as shown in Attachment 2.

Regent Makarechian reported that this action item to establish a Regents policy on a Central Operating Reserve for the Office of the President generated much discussion and was recommended by the Committee for approval.

F. ***University of California Office of the President Fiscal Year 2018-19 Budget Process***

The Committee received a progress update for the fiscal year 2018-19 budget for the UC Office of the President.

G. ***Development of Dundee Residence Hall and Glasgow Dining, Riverside Campus***

The Committee suggested that it focus on this project at its upcoming meetings.

H. ***Amendment of the Budget, Joan and Sanford I. Weill Neurosciences Building, San Francisco Campus***

This discussion item would be brought back to the Committee at a future meeting.

I. ***Regents Policies on Capital, External Financing, and Employee Housing Assistance Program Matters***

This discussion item was not summarized at the Board meeting.

J. ***Fiat Lux – The University of California’s Captive Insurance Company: A Five-Year Update***

This discussion item was not summarized at the Board meeting.

K. ***UCPath Update***

This discussion item was not summarized at the Board meeting.

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

Report of the Governance and Compensation Committee

Regent Ortiz Oakley reported that the Committee considered three items for action and one item for discussion.

A. ***Governance, Policy, and Compliance Reforms: Adoption of Regents Policy on Compliance with State Audits, Regents Policy on Independent Reporting to the Board of Regents by Officers with Dual Reporting Obligations to the Board and to the President of the University, and Regents Policy on Appointment and Compensation of Officers of the Regents with Dual Reporting Obligations to the Board of Regents and to the President of the University; Amendment of Bylaw 23, Amendment of the Compliance and Audit Committee Charter; and Amendment of Regents Policy 7702 - Senior Management Group Performance Management Review Process***

The Committee recommended:

- (1) Adoption of a Regents Policy on Compliance with State Audits as shown in Attachment 3.
- (2) Adoption of a Regents Policy on Independent Reporting to the Board of Regents by Officers with Dual Reporting Obligations to the Board and to the President of the University as shown in Attachment 4.
- (3) Amendment of Bylaw 23.5 – Authority and Duties of Principal Officers, as shown in Attachment 5.
- (4) Directing that the Systemwide Human Resources Division amend the job descriptions of the Chief Compliance and Audit Officer, the General Counsel, the Chief Investment Officer, and the Systemwide Deputy Audit Director, and that the Internal Audit Manual be amended to add the following language: With regard to audits and investigations of the Office of the President, the [officer] reports solely and exclusively to the Board of

Regents. The [officer] is expected to report to the Board any significant concerns regarding the Office of the President.

- (5) Amendment of the Compliance and Audit Committee Charter as shown in Attachment 6.
- (6) Amendment of Regents Policy 7702 – Senior Management Group Performance Management Review Process, as shown in Attachment 7.
- (7) Amendment of Bylaw 23 – Officers of the Corporation – section 2(c) Appointment and Qualifications Principal Officers, and section 3(c) Removal Principal Officers as shown in Attachment 8.
- (8) Adoption of a Regents Policy on Appointment and Compensation of Officers of the Regents with Dual Reporting Obligations to the Board of Regents and to the President of the University as shown in Attachment 9, effective upon approval of amendment to Bylaw 23 as described in paragraph (7) above.
- (9) Waiver of service of notice for amendment of the Bylaws shown in paragraphs (3) and (7) above.

Regent Ortiz Oakley reported that the Committee reviewed proposed revisions, prepared in consultation with former Chair Lozano, to UC policies and other governance documents in response to the State audit of the UC Office of the President expenditures. Specific language was inserted to clarify and strengthen the roles of certain administrators at the University, especially those with a dual reporting relationship to the Board of Regents and to the President of the University, ensuring that they understand that the Regents expect them to report any concerns to the Board of Regents. Language was added to the job descriptions of the Chief Compliance and Audit Officer, General Counsel, Chief Investment Officer, and systemwide Deputy Audit Director specifically about reporting to the Board of Regents any significant concerns regarding the Office of the President. Several other changes were intended to ensure that the Board of Regents receive information in a timely manner.

B. *Approval of New Benchmarking Framework Resulting in Revisions to the Market Reference Zones for UC Health Positions in the Senior Management Group, as Proposed by the UC Health Executive Compensation Working Group*

The Committee reported its approval of the new Benchmarking Framework revising the Market Reference Zones (MRZs) for UC Health positions in the Senior Management Group, as recommended by the Regents Workgroup on UC Health Executive Compensation and approved by the Regents' Health Services Committee.

Regent Ortiz Oakley said the Committee discussed the purpose of the MRZs and how they would be used.

C. ***Establishment of New Position in the Senior Management Group of Associate Vice President – Chief Transformation Officer, UC Health, and the Market Reference Zone for the Position, Office of the President***

The Committee recommended approval of the following items in connection with the establishment of the new Senior Management Group position of Associate Vice President – Chief Transformation Officer, UC Health, Office of the President, and the Market Reference Zone for the position, Office of the President:

- (1) Establishment of the new Senior Management Group position of Associate Vice President – Chief Transformation Officer, UC Health, Office of the President. This will be a Level Two position in the Senior Management Group.
- (2) Establishment of a Market Reference Zone (MRZ) for the position of Associate Vice President – Chief Transformation Officer, UC Health, Office of the President, as follows: 25th percentile – \$361,000, 50th percentile – \$459,800, 60th percentile – \$481,400, 75th percentile – \$513,700, and 90th percentile – \$608,200.
- (3) This action will be effective upon approval.

The Committee discussed the responsibilities of the proposed new position, which were explained by Executive Vice President Stobo. The position would improve coordination in UC Health and reduce costs. The Committee discussed how the position would be evaluated to ensure clear criteria for the value it would create.

D. ***Semi-Annual Report on Outside Professional Activities Approved in 2017***

Regent Ortiz Oakley said this report showed that the new policy seemed to be working. There were no major exceptions noted in the report.

E. ***Appointment of Regent as Chair of the National Laboratories Subcommittee***

In closed session the Governance and Compensation Committee appointed Regent Tauscher as Chair of the National Laboratories Subcommittee, effective February 16, 2018 through June 30, 2018.

Upon motion of Regent Ortiz Oakley, duly made and seconded, the recommendations of the Governance and Compensation Committee were approved, Regents Anguiano, De La Peña, Elliott, Guber, Kieffer, Lansing, Lemus, Makarechian, Mancía, Monge, Napolitano, Ortiz Oakley, Park, Pérez, Tauscher, Varner, and Zettel voting “aye.”

Report of the Health Services Committee (meeting of December 13, 2017)

Regent Lansing reported that the Committee considered five items for discussion.

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

Regent Lansing said that Executive Vice President Stobo and the Committee discussed the implications of new federal tax legislation. Committee members asked that UC Health draft a public statement expressing the University's concerns about this legislation and effects on federal funding for hospitals, medical research, and medical education.

Dr. Stobo also presented information on how UC clinical data could be used to improve patient care and leveraged for scale.

B. ***Overview of Report from the President's Ad Hoc Task Force on Health Data Governance***

Regent Lansing reported that UCLA Vice Chancellor John Mazziotta and Chief Strategy Officer Elizabeth Engel emphasized the University's responsibilities to safeguard patient data, and to analyze and share data in order to generate new knowledge and insights for the public good.

C. ***UC San Diego Health Budget Overview, San Diego Campus***

Regent Lansing stated that UC San Diego Health Chief Executive Officer Patty Maysent and Chief Financial Officer Lori Donaldson delivered a positive report including the opening of the new Jacobs Medical Center contributing to a six percent annual volume gain. However, they expressed concerns about compensation for clinical faculty, and Medi-Cal and Medicare reimbursement. UCSD Health hoped to achieve total savings of \$350 million by the end of fiscal year 2018. UCSD's strategic response to increasing expenses and declining government reimbursement was not to reduce the number of Medi-Cal patients but to increase the number of both Medi-Cal and commercially insured patients.

D. ***Potential Leadership to Manage the Leveraging Scale for Value Initiative and Corresponding Market Reference Zone***

Regent Lansing said that revised Market Reference Zones (MRZs) for UC Health positions in the Senior Management Group were presented to and approved by the Governance and Compensation Committee the prior day.

E. ***Clinical Quality Dashboard for University of California Medical Centers***

Regent Lansing reported that Dr. Joshua Adler of UCSF presented the clinical quality dashboard for UC medical centers. There was a slight increase in infection

rates for the two previous quarters at UCLA Medical Center Santa Monica. The causes were known and being addressed. New training for the nurses was needed. That hospital's infection rates appeared to be trending in a favorable direction.

Chair Kieffer recalled that in the past there had been years when UC's hospitals operated at a deficit. Effective corrections were made with good results. UC's hospitals were currently under great pressure from the changes in health law and ongoing uncertainty. UC Health was currently the third largest provider of health care in California, providing tremendous public service at an extremely high level.

Report of the Public Engagement and Development Committee

Regent Lansing reported that the Committee considered four items for discussion.

A. ***Federal Issues Update***

The Committee heard a presentation on the status of the federal budget for fiscal year 2018, tax reform legislation, and other key federal issues.

B. ***Update on University of California-Sponsored State Legislation for 2018***

Regent Lansing said the Committee heard an update on progress being made on UC-sponsored State legislation.

C. ***Community Outreach and Impacts, Division of Agriculture and Natural Resources***

The Committee heard a presentation about the history and current operations of UC's Division of Agriculture and Natural Resources (ANR). The Committee was delighted by the presentation of Melina Granados, President of Eastside Eagles 4H Club in Riverside. Ms. Granados spoke to the Board about her experience with 4H and how it has helped her develop leadership skills.

D. ***Annual Report on Sustainable Practices 2017***

The Committee heard a discussion of the Annual Report on Sustainable Practices.

Report of the National Laboratories Subcommittee

Regent De La Peña reported that the Subcommittee considered three items for discussion. He acknowledged the dedicated service of Regent Pattiz, who viewed his service to the University and the National Laboratories as an honor.

A. ***Presentation on the State of the Lawrence Berkeley National Laboratory***

Regent De La Peña reported that Lawrence Berkeley National Laboratory (LBNL) Director Michael Witherell briefed the Subcommittee on the current state of the Laboratory and its accomplishments. LBNL conducts Nobel Prize-winning discovery science and develops scientific solutions to national challenges. He highlighted several of LBNL's user facilities available to the broader scientific community, and recent Laboratory breakthroughs including the discovery of dark energy and the development of CRISPR-Cas9 genetic engineering.

B. ***Annual Report on Fiscal Year 2017 National Laboratory Performance Ratings***

Regent De La Peña was pleased to report that Lawrence Berkeley National Laboratory (LBNL) earned 94 percent of available fee for fiscal year 2017 and the Department of Energy (DOE) awarded LBNL a one-year prime contract award-term extension. Los Alamos National Laboratory contractor Los Alamos National Security, LLC earned 90 percent of available fee and no further award terms were available. Lawrence Livermore National Laboratory contractor Lawrence Livermore National Security, LLC earned its highest ever performance rating, receiving 94 percent of available fee and a further one-year award term. UC's portions of the fees were always reinvested into research.

C. ***Update on Los Alamos National Laboratory Contract Competition and Lawrence Berkeley National Laboratory Contract Reform***

Regent De La Peña explained that the Los Alamos National Laboratory (LANL) current management and operating (M&O) contract expires on September 30, 2018. A competition for the follow-on M&O contract was under way. A proposal on behalf the University's team was submitted by the December 11 deadline. If the University team's proposal is determined to be within the competitive range and fully compliant, the National Nuclear Security Administration would provide the team with a written description of the proposal's significant weaknesses and deficiencies. This written statement would be followed by orals. After orals, the Request for Proposals would be amended again to provide instructions for a final proposal revision. It was expected that the contract award would be announced in April or May 2018.

Regarding the Berkeley Laboratory's contract reform, DOE headquarters was reviewing the revised contract, designed to make the LBNL M&O contract a more useful and efficient instrument. In the meantime, LBNL continued to operate under the current M&O contract.

Regent Tauscher also thanked Regent Pattiz and Regent De La Peña for their stalwart service to the National Laboratories and national security.

Chair Kieffer noted that the committee reports reflect the size and breadth of the University of California, with an operating budget of more than \$33 billion.

5. **NOTABLE HONORS AND ACHIEVEMENTS**

President Napolitano reported on a sample of the many recent accomplishments of UC faculty, students, and staff. The Breakthrough Prize, established in 2012 and known as the “Oscars of Science,” is awarded in fundamental physics, life-sciences, and mathematics, and its \$3 million prize is the largest in science. Five of the seven winners announced the prior month were affiliated with UC, included Professor Joanne Chory, a plant biologist at the Salk Institute for Biological Studies and adjunct professor at UC San Diego; Professor Don W. Cleveland, Chair of the Department of Cellular and Molecular Medicine at UC San Diego; UCSF Professor of Biochemistry and Biophysics Peter Walter; Professor James McKernan, the Charles Lee Powell Endowed Chair in Mathematics at UC San Diego; and UCLA Professor Edward L. Wright, part of a 27-member National Aeronautics and Space Administration team.

In November, 51 UC faculty, representing every UC campus, were among the newest fellows elected to the American Association for the Advancement of Science. The prior month, nine UC faculty were named as Fellows of the National Academy of Inventors (NAI), bringing the total number of UC’s NAI Fellows to 61. Five UC scientists were recognized for their excellence in research and their innovative efforts in science education, winning funding through the Howard Hughes Medical Institute Professor awards, including UC Santa Cruz Professors of Ecology and Evolutionary Biology Beth Shapiro and Erika Zavaleta. Professor’s Zavaleta’s grant would encourage more students to become involved in conservation biology by making research-based field courses and internships more accessible. Professor Shapiro collaborated with Robert Wayne, a UCLA molecular ecologist to win a grant of \$1.5 million to increase the numbers of students participating in bio-diversity surveys using environmental DNA. UCLA Professor of Ecology and Evolutionary Biology Paul Barber won funding for a year-long support program for underrepresented pre-med students. UC Berkeley Professor of Integrative Biology Robert Full aimed to extend the science, technology, engineering, and mathematics workforce by tapping students’ creativity in an entrepreneurial biology-inspired design program.

Earlier in January, UC dominated the 2018 *Wall Street Journal/Times* Higher Education College Rankings of the best public institutions in the West. UC Irvine ranked third among top U.S. colleges for providing a productive learning environment.

President Napolitano noted the influence and legacy of the late 27-year UC Irvine Professor of Psychology, Psychiatry, and Comparative Cultures Joseph L. White, a master teacher, scholar, and mentor, affectionately known as the Godfather of Black Psychology for the central role he played in framing the academic discourse of modern African American and ethnic psychology. Through his lectures, he inspired thousands of students to engage in social justice, public service, and scholarship.

6. RESOLUTIONS IN APPRECIATION**A. RESOLUTION IN APPRECIATION OF WILLIAM DE LA PEÑA**

Upon motion of Regent Makarechian, duly seconded, the following resolution was adopted:

WHEREAS, the Regents of the University of California wish to commend their good friend and esteemed colleague, William De La Peña, for his 12 years of devoted service to higher education and to the University of California, during which time he has exemplified the best in public service, with unwavering loyalty and commitment to the mission of the University and the people of California; and

WHEREAS, his experience as a medical doctor, unique to the Board, has enhanced and deepened the Board's understanding of issues in the rapidly changing health sciences environment, and his leadership over many years as Chair and Vice Chair of the Health Services Committee has strengthened both the governance and operations of the University's clinical enterprise, resulting in improvements in patient care, efficiencies in operations, and innovations in research that will be influential for decades to come; and

WHEREAS, since 2016 he has ably represented the Regents as an Executive Committee Governor of the Boards of Governors of the Los Alamos National Security, LLC, and Lawrence Livermore National Security, LLC, employing the expertise he garnered from his many years of leadership as Vice Chair of the Committee on Oversight of the Department of Energy Laboratories in support of the scientific and national security missions of the National Laboratories; and

WHEREAS, his long service on several Committees of the Board has enabled him to develop a depth of knowledge that has been indispensable to the Compliance and Audit Committee, the Investments Subcommittee and the National Laboratories Subcommittee, in addition to the Health Services Committee, where his wise counsel was always informed by a heartfelt dedication to the long-term welfare of the University and the nation; and

WHEREAS, in recognition of his loyal service as a member of the Board of Regents of the University of California and in the hope that he will remain a vital part of the University of California family, the Regents do hereby confer upon William De La Peña the title Regent Emeritus;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California express to William De La Peña their genuine appreciation for his dedicated service to the University, their gratitude and admiration, and their sincere regret that they will not share in the pleasure of his company to the same degree in the future;

AND BE IT FURTHER RESOLVED that the Regents extend to Bill their affectionate good wishes for continued happiness in the years ahead, rich in the company of family, good friends and good wine, and direct that a suitably inscribed copy of this resolution be presented to him as a token of the Board's enduring friendship.

Regent Makarechian thanked Regent De La Peña for his 12 years of service to the University and said the Board would miss his gentle wisdom.

B. RESOLUTION IN APPRECIATION OF NORMAN PATTIZ

Upon motion of Regent Tauscher, duly seconded, the following resolution was adopted:

WHEREAS, the Regents of the University of California wish to pay tribute to their good friend and esteemed colleague, Norman Pattiz, for over 16 years of meritorious service to higher education and to the University of California, with an unwavering commitment to the University and to its mission as a research powerhouse, serving the people of the State of California and the nation; and

WHEREAS, he made it his personal mission to educate others about, and advocate for, the critical role of the University in the National Laboratories, conveying, in his singular voice and with lively commentary, a passion for ensuring that the University of California is the greatest public university not only in the nation, but in the world; and

WHEREAS, his foresight, effective leadership and 15 years of service on the Committee on Oversight of the Department of Energy Laboratories, during nine of which he served as the Committee's Chair, and his role since 2008 as an Executive Governor and Chair of the Board of Governors of the Los Alamos National Security, LLC and Lawrence Livermore National Security, LLC enabled the University to maintain its commitment to the quality of scientific and technological research performed at the Laboratories and to ensure the security of the United States of America; and

WHEREAS, he has been a pivotal figure on the Board of Regents, including serving on virtually every Committee, including more than a decade on the Committees on Health Services and Investments, and spearheading the formation, and serving as a member of, the Working Group on Principles Against Intolerance, which aimed to create a more inclusive community and to ensure that all students, faculty, and staff feel welcome on University of California campuses while upholding the principles of academic freedom and freedom of speech; and

WHEREAS, in recognition of his lengthy service as a member of the Board of Regents and in the hope that he will remain part of, and an eloquent advocate for,

the University, the Regents do hereby confer upon Norman Pattiz the title Regent Emeritus;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California express to Norman Pattiz their sincere appreciation for his dedicated service to the University and their abiding appreciation for the many ways his work on the Board will benefit the University for years to come;

AND BE IT FURTHER RESOLVED that the Regents extend to Norm their affectionate good wishes for continued happiness in the years ahead, and direct that a suitably inscribed copy of this resolution be presented to him as a token of the Board's esteem and best wishes.

Regent Tauscher thanked Regent Pattiz for his 16 years of service on the Board and emphasized his indefatigable leadership of UC's oversight of the National Laboratories, with their crucial role of certifying each to the President of the United States that the nation's nuclear stockpile is safe, effective, and reliable. This is a significant public trust that the Board of Regents performs on behalf of the United States.

C. RESOLUTION IN APPRECIATION OF BRUCE D. VARNER

Upon motion of Regent Lansing, duly seconded, the following resolution was adopted:

WHEREAS, on March 1, 2018, Bruce D. Varner will complete his term on the Board of Regents, having provided distinguished and thoughtful leadership to the University as a Regent since 2006, including as Chairman of the Board from July 1, 2013, to June 30, 2015, reflecting his exemplary lifelong devotion and loyalty to the University as a proud alumnus of the Santa Barbara campus, the Regents of the University of California wish to pay richly deserved tribute to their friend and colleague; and

WHEREAS, he achieved great professional distinction in the field of corporate law, and provided dedicated public service to his community in multiple civic, business, and educational organizations, most notably as Chairman of the Board of Directors of the Inland Empire Economic Partnership, and as a member of the University of California, Riverside Foundation Board of Trustees and the California State University, San Bernardino Board of Governors; and

WHEREAS, as Chairman of the Board, he led with quiet competence and a steady hand, and successfully shepherded the transition to a new President, ensuring that the University of California remains the preeminent public institution of higher learning in the nation; and

WHEREAS, as a Regent, he brought to bear his considerable professional expertise in law, finance, and business practices to benefit the University, rendering his judgment and experience invaluable to the work of nearly every Committee of the Board, but particularly to the Committees on Governance, Compliance and Audit, and Oversight of the Department of Energy Laboratories, and to his exceptional leadership as Chair of the Committees on Finance and Compensation and his service on many executive search committees and special committees, including the 2009 Task Force on UC Compensation, Accountability and Transparency; and

WHEREAS, in recognition of his committed service as a member of the Board of Regents of the University of California, and in the hope of his continued contributions to the welfare and success of the University; the Regents do hereby confer upon Bruce D. Varner the title Regent Emeritus;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California express their appreciation and admiration of Bruce D. Varner, who has enriched the University in countless ways as a member of the Board of Regents;

AND BE IT FURTHER RESOLVED that the Regents extend to Bruce their affectionate best wishes for the future, and direct that a suitably inscribed copy of this resolution be presented to him as an expression of the Board's profound gratitude and friendship.

Regent Lansing emphasized Regent Varner's leadership and wisdom, as he applied his expertise in law, finance, and business to so many areas of his work as a Regent. He was always even-tempered, calm, and kind; the Board would miss his rational approach.

7. ADOPTION OF RESOLUTION ON THE 150TH ANNIVERSARY OF THE UNIVERSITY OF CALIFORNIA

[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.]

Chair Kieffer recommended to the Regents that the following resolution celebrating the 150th anniversary of the establishment of the University of California be adopted:

WHEREAS, in 1862 Congress enacted the Morrill Act which offered a grant of public lands to each state that would establish a college teaching agriculture and the mechanic arts; and

WHEREAS, California enacted the Organic Act in 1868 which established the University of California and entrusted its organization and government to a corporate body, the Regents of the University of California; and

WHEREAS, the University opened its doors in Oakland, California, in 1869 with an inaugural class of 40 students and ten faculty members, and has grown over the last 150 years to include ten campuses: UCSF, founded in 1864; UC Berkeley, founded in 1868; UC Davis, founded in 1908; UCLA, founded in 1919; UC Santa Barbara, founded in 1944; UC Riverside, founded in 1954; UC San Diego, founded in 1960; UC Santa Cruz, founded in 1965; UC Irvine, founded in 1965; and UC Merced, founded in 2005; and together these campuses educate more than 264,000 students, employ more than 21,000 faculty, and have graduated more than 1.8 million living alumni; and

WHEREAS, the University has also grown to include five top-ranked medical centers, three affiliated National Laboratories, and a state-wide Division of Agriculture and Natural Resources that reaches every county in California; and

WHEREAS, through its commitment to diversity and access to all qualified California students, the University currently enrolls more resident undergraduates than at any point in its history, and serves as a training ground for today's students to become the future leaders of the state and the nation; and

WHEREAS, the University's faculty is internationally renowned for its scholarly and scientific achievements, and the leadership of the Systemwide Academic Senate and the ten Divisional Senates has helped maintain the prestige of the University and the quality of a UC education during political, social, and technological changes over the decades; and

WHEREAS, the University received its first Nobel Prize in 1936 when E. O. Lawrence was recognized for his invention of the cyclotron, and today 61 of UC's distinguished faculty members are Nobel prize winners; and

WHEREAS, the University's faculty and alumni include two U.S. Poet Laureates, dozens of MacArthur "Genius" grant winners, Pulitzer Prize winners, prominent policy makers, and countless entrepreneurs and industry leaders; and

WHEREAS, the University of California established the fields of nuclear physics and biotechnology, revolutionized agriculture, and helped the movie industry mature, all of which are now multi-billion-dollar industries, and the University, through its faculty and alumni, continues to drive technological innovation and actively partner with private industry; and

WHEREAS, the University continues to address the world's most pressing issues, such as sustainability and climate change, and continues to lead these efforts with green building practices, use of alternative energy, water conservation, a concerted effort to reduce waste, and other operational and research efforts; and

WHEREAS, each year, the faculty teach and conduct research; the faculty, staff and students engage in critical public service projects in their local communities and beyond; the agricultural specialists advise farmers and seek to bring forth the best from California's land; the health science practitioners help Californians live healthier, longer lives; and the

many others within the University community have a substantial impact on the lives of everyone they reach;

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents celebrates 150 years of achievements and contributions that have provided invaluable benefits for California's economy and Californians' quality of life, and ensure that the University of California's mission continues to be to provide exceptional teaching, research, and public service to the State of California.

Upon motion of Chair Kieffer, duly seconded, the resolution was adopted.

Interim Senior Vice President Holmes stated that the celebration of the University's 150th anniversary presented an opportunity to commemorate UC's successes and look toward its future. All efforts would aim to increase pride in UC and encourage engagement through advocacy for the University. She displayed a video that would accompany a comprehensive online timeline, demonstrating how UC and California had grown together.

8. **APPROVAL OF THE UNIVERSITY OF CALIFORNIA 2018-19 BUDGET FOR CURRENT OPERATIONS, TUITION, AND FINANCIAL AID, AND ADJUSTMENT OF THE EMPLOYER CONTRIBUTION TO THE UNIVERSITY OF CALIFORNIA RETIREMENT PLAN (continued from January 24 meeting)**

Action on this item of the prior day's special meeting of the Board had been deferred until the May meeting. However, Chair Kieffer invited the Regents to ask specific questions about the University's proposed budget.

Executive Vice President and Chief Financial Officer Brostrom said an appendix to the budget focused on the University's cost drivers. He suggested that he could provide a presentation focusing on cost drivers such as the student-faculty ratio and deferred maintenance at the March meeting.

Faculty Representative White asked Mr. Brostrom to present information showing the decrease in spending per UC student over time. Mr. White noted the importance of these figures that pose many questions regarding the challenges UC faced.

Regent Pérez suggested that the Regents communicate questions on the budget to be covered at the March and May meetings through Secretary and Chief of Staff Shaw.

Mr. Brostrom suggested that his office had more detailed budget materials the Regents could review. He and Associate Vice President David Alcocer could also respond to questions of individual Regents before the upcoming meetings if that would be helpful.

Regent Ortiz Oakley said it would be important to have a clear discussion about the pending question of the amount of the employer contribution to the UC Retirement Plan and the implications if that amount were reduced. Also, he requested information about the implications for the campuses of postponing the decision about an increase in nonresident

tuition to March, including the rationale for considering it in March separately from resident tuition that would be considered in May.

President Napolitano asked that the discussion at the March and May meetings include information linking the University's cost drivers with educational outcomes.

9. **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 recommendations:

- (1) *Approval to Amend the Authorization to Fund Improvements to and Approval of Purchase and External Financing of a Medical Office Property in Santa Monica, Los Angeles Campus*

Additions shown by underscoring; deletions shown by strikethrough

- a. Authorize the deposit of up to ~~\$17.25~~ \$19.25 million of UCLA Health System reserves into escrow, and the release of \$750,000 into escrow of MMAC Sixteenth Street MOB, LLC ("MMAC") funds currently being held in reserve by the University (collectively, "Immediate Funds") for the retrofit of the automated Parking Garage at 1223 16th Street, Santa Monica, California, and related costs. The University is authorized to release up to \$6.5 million ~~five percent~~ of the Immediate Funds to MMAC for preliminary design, fabrication of the parking system, planning, and permitting activities for an alternative automated parking system ("Project") and parking mitigation, and the remainder of the Immediate Funds shall not be released to MMAC until the Project is approved and permitted by the City of Santa Monica pursuant to the California Environmental Quality Act ("CEQA"). The Immediate Funds drawn from escrow shall be credited against the Purchase Price set forth in Paragraph b. below at close and repaid to UCLA Health System Reserves as provided in Paragraph d. below. Should the purchase not be completed, such Immediate Funds shall convert into a loan subject to terms and security ~~to be~~ negotiated between the parties. Any unused Immediate Funds shall be returned to the University.
- b. Approve the purchase price as follows, and authorize the President, following compliance with CEQA, to execute the purchase of 1223 16th Street, Santa Monica, California, from MMAC Sixteenth Street MOB, LLC, a Delaware limited liability company and/or its designee(s), for a purchase price not to exceed

~~\$87.84~~ \$88.84 million (“Purchase Price”), plus additional costs for customary closing and due diligence costs. Should the parking system not function at the Parking Standards set forth in the Performance-Based Purchase Price table, the Purchase Price shall be based on the purchase price corresponding to the parking systems’ actual efficiency; provided, however, the amount the University pays for the property must be enough to pay the senior financing off in full plus any required early repayment charge.

In the event that the MMAC fails to complete the Parking Garage, the President is authorized to exercise a purchase option for the Property at a purchase price equal to the sum of (i) \$61.34 million, plus (ii) the amount of Immediate Funds released to pay for the design and construction on the Parking Garage, with such funds constituting a credit towards the purchase, and (iii) customary closing and due diligence costs, provided, however, the amount the University pays for the Property must be enough to pay the senior financing off in full plus pay any required early repayment charge.

The President be authorized to purchase the senior financing in an amount equal to (i) the then outstanding loan amount (current balance is approximately \$59 million), (ii) customary closing and due diligence costs, plus (iii) any required early repayment charge, if necessary to protect the University’s second loan position.

- c. Authorize the President, following compliance with the California Environmental Quality Act, to exercise the purchase option and complete the acquisition authorized above.
- d. Authorize the President to obtain external financing to close the acquisition authorized above, as follows:
 - i. Assume the Seller’s existing financing in an amount not to exceed \$58,845,000, should the terms of the existing financing be considered more desirable than the external financing then available to the University, or should the Regents elect to consummate a purchase after the prepayment window, and externally finance an amount not to exceed ~~\$29.70~~ \$30.7 million, including the balance of the purchase price (not to exceed ~~\$29.00~~ \$30 million, which includes repayment to the UCLA Health System Reserves of the Immediate Funds drawn from escrow), assumption fee for Seller’s existing financing, all reasonable out of pocket costs of the senior lender relating to assumption and customary closing and due diligence costs (together, approximately \$700,000), plus additional financing costs; or

- ii. Externally finance an amount not to exceed ~~\$89.10~~ \$90.1 million, including the purchase price (not to exceed ~~\$87.84~~ \$88.84 million, which includes repayment to the UCLA Health System Reserves of the Immediate Funds drawn from escrow), early repayment charge payoff fee for Seller's existing financing, and customary closing and due diligence costs ~~(together approximately \$1.26 million)~~, all reasonable out of pocket costs of senior lender relating to prepayment plus additional financing costs; and
- e. With respect to either a. or b. above, the President shall require that:
 - i. As long as the debt is outstanding, gross revenues of the UCLA Health System shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing; and
 - ii. The general credit of the Regents shall not be pledged.
- f. The President be authorized to negotiate loan terms and appropriate security for repayment of the Immediate Funds drawn from escrow. Authorize protective advances under the University's second deed of trust, and/or the foreclosure of the second deed of trust, if necessary.
- g. The President be authorized, after consultation with the General Counsel, to execute all documents, amendments, and modifications thereto, as may be necessary or appropriate for acquisition of the Property, and the assumption, purchase, and/or payoff of the existing loan, the funding of the retrofit costs of the Parking Garage, and receipt of external financing, provided that such documents, amendments, and modifications do not materially increase either the purchase price or the Regents' obligations beyond what is addressed in this item.

(2) ***Amendment of the Budget, Outpatient Pavilion, San Diego Campus***

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

From: San Diego: Outpatient Pavilion – preliminary plans, working drawings, construction, and equipment – \$140 million to be funded from external financing (Century Bond) (\$95 million), hospital reserves (\$12.5 million), gift funds (\$7.5 million), and operating leases (\$25 million).

To: San Diego: Outpatient Pavilion – preliminary plans, working drawings, construction, and equipment – \$152 million to be funded from external financing (Century Bond) (\$95 million), hospital reserves (\$24.5 million), gift funds (\$7.5 million), and operating leases (\$25 million).

- b. The President of the University, or designee, be authorized, in consultation with the General Counsel, to execute all documents necessary in connection with the above.

(3) ***Amendment of the Budget and Approval of External Financing, Clinical Sciences Building Seismic Retrofit and Renovation, San Francisco Campus***

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

From: San Francisco: Clinical Sciences Building Seismic Retrofit and Renovation – preliminary plans, working drawings, construction, and equipment – \$95,812,000 to be funded from external financing (\$57,752,000), external financing supported by State appropriations under Sections 92493 through 92496 of the California Education Code¹ (\$24,535,000), and campus funds (\$13,525,000).

To: San Francisco: Clinical Sciences Building Seismic Retrofit and Renovation – preliminary plans, working drawings, construction, and equipment – \$151.19 million to be funded from external financing (\$113.13 million), external financing supported by State appropriations under Sections 92493 through 92496 of the California Education Code (\$24,535,000), and campus funds (\$13,525,000).

- b. The President of the University be authorized to obtain additional external financing not to exceed \$55,378,000 plus additional related financing costs, for the project. 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 San Francisco campus shall be maintained in amounts

¹ This source was previously identified as the AB94 mechanism. Assembly Bill (AB) 94 was the legislation that allowed the use of State general funds for the payment of debt service and other capital costs for certain projects approved by the State, as now described in sections 92493 through 92496 of the Education Code. There has been no change in this source of funds, only the description has been updated for clarity.

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, or designee, be authorized, in consultation with the General Counsel, to execute all documents necessary in connection with the above.
- B. The Chair of the Regents, the Chair of the Governance and Compensation Committee, and the President of the University approved the following recommendation:

Approval of Contract Compensation Parameters for an Additional Assistant Football Coach and a Replacement Assistant Football Coach, Intercollegiate Athletics, Los Angeles Campus

That authority be delegated to the President of the University to negotiate and approve the following compensation terms for a tenth Assistant Football Coach and a replacement for Assistant Football Coach Scott White, Intercollegiate Athletics, Los Angeles campus, with the understanding that the final terms will be set forth in an appropriate written contract, which will be reviewed by the Office of the General Counsel:

- (1) As the tenth Assistant Football Coach position is a new position, the proposed compensation falls outside the *Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide* (the September 2008 Parameters). Approval is requested for the following maximum parameters for the tenth Assistant Football Coach:
 - a. **Contract Duration:** Contract compensation is calculated on a 12-month basis and the contract may be negotiated for up to five years.
 - b. **Appointment:** Appointment will be at 100 percent time.
 - c. **Guaranteed Compensation:** For the first contract year, annual guaranteed compensation not to exceed \$540,000, consisting of an annual base salary not to exceed \$250,000 with the remainder designated as a Talent Fee. For subsequent years, authority to offer an increase of up to 30 percent between consecutive years in the new contract.
 - d. **Annual Maximum Incentive Potential:** Eligible to earn additional compensation in an amount not to exceed \$100,000. This would be

subject to the academic “gatekeeper” threshold such that no incentive would be earned unless the team met the minimum threshold of an Academic Progress Rate (APR) of 930.

- e. **Contingent Retention Bonus:** Deferred compensation in the form of a retention bonus not to exceed the first year’s guaranteed compensation.
- f. **Signing Bonus:** Authority to offer a one-time signing bonus of up to 33 percent of the first year’s guaranteed compensation.
- g. **Summer Camps:** A maximum payment of \$10,000 annually may be provided for services performed in conjunction with summer camps under a revenue-sharing arrangement, the terms of which may be determined at the sole discretion of the Athletics Director and the Head Football Coach.
- h. **Coach Termination:** Consistent with the September 2008 Parameters, the contract will include termination and liability clauses limiting the University’s obligations.
- i. **Other Elements of Compensation:** Consistent with the elements included in assistant football coach contracts at UCLA:
 - i. Reimbursement for actual and reasonable relocation costs consistent with the September 2008 Parameters and University policy.
 - ii. Per policy, standard benefits, except that coaches are not eligible for vacation or sick leave accrual.
 - iii. Other standard coach perquisites consistent with department practice.

(2) Approval is requested for the following maximum parameters for the Assistant Football Coach who will replace Scott White:

- a. **Guaranteed Compensation:** For the first contract year, annual guaranteed compensation not to exceed \$540,000, consisting of an annual base salary not to exceed \$250,000 with the remainder designated as a Talent Fee. Additionally, for subsequent years, authority to offer an increase of up to 30 percent between consecutive years in the new contract. This exceeds the September 2008 Parameters because the proposed maximum increase in annual guaranteed compensation is more than 30 percent over the annual guaranteed compensation of \$125,000 in the current incumbent’s

final contract year. The current incumbent's contract is for a two-year term. When comparing the proposed maximum total cumulative guaranteed compensation to the incumbent's contract of two years, the compensation is more than 30 percent over the incumbent's total cumulative guaranteed compensation of \$250,000 for a two-year contract term.

- b. **Annual Maximum Incentive Potential:** Eligible to earn additional compensation in an amount not to exceed \$100,000. This would be subject to the academic "gatekeeper" threshold such that no incentive would be earned unless the team met the minimum threshold of an APR of 930. This exceeds the September 2008 Parameters because the current incumbent does not receive incentive pay, and the maximum proposed amount exceeds \$30,000.
- c. **Summer Camps:** A maximum payment of \$10,000 annually may be provided for services performed in conjunction with summer camps under a revenue-sharing arrangement, the terms of which may be determined at the sole discretion of the Athletics Director and the Head Football Coach. Coach White does not currently receive camp income, therefore this exceeds the September 2008 Parameters because it would be more than a 30 percent increase between the current incumbent and the new contract.
- d. All other contract terms must be within the September 2008 Parameters.

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 Concurrence Action

The Chair of the Board, the Chair of the Finance and Capital Strategies Committee, and the President of the University approved the following item:

Amendment of the Budget, Mission Bay Childcare Relocation, San Francisco Campus

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

From: San Francisco: Mission Bay Childcare Relocation – preliminary plans, working drawings, construction, and equipment, \$9.8 million to be funded from campus funds.

To: San Francisco: Mission Bay Childcare Relocation – preliminary plans, working drawings, construction, and equipment, \$11.2 million to be funded from campus funds.

10. REPORT OF MATERIALS MAILED BETWEEN MEETINGS

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

To the Regents of the University of California

- A. From the UC Irvine Chancellor, the Internal Audit Report regarding UC Irvine's Fall 2017 Admissions and Enrollment. November 20, 2017.
- B. From the President of the University, the Annual Audit of Hastings College of the Law, for the year ended June 30, 2017. November 22, 2017.
- C. From the President of the University, the Annual Report on New Indirect Cost Rates, for the year ended June 30, 2017. November 22, 2017.
- D. From the President of the University, the 2016 University of California Technology Commercialization Report. November 22, 2017.
- E. From the Chair of the Board, a letter regarding membership and leadership changes to the Governance and Compensation Committee. December 5, 2017.
- F. From the Secretary and Chief of Staff, a letter regarding the establishment of a Regents Working Group on Executive Compensation. December 5, 2017.
- G. From the UC Santa Barbara Chancellor, an email announcing the changed schedule for final exams due to the recent fires. December 11, 2017.
- H. From the Secretary and Chief of Staff, the Summary of Communications for November 2017. December 22, 2017.
- I. From the President of the University, a letter updating the University's progress implementing the recommendations in the California State Auditor's report on the UC Office of the President expenditures. January 5, 2018.
- J. From the UC Office of the President, an email regarding the University's 150th anniversary. January 8, 2018.
- K. From the President of the University, an email informing the Regents of the U.S. District Court's ruling to resume the Deferred Action for Childhood Arrivals program during the adjudication of a lawsuit objecting to its rescission. January 10, 2018.
- L. From the President of the University, a letter providing an overview of the Governor's 2018-19 budget plan. January 10, 2018.

To the Members of the Compensation Committee

- M. From the President of the University, the 2016 Annual Report on Executive Compensation for Deans and Full Time Faculty Administrators. November 9, 2017.

To the Members of the Compliance and Audit Committee

- N. From the General Counsel, the Bi-Monthly Report of New Litigation for the Reporting Period of June 3, 2017-August 4, 2017. November 8, 2017.
- O. From the General Counsel, the Bi-Monthly Report of New Litigation for the Reporting Period of February 3, 2017 to April 3, 2017. November 9, 2017.
- P. From the General Counsel, the Bi-Monthly Report of New Litigation for the Reporting Period of April 4, 2017-June 2, 2017. November 9, 2017.

To the Members of the Finance and Capital Strategies Committee

- Q. From the UC Associate Vice President of Operational Strategies, a letter regarding the nine-month plan developed by UCLA for the Deferred UCPATH deployment. December 9, 2017.
- R. From the President of the University, the 2016-17 Annual Report on the University Employee Housing Assistance Program. December 22, 2017.

To the Members of the Health Services Subcommittee

- S. From the President of the University, the Annual Report on Health Sciences Compensation Plan Participants' Compensation that Exceeds the Reporting Threshold for Calendar Year 2016. December 19, 2017.

To the Members of the Investments Subcommittee

- T. From the Chief Investment Officer, the Annual Endowment Report for the fiscal year ended June 30, 2017. January 3, 2018.

To the Members of the Public Engagement and Development Committee

- U. From the President of the University, an update on the federal tax reform legislation. November 20, 2017.
- V. From the Interim Associate Vice President, UC Office of Federal Governmental Relations, the UC Federal Update 2017, Issue 11. December 22, 2017.

The meeting adjourned at 10:05 a.m.

Attest:

Secretary and Chief of Staff

**Academic Verification Task Force:
Final Recommendations to Enhance Academic Verification**

1. The academic verification process will be used for no other purpose than confirming the qualifications of new students for admission to the University regardless of whether a campus anticipates meeting its undergraduate enrollment target for any given term.
2. All campuses will send at least two direct communications prior to the July 1 deadline.
3. Campuses will send notices via mail to the applicant's current postal address and/or attempt to make direct contact to encourage students to follow through on the final steps prior to enrollment.
4. The University will maintain at least a two-week grace period after published deadlines and send a minimum of two direct reminder communications prior to taking any action on new students who have not completed the steps to enrollment.
5. Campuses will consider alternative practices before withdrawing a student's admission, such as placing a hold on enrollment.
6. Campuses will review other indicators of students' enrollment commitment to assess their likelihood of enrolling in the fall and targeting any additional outreach efforts. These indicators could include, but are not limited to, participation in an orientation program, submitting a housing deposit, or registering for classes.
7. Notification of withdrawal of admission will include clear instructions and deadlines for appeals.

**Regents Policy on a Central Operating Reserve for the
University of California Office of the President (UCOP)**

POLICY SUMMARY/BACKGROUND

This policy was developed in response to the recommendation made by the California State Auditor in April 2017 that the Regents adopt a policy governing the size of the reserve funds of the University of California Office of the President and the purposes for which they can be used.

POLICY TEXT

The Regents require that the University of California Office of the President (UCOP) maintain a Central Operating Reserve to support operations in the event of an unanticipated disruption in planned funding. The reserve funds may be used to cover ongoing budgeted expenses such as payroll and other operating expenses. The Central Operating Reserve shall not be used for other purposes. The President shall have the authority to establish and amend guidelines that specify the size and funding source(s) for the Central Operating Reserve. Access to reserves above the threshold stipulated in the Central Operating Reserve Guidelines shall require approval from a majority of the Chair of the Board, the Chair of the Finance and Capital Strategies Committee, and the Chair of the Compliance and Audit Committee.

COMPLIANCE/DELEGATION

Transactions that result in the flow of funds out of the Central Operating Reserve must be approved by the President or his / her designate. The President will notify the Chair of the Board of Regents, the Chair of the Finance and Capital Strategies Committee, and the Chair of the Compliance and Audit Committee before funds are drawn.

PROCEDURES AND RELATED DOCUMENTS

Presidential Guidelines Governing the UCOP Central Operating Reserve [Link to be included upon posting]

Changes to procedures and related documents do not require Regents approval, and inclusion or amendment of references to these documents can be implemented administratively by the Office of the Secretary and Chief of Staff upon request by the unit responsible for the linked documents.

REGENTS POLICY ON COMPLIANCE WITH STATE AUDITS

POLICY SUMMARY/BACKGROUND

In response to the independent fact-finding review of the Office of the President's handling of campus survey responses to the State Auditor, the Regents reviewed their governing documents and hereby adopt revisions that are intended to expressly prohibit obstruction or interference with the State Auditor or disclosures to the State Auditor and to clarify and strengthen the independence of certain administrators when responding to audits or investigations of the Office of the President.

POLICY TEXT

A. Prohibition on Obstruction of State Auditor

Members of the University of California Board of Regents, Officers of the Corporation, and University employees shall not, with intent to deceive or defraud, commit obstruction of the California State Auditor in the performance of his or her official duties related to an audit required by statute or requested by the Joint Legislative Audit Committee of the California State Legislature.

B. Prohibition on Interference with Protected Disclosure to State Auditor

Members of the University of California Board of Regents, Officers of the Corporation, and University employees shall not, directly or indirectly use or attempt to use the official authority or influence of the employee for the purpose of intimidating, threatening, coercing, commanding, or attempting to intimidate, threaten, coerce, or command any person for the purpose of interfering with the right of that person to make a good faith communication to the State Auditor that discloses or demonstrates an intention to disclose information that may evidence improper governmental activity.

C. Communication During State Audits of the Office of the President

If the subject of the State Auditor's audit or investigation is the Office of the President or any division or department within the Office of the President that reports directly to the President of the University, the Chief Compliance and Audit Officer, when carrying out obligations related to that audit or investigation, shall report solely and exclusively to the Board of Regents, through the Chair of the Compliance and Audit Committee, and the General Counsel, when carrying out obligations related to that audit or investigation, shall report solely and exclusively to the Board of Regents, through the Chair of the Board. Where there is a lack of clarity regarding whether the Office of the President or any division or department within the Office of the President is the subject of the State Auditor's audit or investigation, the Chief Compliance and Audit Officer and the General Counsel shall consult with the Chair of the Board and the Chair of the Compliance and Audit Committee to determine whether single reporting is in effect for purposes of such audit or investigation. Both the Chief Compliance and Audit Officer and the General Counsel shall be responsible for keeping the Chair of the Board and the Chair of the

Compliance and Audit Committee, respectively, apprised of the status of the State Auditor's audit or investigation.

D. Training and Compliance

Principal Officers of The Regents and University employees whose jobs are audit-related shall receive training to strengthen their oversight of the University's handling of State Audit responses. The training will cover any new or amended policies related to State Audit responses and related reporting relationships and other relevant governance documents. Principal Officers and employees receiving such trainings shall provide attestations that they have completed such training, and understand and will comply with the policies. Compliance with the policies will be expressly taken into consideration as part of annual performance evaluations and compensation decisions.

**REGENTS POLICY ON INDEPENDENT REPORTING TO THE BOARD BY
OFFICERS OF THE REGENTS WITH DUAL REPORTING OBLIGATIONS TO THE
BOARD AND TO THE PRESIDENT OF THE UNIVERSITY**

POLICY SUMMARY/BACKGROUND

In response to the independent fact-finding review of the Office of the President's handling of campus survey responses to the State Auditor, the Regents reviewed their governing documents and hereby adopt revisions that are intended to clarify and strengthen the independence of Principal Officers with a dual reporting relationship to the Board of Regents and to the President of the University.

POLICY TEXT

A. Chief Compliance and Auditor Officer Meetings with Chair of Compliance and Audit Committee and Chair of the Board

To facilitate an effective working relationship between the Chief Compliance and Audit Officer (CCAO) and the Regents and to enhance independent oversight by the Regents, to whom the CCAO owes a direct reporting obligation, the Chair of the Compliance and Audit Committee and the Chair of the Board shall confer with the CCAO alone on a regular basis and shall meet with him or her alone not less than twice a year.

B. Systemwide Deputy Audit Director Meetings with and Access to Compliance and Audit Committee

The principal avenue for the Systemwide Deputy Audit Director to communicate with the Committee on Compliance and Audit shall be through the Chief Compliance and Audit Officer (CCAO). Notwithstanding the foregoing, the Systemwide Deputy Audit Director shall have the authority to bring the following matters to the attention of the Chair of the Compliance and Audit Committee, after advising the CCAO of such matters: (1) failure by a senior University official or officials to investigate and/or resolve allegations of improper governmental activities in accordance with law and University policies; (2) violations of law or policy by a senior University official that could result in substantial financial, reputational, or other harm to the University; and (3) obstruction or interference with an audit initiated by the California State Auditor or by the University's independent financial accountants. Additionally, the Systemwide Deputy Audit Director shall have the opportunity to meet annually with the Chair of the Committee on Compliance and Audit outside the presence of other University officials.

C. General Counsel Meetings with Board Chair

To facilitate an effective working relationship between the General Counsel and the Regents and to enhance independent oversight by the Regents, to whom the General Counsel owes a direct reporting obligation, the Chair of the Board shall confer with the

General Counsel alone on a regular basis and shall meet with him or her alone not less than twice a year.

D. Chief Investment Officer Meetings with Chair of Investments Subcommittee and Chair of the Board

To facilitate an effective working relationship between the Chief Investment Officer and the Regents and to enhance independent oversight by the Regents, to whom the Chief Investment Officer owes a direct reporting obligation, the Chair of the Investments Subcommittee and the Chair of the Board shall confer with the Chief Investment Officer alone on a regular basis and shall meet with him or her alone not less than twice a year.

AMENDMENT OF BYLAW 23.5 – AUTHORITY AND DUTIES OF THE PRINCIPAL OFFICERS

Additions shown by underscoring; deletions shown by strikethrough

(b) General Counsel

The General Counsel serves as the Chief Legal Officer of the University, having general charge of all legal matters pertaining to the Corporation and to the University. The General Counsel represents the Regents in all legal, regulatory and administrative proceedings, attends all meetings of the Board and its committees, and has direct access to the Regents. The General Counsel functions as an independent authority providing advice and counsel to the Regents, to University leaders, and to the Academic Senate on legal and regulatory developments, and on the legal risks and opportunities facing the University. Together with the Secretary and Chief of Staff, the General Counsel advises on the University's governing documents and other Regents Policies and procedures pertaining to the governance of the University. The General Counsel oversees all attorneys employed or retained by the University to represent the Regents. Subject to the direction of the President of the University, the General Counsel oversees the delivery of legal services to University administrators. The General Counsel reports to the Board and to the President of the University. The General Counsel is expected to report to the Board any significant concerns regarding the Office of the President that could result in substantial financial, reputational or other harm to the University. With regard to audits and investigations of the Office of the President, the General Counsel reports solely and exclusively to the Board.

(c) Chief Compliance and Audit Officer

The Chief Compliance and Audit Officer serves as the chief University official having charge of developing and maintaining the University's corporate ethics, compliance and audit programs. The Chief Compliance and Audit Officer has direct access to the Regents and functions as an independent authority to review, audit and evaluate University compliance with law, regulation, policy and ethical principles. The Chief Compliance and Audit Officer is charged with providing regular reports to the Regents and University leadership regarding the outcome of such reviews. The Chief Compliance and Audit Officer is further charged with overseeing the design and implementation of training and other programs to facilitate faculty and staff compliance with applicable law, regulation and policy. The Chief Compliance and Audit Officer is authorized to implement all steps necessary to achieve the objectives of effective and accountable ethics, compliance and audit programs. The Chief Compliance and Audit Officer reports to the Board and to the President of the University. The Chief Compliance and Audit Officer is expected to report to the Board any significant concerns regarding the Office of the President that could result in substantial financial, reputational or other harm to the University. With regard to audits and investigations of the Office of the President, the Chief Compliance and Audit Officer reports solely and exclusively to the Board.

(d) Chief Investment Officer

The Chief Investment Officer serves as the chief University official having charge of all investment matters pertaining to the Corporation and University. The Chief Investment Officer provides advice and counsel to the Regents, to Board leadership and to University leadership regarding investment policy and performance and has direct access to the Board. The Chief Investment Officer oversees the acquisition, management and disposition of all assets held for investment purposes, as directed by Regents Policy, the Board and/or the President of the University, and acts as the custodian of all investment assets belonging to University. Subject to the administrative oversight of the President of the University, the Chief Investment Officer provides investment services to the University and oversees all investment managers retained by the University to deliver such services. The Chief Investment Officer reports to the Board and to the President of the University. The Chief Investment Officer is expected to report to the Board any significant concerns regarding the Office of the President that could result in substantial financial, reputational or other harm to the University. With regard to audits and investigations of the Office of the President, the Chief Investment Officer reports solely and exclusively to the Board.

AMENDMENT OF COMPLIANCE AND AUDIT COMMITTEE CHARTER

Additions shown by underscoring; deletions shown by strikethrough

D. Other Oversight Responsibilities.

In addition to the responsibilities assigned to the Committee described above, and to the extent not otherwise within such responsibilities, the charge of the Committee shall include reviewing and making recommendations to the Board with regard to the following matters and/or with regard to the following areas of the University's business:

- Monitoring University compliance with applicable laws, regulations and policies, including those concerning conflicts of interest and financial disclosure, those presenting a risk of a material financial impact to the University, and those relating to the University's policies prohibiting discrimination and harassment
- Developing and implementing the University's compliance program
- Development of a culture attentive to the University's commitment to ethics and compliance
- Developing an effective program for receiving, monitoring and investigating complaints of alleged improper governmental activities (i.e. a whistleblower" program)
- The functional reporting relationship of the Senior Vice President – Chief Compliance and Audit Officer with the Committee
- Operational risk management enterprise wide
- Cyber security risks and management response
- Establishing and overseeing the University's internal audit program
- Internal Audit compliance with the Institute of Internal Auditors' (IIA's) International Standards for the Professional Practice of Internal Auditing
- Establishing an effective environmental health and safety program
- Responding to external inquiries such as state and federal regulatory investigations and audits
- Litigation settlements and other settlements of disputed claims
- Monitoring and assuring governance, risk management, and control environment related to financial controls, operational controls and legal compliance are effective
- Developing and implementing corrective actions for identified deficiencies in financial controls or legal compliance
- The appointment of the external independent financial auditor, the external audit plan and the general delivery of these services
- Resolving any disputes between the independent financial auditor and management
- Assuring that the independent financial auditor has access to the Committee for independent discussions, where appropriate
- Reviewing with the independent auditors matters required to be discussed under external auditing standards

- Overseeing development and regular review of the University's ethics policies and statements of ethical principles with particular attention to compliance with University policies and applicable laws and regulations
- Monitoring and assuring the independence and accountability of the Chief Compliance and Audit Officer and General Counsel to the Board with regard to ethics, compliance, and risk management issues concerning the Office of the President

The assignment of responsibility to this Standing Committee under Paragraphs C and D signifies that it is the Committee to which matters otherwise appropriate for Board consideration generally will be referred and does not create an independent obligation to present a matter to this Standing Committee or its Subcommittee, to the Board or to any other Committee.

AMENDMENT OF REGENTS POLICY 7702 – SENIOR MANAGEMENT GROUP PERFORMANCE MANAGEMENT REVIEW PROCESS

Additions shown by underscoring; deletions shown by strikethrough

POLICY TEXT

A. Five-Year Senior Leadership Development Assessment

A Leadership Development Assessment will be conducted once every five years. The purpose of this assessment is to provide the Senior Management Group (SMG) member with feedback from a broader perspective than is usual with an annual performance evaluation. This is a managerial coaching and development exercise, rather than an evaluation of achievement toward specific goals. Individuals who have direct and specific knowledge of a SMG member's performance and contribution will be consulted to collect their input and feedback relevant to the SMG member's performance. Those consulted should include individuals, as appropriate, from among the following constituents: the Academic Senate, academic unit heads, staff (including subordinates), deans, other administrators within the University, other pertinent external groups and, in the case of the President and Principal Officers of the University, Regents.

The process for conducting the leadership development assessment, the format and any related materials may be developed by each location. The official document of record will reside with each location; however, a copy of the document will be provided to the Office of the President. The Chancellor will determine the appropriate contributors to the assessment of campus SMG members. The Leadership Development Assessment will be initiated by the direct supervisors at each location. As processes are developed, proper consultation with the Academic Senate will occur, where appropriate. For those positions reporting to the President and/or the Regents, the Office of the President will be responsible for establishing a process consistent with this policy.

B. Annual Performance Evaluation

Performance evaluations will be conducted annually by the direct supervisor for each SMG member on the *University of California Performance Management for Senior Administrators* evaluation form. For campus positions, the Chancellor shall determine the key components in the performance evaluation process, which may include self-appraisals; internal and external sources of information, including client feedback; and input from key stakeholders. The official document of record will reside with each location; however, a copy of the document will be provided to the Office of the President and the overall rating will be recorded in the Senior Leadership Information System (SLIS).

~~For Principal Officers of the Regents reporting to both the Board of Regents and the President, the incumbent will complete a self-assessment and the President will collect~~

~~input from the Chair of the Board and the designated Regent. The President will develop agreement on the overall assessment and then meet with the Principal Officer to provide the overall performance assessment.~~

For the President and Principal Officers of the Regents reporting solely to the Board of Regents, the Chair of the Board will develop the overall assessment and then meet with the President or Principal Officer to provide the overall performance assessment.

~~The designated Regent for the General Counsel is the Chair of the Board. The designated Regent for the Chief Investment Officer is the Chair of the Investment Committee. The designated Regent for the Chief Compliance Officer is the Chair of the Committee on Compliance and Audit.~~

For Principal Officers of the Regents reporting to both the Board of Regents and the President, the incumbent will complete a self-assessment and provide it to the President and to the Chair of the Board. Upon receipt of the Principal Officer's self-assessment, the President will review the self-assessment and conduct a preliminary overall performance assessment. The Chair of the Board, in consultation with other appropriate Regents, will also review the self-assessment and conduct a separate preliminary overall performance assessment, which will include assessment of the Principal Officer's independence from the Office of the President, where necessary, and the Principal Officer's fulfillment of reporting obligations to the Board. Upon completion of the preliminary assessments, the Chair of the Board and the President shall meet to develop agreement on an overall assessment and then both shall meet with the Principal Officer to provide that assessment to him or her.

Goals and objectives will be established for each employee holding a position which has been designated as a participant at the commencement of or during the performance period. Goals and objectives are to clarify and delineate accountability, create opportunity for the individual to add value to the work of the unit and/or campuses, be aligned with higher level objectives and strategies established by University leadership, and encourage growth and development of the individual. Performance will be measured relative to the attainment of the stated goals and objectives, and significant accomplishments related to the strategic goals and objectives of the University.

C. Annual Performance Review Standards and Competencies

Standards and competencies will be incorporated into the annual performance management and review process to measure performance in such areas as vision, leadership, people management, creativity and innovation, interpersonal and communication skills, work productivity and quality, resource management and financial budget, diversity, client service, health service, and principles of community. An SMG member with dual reporting responsibilities (General Counsel, Chief Compliance and Audit Officer, and Chief Investment Officer) shall also be evaluated on his or her independence from the Office of the President with respect to audits or investigations of the Office of the President; oversight over legal risks concerning the Office of the President; and reporting relationship with the Board.

Standards and competencies incorporated into the annual performance management and review process for SMG members with dual reporting responsibilities must include compliance with University policies. Failure to comply with University policies may affect the employee's performance rating and shall be handled in accordance with the Regents' Guidelines for Corrective Actions Related to Compensation Practices and Guidelines for Resolution of Compensation and Personnel Issues Resulting from the Findings of Audits and Management Reviews.

D. Standardized Overall Performance Rating

To provide a standard University-wide format and rating system for Senior Management Group members, the following scale will be incorporated into the review:

Overall Performance Rating:

- Exceptional Performance is significant overachievement of expectations. A performance rating of "Exceptional Performance" shall not be given if the Senior Management Group employee fails to materially comply with University policies.
- Above Expectations Performance is often beyond expectations. A performance rating of "Above Expectations Performance" shall not be given if the Senior Management Group employee fails to materially comply with University policies.
- Satisfactory Performance consistently fulfills expectations, including but not limited to the expectation of material compliance with University policies. A performance rating of "Satisfactory Performance" shall not be given if the Senior Management Group employee fails to materially comply with University policies.
- Improvement Needed Performance is inconsistent performance, with expectations, including but not limited to the expectation of material compliance with UC policies, only partially achieved. Deficiencies should be addressed in the performance appraisal.
- Unsatisfactory Performance is the failure to achieve the majority of expectations. Deficiencies should be addressed in the performance appraisal.

AMENDMENT OF BYLAW 23 – OFFICERS OF THE CORPORATION

Additions shown by underscoring; deletions shown by strikethrough

23. OFFICERS OF THE CORPORATION

23.2 Appointment and Qualifications

(c) ***Principal Officers***

The Principal Officers each shall be appointed by the Board on the occurrence of a vacancy and shall continue in service at the pleasure of the Board. Each of the Principal Officers other than the Secretary and Chief of Staff, in addition to serving as Principal Officers, shall serve as Officers of the University. None of the Principal Officers shall be Regents.

Appointment (including temporary appointment or acting or interim status) of the General Counsel, the Chief Compliance and Audit Officer and the Chief Investment Officer, shall be voted by the Board upon joint recommendation of the Chair of the Board and the President of the University, following consultation with an appropriate Standing Committee or Subcommittee of the Board, as determined jointly by the Chair of the Board and the President, or with a special committee established for that purpose.

23.3 Removal

(c) ***Principal Officers***

Principal Officers may be removed from their positions as Principal Officers, and as Officers of the University, only on the affirmative vote of a majority of the Regents then in office.

Action to demote or dismiss the General Counsel shall be taken only upon recommendation of either the Chair of the Board or the President of the University. Action to demote or dismiss the Chief Compliance and Audit Officer shall be taken only upon recommendation of the Chair of the Board or the President of the University, in consultation with the Chair of the Compliance and Audit Committee. Action to demote or dismiss the Chief Investment Officer shall be taken only upon recommendation of the Chair of the Board or the President of the University, in consultation with the Chair of the Investments Subcommittee.

REGENTS POLICY ON APPOINTMENT AND COMPENSATION OF OFFICERS OF THE REGENTS WITH DUAL REPORTING OBLIGATIONS TO THE BOARD OF REGENTS AND TO THE PRESIDENT OF THE UNIVERSITY

POLICY SUMMARY/BACKGROUND

In response to the independent fact-finding review of the Office of the President's handling of campus survey responses to the State Auditor, the Regents reviewed their governing documents and hereby adopt revisions that are intended to clarify and strengthen the independence of those officers with a dual reporting relationship to the Board of Regents and to the President of the University.

POLICY TEXT

A. Appointment

In accordance with Bylaw 23.2 (c) appointment (including temporary appointment or acting or interim status) of the General Counsel, the Chief Compliance and Audit Officer and the Chief Investment Officer, shall be voted by the Board upon joint recommendation of the Chair of the Board and the President of the University, following consultation with an appropriate Standing Committee or Subcommittee Chair, as determined jointly by the Chair of the Board and the President, or with a search committee established for that purpose.

Any search committee established for the purpose of searching for and/or recommending selection of the General Counsel must include, at a minimum, the Chair of the Board, the Vice Chair of the Board, the President of the University, and two additional Regents. Any search committee established for the purpose of searching for and/or recommending selection of the Chief Compliance and Audit Officer must include, at a minimum, the Chair of the Board and the Chair of the Compliance and Audit Committee. Any search committee established for the purpose of searching for and/or recommending selection of the Chief Investment Officer must include, at a minimum, the Chair of the Board and the Chair of the Investments Subcommittee. The appointment of the General Counsel, the Chief Compliance and Audit Officer and the Chief Investment Officer requires the recommendation of the Chair of the Board and the President of University and the approval of the Board.

B. Compensation

1. The appointment compensation of the General Counsel shall be determined by the Board upon the joint recommendation of the Chair of the Board and the President of the University. Any increase or decrease in base salary shall require the joint recommendation of the Chair of the Board and the President and the approval of the Regents.
2. The appointment compensation of the Chief Audit and Compliance Officer shall be determined by the Board upon the joint recommendation of the Chair of the

Board and the President of the University, in consultation with the Chair of the Compliance and Audit Committee. Any increase or decrease in base salary shall require the joint recommendation of the President and the Chair of the Board, in consultation with the Chair of the Compliance and Audit Committee and the approval of the Regents.

3. The appointment compensation of the Chief Investment Officer shall be determined by the Board upon the joint recommendation of the Chair of the Board and the President of the University, in consultation with the Chair of the Investments Subcommittee. Any increase or decrease in base salary requires the joint recommendation of the Chair of the Board and the President, in consultation with the Chair of the Investments Subcommittee and the approval of the Regents.