

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

May 16, 2019

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

Members present: Regents Anderson, Anguiano, Blum, Butler, Cohen, Elliott, Estolano, Graves, Guber, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Morimoto, Napolitano, Ortiz Oakley, Park, Pérez, Sherman, Sures, and Zettel

In attendance: Regents-designate Simmons, Um, and Weddle, Faculty Representatives Bhavnani and May, Secretary and Chief of Staff Shaw, General Counsel Robinson, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Executive Vice President Stobo, Senior Vice President Holmes, Vice Presidents Brown and Humiston, Interim Vice President Leasure, Chancellors Block, Blumenthal, Christ, Gillman, Hawgood, Khosla, Leland, May, Wilcox, and Yang, and Recording Secretary Li

The meeting convened at 10:00 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. Sarah Abdeslahian, UC Berkeley student and chair of Fund the UC, a campaign of the UC Student Association (UCSA), voiced her strong opposition to the proposed nonresident tuition increase. She stated that the increase could further erode UC affordability and accessibility and that students should not bear the burden of the funding gap. Ms. Abdeslahian called for nonresident student financial aid regardless of whether the proposal passes. Students are the primary financial stakeholders in the UC and contribute more to core funds than the State does. She called on the Regents to work with students to advocate for a better State budget rather than increase tuition.
- B. Jocelyn Ortiz, UC Riverside student, voiced her concern regarding the proposed nonresident tuition increase. She has many nonresident student friends who pay three times the resident tuition. She stated that the increase would further prevent students from achieving the American dream and that housing and food insecurity affect nonresident students. She called on the Regents to consider the livelihood of students who sacrifice their basic needs to attend UC.

- C. Doug Buckwald, Berkeley resident, voiced his opposition to the Upper Hearst Development project at UC Berkeley.
- D. Alice Beittel, UC Davis student, thanked the Regents for the temporary ban on glyphosate and called on the Regents to question the use of herbicides in groundskeeping. Sahiva Kaur, UC Davis student, expressed her alarm that UC campuses use pesticides found on the State's Proposition 65 list. She added that thousands of groundskeepers and community members have filed lawsuits against agrochemical companies. She called on the University to immediately end use of all Proposition 65 pesticides, eventually end the use of all pesticides, and notify students, faculty, and staff when using toxic pesticides. Ms. Beittel called on the University to abide by the requirements for K-12 schools set forth by the Healthy Schools Act. She applauded the formation of the UC herbicide task force and asked that groundskeepers, students, and UC scientists be included.
- E. Angie Chen, UC Berkeley student, spoke in opposition to the proposed nonresident tuition increase. Ms. Chen is a California resident student who believes that interacting with nonresident students has expanded her world view, and made her a better critical thinker and more open-minded. The proposed tuition increase would hurt the quality of education for every student. She called upon the Regents to increase equitable access to higher education.
- F. Kathleen Jordan, Chief Medical Officer at St. Francis Memorial Hospital, expressed her support of the proposed affiliation between UCSF and Dignity Health. She stated that St. Francis provides evidence-based care, and physicians discuss all treatment options with patients even if the treatment is not available at St. Francis. Services are provided to all members of the community without discrimination, including the LGBTQ community. Dr. Jordan is part of the Gender Institute's comprehensive surgical program for transgender patients. Catholic bishops do not make decisions about healthcare, and physicians discuss and decide on patient care plans with their patients without restriction. Sometimes, care plans require transfer to other facilities, but this is routine practice at all healthcare systems, including UCSF. A patient who comes to Dignity Health gets the care they need. Dr. Jordan has not observed the hypothetical scenarios presented during public comment in the nearly 20 years she has worked at Dignity Health, but she has observed daily issues with access to healthcare and the proposed affiliation can address that.
- G. Lori Friedman, associate professor at UCSF, read a statement from Patricia Robertson, a UCSF professor who provides obstetric care at the Mission Bay campus. Dr. Robertson opposed the proposed affiliation with Dignity Health and was concerned that the affiliation would make women and LGBT patients second-class citizens and put them in harmful situations. She noted that bishops determine how strictly religious directives are applied and raised examples of the right to die and abortion rights.

- H. Shay Strachan, a member of UCSF's partnership team who identifies as black and queer, expressed her strong support of the proposed affiliation with Dignity Health. Ms. Strachan has worked for both Dignity Health and UCSF. Dignity Health has leaders who are women, people of color, openly LGBT people, and it offers services regardless of gender and sexual orientation, expanding services to transgender and nonbinary people. The proposed affiliation would expand access where it previously did not exist. The affiliation is an opportunity for UCSF to lead the dialogue when values differ to create positive and incremental changes.
- I. Dana Gossett, UCSF professor of obstetrics and gynecology, voiced her strong support for the proposed affiliation between UCSF and Dignity Health. The affiliation would help UCSF expand access to gender-affirming healthcare and allow patients to receive evidence-based care and information to make their own decisions. Care would not be taken away from UCSF. Without the affiliation, clinical departments would have to cap access to care.
- J. Kathryn Lybarger, president the American Federation of State, County and Municipal Employees (AFSCME) Local 3299 and gardener at UC Berkeley, stated that her union is on strike and called on the University to stop outsourcing. She stated that UC has failed to meet and confer with AFSCME on outsourcing on three occasions despite being required to do so by law. Ms. Lybarger added that, while outsourced workers do not have a voice at UC, union employees do. This was also a fundamental fight to protect middle-class jobs in California.
- K. Veronica Jones, patient care assistant at UCSF, spoke in opposition to outsourcing. She stated that many hospital jobs are outsourced, and most outsourced workers are people of color who receive half of the pay and no benefits. Hiring outsourced workers put patients at risk and sends the message that UCSF does not value career workers' work. She invited Regents to visit her department.
- L. Rudy Gonzalez, executive director of the San Francisco Labor Council, joined 130 unions and 100,000 members in support of AFSCME Local 3299 and University Professional and Technical Employees–Communications Workers of America (UPTE-CWA). Mr. Gonzalez stated that outsourcing is a race to the bottom that pays vulnerable workers barely minimum wage, marginalizing people of color and removing middle class jobs. The UC system has an obligation as third-largest employer in the state. He called on UC to stop outsourcing.
- M. Madelyn Peterson, nursing student at UCSF, spoke in strong opposition to the proposed affiliation between UCSF and Dignity Health. She and her peers feel betrayed, angry, and afraid for their patients. She quoted the American Nurses Association's Code of Ethics and warned that Dignity Health has merged with Catholic Health Initiatives. The affiliation would increase risk by delaying access to reproductive healthcare and diminish care disproportionately for people of color, queer people, and transgender people.

- N. Philip Theodosopoulos, professor and vice chair of the Department of Neurological Surgery at UCSF, spoke in support of the proposed affiliation with Dignity Health. Dr. Theodosopoulos stated that his department is one of the best in the nation and a leader in receiving National Institutes of Health funding but lacks the resources to care for more patients. Those with deadly neurological conditions are unable to transfer to UCSF for care, but the affiliation would help UCSF care for more patients.
- O. Herbert Weiner, local resident, proposed the creation of three new UC campuses with medical schools and six new California State University campuses offering medical law and doctoral degrees under UC administration to accommodate all those academically qualified to attend college. The State has funds to secure this, and the businesses who would benefit should be taxed.
- P. Iris Young, graduate student at UC Berkeley and transgender man, spoke in opposition to the proposed affiliation with Dignity Health. He shared his own experience with a delay in transgender healthcare at UCSF and believed it would be exacerbated by the affiliation. Care providers wrongly assume that transgender maintenance care is highly specialized and that they cannot provide it, or that certain symptoms are attributed to hormone intake and advising stopping hormone use. Refusal of care based on transgender identity is linked to a 60 percent suicide rate.
- Q. Lori Friedman, associate professor of obstetrics and gynecology at UCSF, spoke in opposition to the proposed affiliation with Dignity Health. She disagreed with supporters of the affiliation that obstetrics, gynecology, and family planning are just one issue. She equated barriers to care to institutional and religious oppression. Doctors do not wish to deliver care this way, and patients do not wish to receive care this way.

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

Upon motion duly made and seconded, the minutes of the meeting of March 14, 2019 were approved.

3. **REMARKS FROM STUDENT ASSOCIATIONS**

President Napolitano introduced UC Student Association (UCSA) President Caroline Siegel-Singh, undergraduate student and vice president of external affairs for the Associated Students of UC San Diego.

Ms. Siegel-Singh began her remarks by acknowledging the strike of AFSCME Local 3299 and stated her hope for a fair contract for workers. Since the last Regents meeting, UCSA has brought more than 300 students to Sacramento and successfully secured additional funding for critical student services such as basic needs and rapid rehousing. In March 2019, UCSA and The Institute for College Access and Success (TICAS) co-

authored a report on unequal debt burden among UC undergraduate students. Ms. Siegel-Singh noted several key points. At UC Merced, 71 percent of undergraduate students graduate with debt compared with 34 percent of undergraduate students at UC Berkeley despite being in a more affordable region in the state. Forty percent of white undergraduate students incurred debt, while 67 percent of African American students and 66 percent of Latino(a) students incurred debt. Campuses do not provide equal access to affordable education, and UC financial aid programs leave low- to middle-income students with impossibly high costs. The UC education finance model must adjust for the true and total cost of attendance, which is more than just tuition. Ms. Siegel-Singh hoped that financial aid's role in affordability can be a topic of discussion at a Special Committee on Basic Needs meeting. She stated that students' concerns about nonresident financial aid and students who did not qualify for the State Assembly Bill (AB) 540 exception have not been addressed. She reminded the Board of Regents that they are a body of shared governance and not body of approval. She looked forward to working with the Board and UC in Sacramento and thanked Regent Graves for his service to students in California and his leadership.

President Napolitano introduced UC Graduate and Professional Council (UCGPC) Stephanie King, a Ph.D. candidate at UC Riverside. UCGPC was formed in 2017 to represent the interests of graduate and professional students systemwide.

Ms. King stated that she represented 57,000 graduate and professional students' diverse voices. Citing presentations about transgender and nonbinary student experiences and Haas School of Business students' support and outreach to underrepresented minorities, Ms. King stated that feedback pushes policies forward. Opportunities to give feedback needs must to be numerous and investigative rather than affirmative. She noted the incongruence of student survey data and what students say at Regents meetings. Graduate students understand the importance of their relationships with faculty and staff and are therefore hesitant to raise issues. Two years ago, Ms. King struggled in graduate school and began seeing a therapist. She responded positively in every survey she received but experienced no long-term improvement. She was referred to a psychiatrist and an off-campus therapist after eight months and began to experience improvement. The care she received at UC did not address what she needed long-term. Surveys must elicit feedback on shortcomings and recommendations. Ms. King called for campus student association participation when administrators develop feedback surveys on student services. In light of rampant retaliation and maintaining relationships with advisors, surveys should provide greater anonymity so that students feel safe to be honest. She stated that this was her final meeting as UCGPC president.

4. **HONORS AND ACHIEVEMENTS**

President Napolitano presented her report on UC honors and achievements. In *Forbes* magazine's best value colleges rankings released in April 2019, UC Irvine was ranked the top public institution, followed by UCLA and UC Berkeley, and all other campuses ranked near the top. UC Merced did not have enough data to rank. Also in April, UC completed its second Cool Campus Challenge, a systemwide contest that is part of the Carbon

Neutrality Initiative. This year, the Cool Campus Challenge had over 22,000 participants whose actions reduced more than 10,000 metric tons of greenhouse gases. UC Berkeley won the contest and was followed closely by UCLA and UC Irvine. Earlier in May, UC held its fifth annual Grad Slam, a showcase of graduate research, and Regent Pérez served as a judge. This year's winner is Katie Murphy at UC Davis. Known as the "Corn Queen," Ms. Murphy researches the stress resistance of corn with regard to feeding a growing world population. Eighteen faculty members from eight UC campuses were elected to the National Academy of Sciences, bringing UC's total to 634 Academy members. Seventeen UC scholars from six campuses were awarded 2019 Guggenheim Fellowships, which rewards exceptional scholarship and creativity in the arts. UC now has nearly 1,700 Guggenheim Fellows. UC Santa Barbara professor Jeffrey Stuart won a Pulitzer Prize for his biography on Alain Locke. UC Berkeley alumnus and editorial cartoonist Darren Bell is the first African American to win a Pulitzer Prize in the editorial cartooning category. UC Berkeley Graduate School of Journalism alumni Alexandra Berzon and Stephen Hobbs also won Pulitzer Prizes. The John Bates Clark Medal, an award in economics seen as second in prestige to the Nobel Prize, was given UC Berkeley macroeconomist Emi Nakamura. President Napolitano congratulated them all. She acknowledged those who were completing their terms on the Board, thanking Student Advisor Huang and Staff Advisor Main for their service. She thanked alumni Regents Anderson and Morimoto and student Regent Graves for their service.

President Napolitano presented the 2019 President's Award for Outstanding Student Leadership to Alex Arnold, a UCLA graduate student of climate science, and Enid Partika, a UC San Diego undergraduate student of environmental systems. Ms. Arnold was honored for leadership in student mentorship and building pathways to science, technology, engineering, and math (STEM) in higher education for underrepresented students. Ms. Arnold developed an inclusive collaboration with Navajo Technical University and has an active role in UCLA's Center for Diverse Leadership in Science. Ms. Arnold thanked students, staff, faculty, the Regents, the Center for Diverse Leadership in Science, and her advisor. Ms. Partika was honored for her work to build an anaerobic digester to further UC's carbon neutrality and global food efforts. Ms. Partika's team collected over 41,000 pounds of food waste, sequestering the equivalent of 6,637 pounds of carbon dioxide. The digester converts food waste into liquid fertilizer and methane gas that feeds a renewal energy microgrid at a community garden on campus. Ms. Partika thanked President Napolitano, the Carbon Neutrality Initiative, Chancellor Khosla, Gary Matthews of Resource Management and Planning, and Keith Pezzoli and Zachary Osborn of the Bioregional Center for Sustainability Science.

5. **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

The Committee presented the following from its meeting of May 15, 2019. The Committee considered one action item and two discussion items.

A. Approval of Professional Degree Supplemental Tuition for One Graduate Professional Degree Program

The Committee recommended approval of the multi-year plan for Professional Degree Supplemental Tuition for the full-time Master of Business Administration (FTMBA) program at UC Berkeley, with fee levels as shown in Display 1.

DISPLAY 1: Proposed Professional Degree Supplemental Tuition Levels for AY 2019-20 through AY 2023-24*

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
FTMBA, UC Berkeley					
CA Resident PDST Level	\$48,262	\$49,710	\$51,200	\$52,736	\$54,318
Nonresident PDST Level	\$38,222	\$41,662	\$45,410	\$49,500	\$54,318

* The amounts reflect maximum approved PDST levels, effective as of the academic year indicated. Assessing PDST levels less than those indicated 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 Regental approval of a new multi-year plan.

Regent Pérez explained that, at the end of the Professional Degree Supplemental Tuition (PDST) period, the differential between what resident students and nonresident students pay would be reduced. The Committee appreciated that the administration at Haas School of Business would assume the responsibilities of student diversity work that students had been doing.

B. Establishment of a Seventh Undergraduate College, San Diego Campus

The Committee recommended that Section 15 (a) of the Academic Units and Functions, Affiliated Institutions, and Related Activities of the University, as provided for in Standing Order 110.1, be amended as follows:

Additions shown by underscoring

* * *

10. Academic Colleges at San Diego

* * *

(g) There is established at San Diego the Seventh College with undergraduate curricula leading to the degrees of Bachelor of Arts and Bachelor of Science.

Regent Pérez stated that this proposal would help UC San Diego eventually grow to eight colleges and meet the goal of 4,000 students per college. The theme of Seventh College would be "A Changing Planet."

C. ***Designation of Natural Reserve System Partnership Reserves: Point Reyes Field Station and Lassen Field Station***

The Committee recommended the designation of the Point Reyes Field Station as the 40th and the Lassen Field Station as 41st components of the Natural Reserve System, each to be administered as partnership reserves by the NRS Systemwide Office at the University of California Office of the President (UCOP) with operational and financial responsibilities shared by both the respective campus and the National Park Service.

D. ***Student Experience: Transgender and Nonbinary Students***

Regent Pérez invited the Board to watch or read a full summary of the presentation as it was very meaningful. The Committee decided on several action items that would address issues in the short term and improve the lives of transgender and nonbinary students.

E. ***Accountability Sub-Report on Diversity: UC Health Sciences Diversity Trends and Outcomes***

Régent Perez reported that the Committee was concerned about the lack of progress in certain areas and that the item would be brought back to a future Committee meeting to discuss accountability portion of the report.

Regents Grave and Kounalakis requested that the action items be divided for separate votes.

Upon motion duly made and seconded, the recommendation of the Academic and Student Affairs Committee to approve the item A above was approved, with Regents Grave and Kounalakis voting “no.”

Upon motion duly made and seconded, the recommendations of the Academic and Student Affairs Committee, with the exception of item A above, were approved.

Report of the Compliance and Audit Committee

The Committee presented the following from its meeting of May 15, 2019. The Committee considered two discussion items.

A. ***Internal Audit Activities Report***

Regent Elliott stated that there will be an update on the systemwide audit on admissions practices at the July 2019 Regents meeting. The Committee hopes that, following steps taken after the last audit, the third audit of the UC Fair Wage/Fair Work Plan will show much higher compliance. Nine of last year’s ten recommendations from the State Auditor’s Audit of UCOP Administrative

Expenditures have been completed, and nine of this year's 11 recommendations have been completed.

B. *Update on Academic Senate Response to the State Auditor's Report on Sexual Harassment Cases at the University of California*

Regent Elliott stated that, according to Faculty Representative May, the Academic Senate has complied with the State Auditor's requests and that the changes to the Academic Senate hearing process will be implemented by the July 2019 deadline.

Report of the Finance and Capital Strategies Committee

The Committee presented the following from its meeting of May 15, 2019. The Committee considered seven items for action and four items for discussion:

A. *Approval of Long Range Development Plan Amendment 5 for the North District Development Plan and Design of the North District Phase 1 Project Following Action Pursuant to the California Environmental Quality Act, Riverside Campus*

Following review and consideration of the environmental consequences of the proposed North District Development Plan, including the North District Phase 1 project, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff to the Regents no less than 24 hours in advance of the beginning of this Regents meeting, testimony, or written materials presented to the Regents during the scheduled public comment period and the item presentation, the Committee recommends that the Regents:

- (1) Certify the Environmental Impact Report for the North District Development Plan.
- (2) Adopt the Mitigation Monitoring and Reporting Program for the North District Development Plan, and make a condition of approval the implementation of mitigation measures within the responsibility and jurisdiction of the Riverside campus.
- (3) Adopt the CEQA Findings for the North District Development Plan and Statement of Overriding Considerations for the North District Development Plan.
- (4) Approve Amendment No. 5 to the UC Riverside 2005 Long Range Development Plan for the North District Development Plan.
- (5) Approve the design of the North District Phase 1 project, Riverside campus.

Regent Makarechian stated that this project would provide 5,200 student beds on approximately 51 acres.

B. *Approval of Long Range Development Plan Amendment 4 and Design Following Action Pursuant to the California Environmental Quality Act, Upper Hearst Development for the Goldman School of Public Policy and Housing Project, Berkeley Campus*

The Committee recommended that, following review and consideration of the potential environmental consequences of the Upper Hearst Development for the Goldman School of Public Policy and Housing Project, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff to the Regents 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 Finance and Capital Strategies Committee recommend that the Regents:

- (1) Certify the Supplemental Environmental Impact Report for the Upper Hearst Development for the Goldman School of Public Policy and Housing Project.
- (2) Adopt the Mitigation Monitoring and Reporting Program for the Upper Hearst Development for the Goldman School of Public Policy and Housing Project, and make a condition of approval the implementation of mitigation measures within the responsibility and jurisdiction of the Berkeley campus.
- (3) Adopt the CEQA Findings and Statement of Overriding Considerations for the Upper Hearst Development for the Goldman School of Public Policy and Housing Project.
- (4) Approve Amendment No. 4 to the UC Berkeley 2020 Long Range Development Plan.
- (5) Approve the design of the Upper Hearst Development for the Goldman School of Public Policy and Housing Project, Berkeley campus.

Regent Makarechian stated that this project accommodates additional academic space for the school, adds 150 units of additional housing for faculty, and rebuilds the parking structure. The Committee encouraged the Berkeley campus to work with the surrounding community and the City of Berkeley, who opposed this project.

C. *Approval of Budget, Scope, External Financing, and Design Following Action Pursuant to the California Environmental Quality Act, Classroom Building, Santa Barbara Campus*

The Committee recommended that:

- (1) The 2019-20 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Santa Barbara: Classroom Building – preliminary plans – \$2.1 million to be funded from campus funds.

To: Santa Barbara: Classroom Building – preliminary plans, working drawings, construction, and equipment – \$97,133,000 to be funded with external financing of \$79,787,000 supported by State appropriations, and campus funding of \$17,346,000 from unrestricted non-State, non-tuition funds.
- (2) The scope of the Classroom Building project shall provide approximately 51,000 assignable square feet (95,048 gross square feet) in a four-story structure. The building provides approximately 2,000 general assignment classroom seats in approximately 47,100 assignable square feet (asf) and approximately 3,900 asf of classroom support facilities that include projection rooms, sound and light locks, storage, lobby, technical office space, and a lactation room. The scope includes relocation of a bicycle path and bicycle parking, extension of the Pardall Corridor pedestrian walk, demolition of Building 408, soil remediation, landscaping, and fixed and movable furnishings and equipment.
- (3) The President of the University shall be authorized to obtain external financing not to exceed \$79,787,000 plus additional related financing costs. The President shall require that:
 - a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
 - b. The primary source of repayment shall be from State General Fund appropriations, pursuant to the Education Code Section 92493 et seq. Should State General Fund appropriation funds not be available, the President shall have the authority to use any legally available funds to make debt service payments.
 - c. The general credit of the Regents shall not be pledged.
- (4) Following review and consideration of the environmental consequences of the proposed Classroom Building project, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff to the Regents 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 Regents:

- a. Adopt the Initial Study and Mitigated Negative Declaration for the Classroom Building project.
- b. Adopt the Mitigation Monitoring and Reporting Program for the Classroom Building project, and make a condition of approval the implementation of mitigation measures within the responsibility and jurisdiction of UC Santa Barbara.
- c. Adopt the CEQA Findings for the Classroom Building project.
- d. Approve the design of the Classroom Building project, Santa Barbara campus.

Regent Makarechian stated that this project would add 51,000 assignable square feet and 95,000 gross square feet for 23 new classrooms that would accommodate 2,000 more students.

D. *Approval of Design Following Action Pursuant to California Environmental Quality Act, Franklin Antonio Hall, San Diego Campus*

The Committee recommended that, following review and consideration of the environmental consequences of the Franklin Antonio Hall project, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff to the Regents 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, subject to review of the project's efficiency ratio and cost by Regents Makarechian, Park, and Kounalakis, the Regents:

- (1) Adopt the CEQA Findings for Franklin Antonio Hall, having considered the 2018 Long Range Development Plan (LRDP) Environmental Impact Report (EIR) for the La Jolla Campus, as well as Addendum No. 1 to the 2018 LRDP EIR for Franklin Antonio Hall.
- (2) Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of UC San Diego, as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2018 LRDP EIR.
- (3) Approve the design of Franklin Antonio Hall, San Diego campus.

Regent Makarechian stated that this item proposed 127,000 assignable square feet in a building with 187,000 square feet for \$185 million to be funded through

external financing.

E. ***Preliminary Endorsement of Senate Bill 14, the Higher Education Facilities Bond Act of 2020***

The Committee recommended that the Regents preliminarily endorse Senate Bill 14, the Higher Education Facilities Bond Act of 2020.

Regent Makarechian stated that, if the bill passes, the State will provide \$8 billion in general obligation bonds to develop unfunded liabilities for the next five years and fund some mitigations for earthquake safety. For the first time since 2006, the interest payments on these bonds would come from the State and not the University. The Committee strongly recommended that the Regents approve this item.

F. ***Consent Agenda:***

(1) ***Adoption of Endowment Administration Cost Recovery Rate***

The Committee recommended the endowment administration cost recovery rate remain at 55 basis points (0.55 percent) and apply to distributions from the General Endowment Pool (GEP) to be made after July 1, 2019, from the eligible assets invested in the GEP. The funds recovered shall be used to defray, in part, the cost of administering and carrying out the terms of endowments on the campuses and at the Office of the President.

Regent Makarechian briefly summarized this item.

(2) ***Adoption of Expenditure Rate for the General Endowment Pool***

The Committee recommended that the expenditure rate per unit of the General Endowment Pool (GEP) for expenditure in the 2019-20 fiscal year remain at 4.75 percent of a 60-month moving average of the market value of a unit invested in the GEP.

Regent Makarechian briefly summarized this item.

G. ***Future College Living and Learning Neighborhood, San Diego Campus***

Regent Makarechian stated that the UC San Diego college system was an integrated component of the undergraduate student experience. This item discussed the site of the future college. The UC San Diego Long Range Development Plan, anticipates the development of up to two more residential colleges, which would include classroom facilities and housing, to accept 4,000 students per college.

H. ***Proposed Aggie Square Mixed-Use District, UC Davis Sacramento Campus***

Regent Makarechian stated that UC Davis proposes using 11 of 145 acres in its Sacramento campus to build housing, art and music venues, and spaces for research and high technology innovation. There will be nearly 2 million square feet of development in that area. The Committee was concerned about infrastructure availability and was assured that there was substantial infrastructure available from the City of Sacramento and not UC Davis.

I. *Susan and Henry Samueli College of Health Sciences Building, and Sue and Bill Gross Nursing and Health Sciences Hall, Irvine Campus*

Regent Makarechian stated that a \$200 million gift from Susan and Henry Samueli would support the construction of a new building for the College of Health Sciences, including the Integrative Health Institute as well as Schools of Pharmacy and Pharmaceutical Sciences, Population Health, and Medicine. Sue and Bill Gross have provided a gift of \$30 million to construct the Sue and Bill Gross Nursing and Health Sciences Hall.

J. *UCPath Update*

Regent Makarechian reported that, on March 30, 2019, UC Berkeley became a UCPath production location. UCPath deployment at UC Davis had been deferred based on recommendations from the campus and UCPath leadership, which will add \$6 million to the budget for a total forecast of \$553 million.

Regent Kounalakis encouraged Regents to support the endorsement of State Senate Bill 14. She has spoken to many legislators about this issue and is visiting all California State University (CSU) and UC campuses to see examples of deferred maintenance, and what she has seen is very worrisome. There is no real mechanism to address the billions of dollars of deferred maintenance on UC campuses. Regent Kounalakis is very concerned that, if the University is unable to seize this opportunity, it will be very difficult to find an alternative in the future. She offered to speak to anyone interested in becoming more involved with this bill.

Regent Makarechian thanked Regent Kounalakis and stated his belief that this was the most important item to come before the Regents at this meeting. UC has had to externally finance every building it has built since 2006. Also since 2006, UC paid its own interest, and this was money that would have been available to the campuses. This would change if the bill passes. Chair Kieffer added that the bill would provide \$4 billion to UC and \$4 billion to CSU.

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

Governance Committee

The Committee presented the following from its meeting of May 15, 2019. The Committee considered eight action items:

A. *Approval of Appointment of and Compensation for Chancellor, Santa Cruz Campus as Discussed in Closed Session*

- (1) The Committee recommended that Cynthia Larive be appointed as Chancellor, Santa Cruz campus, at 100 percent time, effective on or about July 1, 2019.
- (2) The Committee recommended that, contingent upon and effective with Cynthia Larive's appointment by the Regents as Chancellor of the Santa Cruz campus, the following items be approved in connection with that appointment:
 - a. Per policy, annual base salary of \$425,000, which will be funded by State and non-State sources.
 - b. Per policy, University-provided housing while serving as Chancellor.
 - c. Per policy, reimbursement of actual and reasonable moving and relocation expenses associated with relocating Ms. Larive's primary residence as well as professional/scholarly books, records, and equipment, including laboratory supplies, in connection with the initial relocation to Santa Cruz and the subsequent move to the campus University House, subject to the limitations under policy.
 - d. Per policy, when Ms. Larive leaves the Chancellor position and returns to the University faculty at a UC campus, reimbursement of actual and reasonable expenses related to relocating household goods and personal effects, including her personal library, laboratory, and any other related equipment and materials to a location of her choice in California, subject to the limitations under policy.
 - e. Per policy, continuation of standard pension and health and welfare benefits and standard senior management benefits (including eligibility for senior manager life insurance and eligibility for executive salary continuation for disability after five consecutive years of Senior Management Group service).
 - f. Per policy, eligibility to participate in the UC Employee Housing Assistance Program, in accordance with all applicable policies when

stepping down as Chancellor, if Ms. Larive assumes a tenured faculty position at Santa Cruz or at another UC campus.

- g. Per policy, an administrative fund will be established for official entertainment and other purposes permitted by University policy. Adjustments may occur annually as allowed by policy.
- h. If Ms. Larive maintains an active research program in connection with a tenured faculty appointment during her appointment as Chancellor, an annual allocation of campus funding will be established for this research during the term as Chancellor. This allowance is not compensation, and Ms. Larive may only use it for expenses related to her research allowed under University policy.
- i. Per policy, continued accrual of sabbatical credits as a member of tenured faculty, consistent with academic personnel policy.

President Napolitano introduced Cynthia Larive as the incoming chancellor of UC Santa Cruz. Ms. Larive is bioanalytical chemist and has worked to eliminate the achievement gap between Pell Grant recipients and non-Pell Grant recipients at UC Riverside. As a faculty leader, Ms. Larive understands the shared governance that propels the University. President Napolitano was confident that Ms. Larive would be a spectacular chancellor following a spectacular Chancellor Blumenthal.

Ms. Larive stated that she was humbled and honored to have the opportunity to serve as the 11th chancellor of UC Santa Cruz, a campus of unparalleled beauty as well as mission and purpose. She shared a quote about embracing the future from Ansel Adams' charter address to the campus. Under Chancellor Blumenthal's leadership, UC Santa Cruz has steady progress in a number of areas important to Ms. Larive. A major focus of the campus' work must be on student success—students should have the freedom of intellectual exploration and pathways to complete their undergraduate studies in four years to prevent undue financial burden. Ms. Larive looked forward to working with faculty and staff to identify and overcome barriers to four-year graduation. The campus must better support transfer and “non-traditional” students. A commitment to social justice means a commitment to narrowing graduation gaps for first-generation, Pell-eligible, and historically disadvantaged students. UC Santa Cruz boasts world-class scholarship and creative activities in the humanities and the arts. Scholars from UC Santa Cruz are fighting climate change, and understanding privacy in a digital world of big data. The campus is uniquely situated to partner with innovators and entrepreneurs in Silicon Valley. Research includes the search for habitable exoplanets and narrating the first sequence of the human genome, pushing the boundaries of the future. The campus' new academic strategic plan envisions an interdisciplinary future to address critical academic priorities. Ms. Larive looked forward to partnering with the Academic Senate in the implementation phase of the strategic plan. She shares the campus' commitment to diversity and inclusion. Under

Chancellor Blumenthal's leadership, faculty and student diversity grew significantly, and one of Ms. Larive's goals is to continue to expand faculty diversity and create a welcoming environment for the next generation of thinkers and leaders. She knows firsthand the power of higher education to transform the life trajectory of students. As chancellor, Ms. Larive looked forward to being part of that effort and working with the campus and the community to ensure that students' basic needs are met while providing them with a state-of-the-art education, including extracurricular and experiential opportunities that will prepare them for success as alumni. Ms. Larive accepted her new position with excitement and enthusiasm, and she looked forward to the opportunity to work for and alongside the UC Santa Cruz community.

B. *Market-Based Salary Adjustment for Monroe Gorden, Jr. as Vice Chancellor – Student Affairs, Los Angeles Campus*

The Committee recommended approval of the following items in connection with the market-based salary adjustment for Monroe Gorden, Jr. as Vice Chancellor – Student Affairs, Los Angeles campus:

- (1) Per policy, an annual base salary of \$350,000.
- (2) Per policy, continuation of standard pension and health and welfare benefits and standard senior management benefits (including eligibility for senior manager life insurance and eligibility for executive salary continuation for disability after five consecutive years of Senior Management Group service).
- (3) Per policy, continued eligibility to participate in the UC Employee Housing Assistance Program, subject to all applicable program requirements.
- (4) As an exception to policy, this action will be effective retroactively to March 1, 2019.

C. *Market-Based Salary Adjustment Resulting from an Equity Review for Cathryn Nation as Vice President – UC Health, Office of the President*

The Committee recommended approval of the following items in connection with a market-based salary adjustment for Cathryn Nation, UC Health, Office of the President, with the updated title of Vice President – UC Health, following an equity review of her position:

- (1) An annual base salary of \$375,000. As an exception to policy, this action will be effective retroactive to January 1, 2018.
- (2) Per policy, continuation of standard pension and health and welfare benefits and standard senior management benefits (including eligibility for senior

manager life insurance and executive salary continuation for disability after five consecutive years of Senior Management Group service).

- (3) Per policy, continued eligibility to participate in the UC Employee Housing Assistance Program, subject to all applicable program requirements.
- (4) Per policy, continuation of monthly contribution to the Senior Management Supplemental Benefit Program because Dr. Nation retains her current position.

Regent Cohen proposed a substitute motion to approve the salary adjustment for Dr. Nation but without retroactive pay. He stated that an expectation of pay had been created and was concerned that changing that expectation with retroactive pay would raise questions about UC's management of funds from a fiduciary responsibility standpoint.

Regent Lansing stated her opposition to the substitute motion to not include retroactive pay and support of the main motion due to an error made by the University. She added that the error should be looked into and prevented in the future, but the collateral damage should not be the person who had been working for 18 months with the understanding that she would receive a pay raise. UC made an error, and the just thing to do was to correct the error. Regent Lansing stated that there should be a precedent of correcting pay errors and that the University has corrected such errors before. She was troubled because this error happened to a woman.

President Napolitano acknowledged that a mistake was made and, as a result, Dr. Nation was underpaid for 18 months. This was the second time in the President's tenure that a corrective back pay item has been brought before the Regents. She stated that this was an outlier and cautioned against regarding it as a major precedent. She reassured the Board that the Office of the President (UCOP) was reverse engineering the problem in order to ensure that it does not happen again.

Regent Sures stated that he would not support the substitute motion. He agreed with Regent Lansing that UC should own up to its mistake. He understood the importance of precedent, but Dr. Nation had done the work and was owed the money. It was not fair that the University should make an example of her. Dr. Nation was a beloved and valued employee.

Regent Kounalakis opined that the only precedent the University was setting was fixing the equivalent of an accounting error, not a reassessment of what this employee deserved. It was assessed that Dr. Nation should be paid more when she assumed additional responsibilities.

Regent Elliott clarified that this was not characterized as an error in previous

discussions. Dr. Nation had not been promised more pay, and the adjustment was in response to changes in Market Reference Zone. He expressed strong concern regarding this change in understanding.

Regent Pérez associated himself with Regent Elliott's comments and was in favor of approving the main motion. He took issue with how long it took to uncover the issue. This was not an accounting or rounding error, but it still needed corrective action. Despite his discomfort with how the University reached this point, he supported the corrective action and opposed the substitute motion.

Regent Butler called attention to tens of thousands of low-wage UC workers who have worked without a contract for the last two years and have not been offered retroactive pay. Regent Butler stated that her comments were not directed toward Dr. Nation and were not an aspersion toward anyone associated with this error, but she was having difficulty reconciling this application of fairness and equity in one instance with the situation of low-wage workers.

Regent Park associated her comments with the comments of Regents Butler, Elliott, and Cohen. She recalled prior discussions about the Fair Wage/Fair Work Plan and the deficiencies in implementation. Not everyone can be made whole, and the best option may be to do what is best moving forward. Regent Park expressed her support for the substitute motion.

Chair Kieffer stated that he would be voting against the substitute motion for the reasons stated by Regents Lansing and Sures and urged a "no" vote.

Upon motion duly made and seconded, the recommendation of the Governance and Compensation Committee as amended was defeated, with Regents Anguiano, Butler, Cohen, Elliott, Estolano, Graves, Morimoto, and Park voting "yes," Regents Anderson, Blum, Guber, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Napolitano, Sherman, Sures, and Zettel voting "no," and Regents Ortiz Oakley and Pérez abstaining.

Upon motion duly made and seconded, the recommendation of the Governance and Compensation Committee was approved, with Regents Anderson, Blum, Guber, Kieffer, Lansing, Leib, Makarechian, Morimoto, Napolitano, Pérez, Sherman, Sures, and Zettel voting "yes," Regents Butler, Cohen, Elliott, Estolano, Graves, and Park voting "no," and Regents Anguiano, Kounalakis, and Ortiz Oakley abstaining.

- D. ***Approval of Exception to Regents Policy 7707: Senior Management Group Outside Professional Activities for Harold Selick as Vice Chancellor – Business Innovation, Development, and Partnerships, San Francisco Campus as Discussed in Closed Session***

The Committee recommended the approval of an exception to Regents Policy 7707: Senior Management Group Outside Professional Activities for Harold Selick as Vice Chancellor – Business Innovation, Development, and Partnerships, San Francisco campus, to allow Mr. Selick to temporarily hold three compensated board Outside Professional Activities with the pledge that he will stop one of the board activities no later than December 31, 2019.

E. ***Alternative Housing Arrangements for Incoming Chancellor, Santa Cruz Campus***

The Committee recommended that the Regents:

- (1) Approve alternative housing arrangements for the incoming Chancellor of the Santa Cruz campus, consistent with Regents Policy 7708: University-Provided Housing.
- (2) Authorize the President of the University or her delegate to negotiate, approve, and execute a lease for a residence within all of the following parameters:
 - a. Rent per month not to exceed \$8,500;
 - b. Living space not to exceed 4,000 square feet;
 - c. Property in good condition;
 - d. Close proximity to the main Santa Cruz campus;
 - e. Initial term of two years with options to extend until the University House is habitable as a personal residence.
- (3) Authorize the President or her delegate to negotiate, approve, and execute all related documents associated with securing alternative housing arrangements for the incoming Chancellor of the Santa Cruz campus.

F. ***Amendment of the Annual Incentive Plan for Participants in the Office of the Chief Investment Officer, Office of the President***

The Committee recommended approval of the proposed amendments to the University of California Office of the Chief Investment Officer Annual Incentive Plan, as shown in Attachment 1, using investment proceeds and no State funds. The proposed changes will be effective July 1, 2019.

G. ***Amendment of the Governance Committee Charter***

The Committee recommended that the Charter of the Governance Committee be amended as shown in Attachment 2.

H. ***Amendment of the Health Services Committee Charter***

The Committee recommended that the Charter of the Health Services Committee be amended as shown in Attachment 3.

Upon motion duly made and seconded, the recommendations of the Governance and Compensation Committee, with the exception of the item C above, were approved.

Report of the Health Services Committee

The Committee presented the following from its meeting of April 9, 2019. The Committee considered three discussion items:

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

Regent Lansing stated that Executive Vice President Stobo provided a financial summary of the medical centers, and the Committee discussed how to maintain patient care amid labor strike activity. Regent Leib and several Committee members are working to address the shortage of \$5.1 million in student mental health funding.

B. ***California Future Health Workforce Commission Report***

This item was not discussed at the Committee meeting.

C. ***Strategic Affiliation with a Faith-Based Health System, UCSF Health, San Francisco Campus***

Regent Lansing stated that most of the Committee meeting was spent discussing the proposed affiliation between UCSF and Dignity Health, including structure, what it would mean for reproductive rights and the LGBTQ community, and branding. She encouraged the Regents to speak to Mark Laret, President and Chief Executive officer of UCSF Health, for more information.

Chair Kieffer stated the he had recused himself from participating in any decision related to the proposed affiliation with Dignity Health and would continue to do so because he is a partner in a law firm that provides services to Dignity Health on occasion.

Report of the Investments Committee

The Committee presented the following from its meeting of May 14, 2019. The Committee considered three discussion items:

- A. *Chief Investment Officer Update on FY2018–2019*
- B. *Update on Investment Products: Endowment, Pension, Retirement Savings, Working Capital, Fiat Lux, Blue and Gold Pool*
- C. *UC Investments Innovation*

This report was not discussed.

Report of the Public Engagement and Development Committee

The Committee presented the following from its meeting of April 22, 2019. The Committee considered four discussion items:

- A. *Big Ideas Initiative, Davis Campus*
- B. *Regents Engagement Update*
- C. *Joint Student Advocacy Efforts*
- D. *Federal Budget Update*

Regent Ortiz Oakley stated that the Committee meeting was chaired by Vice Committee Chair Graves and reported that several Regents met with legislators while in the Sacramento area. He stated that the University should continue to support and strengthen the advocacy of the Regents. He stated that the Regents will continue to work with State Governmental Relations, Senior Vice President Holmes, and others to continue those advocacy efforts.

Chair Kieffer commended Regents for visiting Sacramento and noted the significant difference it has made for the University.

Report of the Special Committee on Basic Needs

The Committee presented the following from its meeting of April 22, 2019. The Committee considered three discussion items:

- A. *UC Campus Basic Needs Model Inventory Survey*
- B. *Rapid Rehousing Presentation*

C. *Tour of the UC Davis Basic Needs Center and Food Pantry*

Regent Graves thanked the Davis campus and staff for organizing the off-cycle meeting.

Report of the Special Committee on Nominations

The Special Committee presented the following from its meeting of May 3, 2019. The Committee considered one action item:

A. *Recommendations for Election of Officers and Appointments to Standing Committees and Subcommittees for 2019-20*

- (1) The Special Committee recommended that the following appointments of Board officers and Standing Committee Chairs, Vice Chairs and members for 2019-20 be approved:
 - a. Regent John A. Pérez be elected Chair of the Board of Regents for the year commencing July 1, 2019.
 - b. Regent Cecilia Estolano be elected Vice Chair of the Board of Regents for the year commencing July 1, 2019.
 - c. Standing Committee Chairs, Vice Chairs and members, including non-voting advisory members, be appointed for the year commencing July 1, 2019 as shown in Attachment 4.

Regent Sherman briefly summarized the item and noted that members of the Health Services Committee serve three-year terms.

Upon motion duly made and seconded, the recommendations of the Special Committee on Nominations were approved.

6. **RESOLUTION IN MEMORY OF ELLEN TAUSCHER**

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

WHEREAS, the Regents of the University of California are profoundly sorrowful at the untimely death of Ellen Tauscher, a true public servant, beloved colleague, and effective and staunch champion of the University; and

WHEREAS, throughout her life she was a trailblazer, being the first woman to hold a seat on the New York Stock Exchange and also serving in prominent roles in the federal government, including as a member of the House of Representatives from 1997 to 2009, during which she was Chair of the House Armed Services subcommittee on strategic forces and Speaker pro tempore, Undersecretary of State for Arms Control and International

Security, during which she was instrumental in negotiating a historic Strategic Arms Reduction Treaty, and Special Envoy for Strategic Stability and Missile Defense; and

WHEREAS, during her tenure of service on the Board as a Regent of the University of California, the University benefitted tremendously from her expertise, wise counsel and steady leadership as Chair of the National Laboratories Subcommittee, Vice Chair of the Academic and Student Affairs Committee, member of the Compliance and Audit Committee, and Chair of the Board of Governors of the Los Alamos National Security and Lawrence Livermore National Security, LLCs; and

WHEREAS, she was instrumental in the University's successful bid to retain the management of Los Alamos National Laboratory under the new partnership of Triad National Security, LLC, reflecting her expansive knowledge of the field, deft negotiation skills, and the deep respect and confidence she inspired in her peers in the national security community; and

WHEREAS, those who had the great fortune to have known and worked with Ellen will remember her brilliant intellect, keen sense of humor, indomitable spirit, and her warmth and ability to connect personally with individuals from all walks of life;

NOW, THEREFORE, BE IT RESOLVED in recognition of her devoted service as a member of the Board of Regents of the University of California, the Regents do hereby confer upon Ellen Tauscher the title Regent Emerita;

AND BE IT FURTHER RESOLVED that the Regents of the University of California express their gratitude for the many outstanding contributions that earned Ellen a place in the University's history and in its heart, and convey the deep sense of loss that they, and the University community, feel at the death of this cherished friend and esteemed colleague.

AND BE IT FURTHER RESOLVED that the Regents convey to her daughter, Katherine, and all her family, their heartfelt condolences and direct that an inscribed copy of this resolution be sent to Katherine as a token of the Regents' profound admiration and regard for Ellen.

Regent Blum praised Regent Tauscher's knowledge and understanding of the National Laboratories and noted that her time on the Board was too short. He added that he and Senator Feinstein were longtime friends of Regent Tauscher's.

7. **RESOLUTION IN APPRECIATION – GEORGE BLUMENTHAL**

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

WHEREAS, the Regents of the University of California wish to honor and commend George Blumenthal as he prepares to step down as the tenth Chancellor of University of California, Santa Cruz, following a career of distinguished and loyal service to the

University, marked by dedication and creative leadership that has earned him the high regard and great affection of the entire UC community; and

WHEREAS, an eminent theoretical astrophysicist who literally wrote the book on *Understanding the Universe* and whose trailblazing research has helped explain the origins of galaxies, he has been a part of the University of California family for half a century, earning his Ph.D. in physics from the University of California, San Diego, followed by becoming a faculty member at Santa Cruz, Chair of the Department of Astronomy and Astrophysics, Chair of the Santa Cruz Division of the Academic Senate, Chair of the systemwide Academic Senate and Faculty Representative to the Regents, and finally, Chancellor of the University of California, Santa Cruz for the past 13 years; and

WHEREAS, as Chancellor he has left an indelible imprint on the Santa Cruz campus, successfully helming the campus' first fundraising campaign, significantly increasing research funding, and stewarding the renewal and expansion of the campus footprint in a sustainable manner true to the campus' culture and character, as well as developing a satellite campus in Silicon Valley; and

WHEREAS, under his able and visionary leadership, the campus has opened new fields of study and graduate and undergraduate degree programs and burnished its reputation nationally and internationally, while championing the ideal of diversity, doubling the enrollment of underrepresented minority students and significantly increasing access for low-income and first-generation students; and

WHEREAS, his leadership has been marked by a generosity of spirit, which has been recognized by his faculty and staff colleagues with the award of the Oliver Johnson Award for Distinguished Leadership by the Academic Senate and the Outstanding Senior Leadership Award from the Council of University of California Staff Assemblies;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California express their profound admiration and gratitude to George Blumenthal for his unceasing dedication and commitment to the University and for his perceptive leadership of the Santa Cruz campus, and the Regents also wish to make note that those who have had the honor and pleasure of working with him have benefitted greatly from his intellect, his dignity, his humor, and the warmth of his friendship;

AND BE IT FURTHER RESOLVED that the Regents extend to George Blumenthal heartfelt good wishes for the future, taking comfort in the fact that he will continue to be an active and vital participant in the life of the campus, and therefore instead of wishing him farewell, instead wish him "Fiat Slug!"

Regent Zettel thanked Chancellor Blumenthal for his service.

8. **RESOLUTION IN APPRECIATION – DARIN ANDERSON**

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

WHEREAS, the Regents of the University of California wish to express their heartfelt appreciation to Darin Anderson as he prepares to relinquish his responsibilities as a respected Regent-designate and Alumni Regent of this Board, having faithfully and conscientiously carried out his Regental duties, at all times providing diligent oversight of UC's many operations for the betterment of the University and those it serves; and

WHEREAS, since receiving his Bachelor of Science and Master of Business Administration degrees from UC Riverside, he has proved himself a true champion of the University, serving his beloved alma mater in many capacities including service as past chair of the UC Riverside Foundation Board of Trustees and member of the UC Riverside School of Business Advisory Board, in addition to his selfless service as President of the Alumni Associations of the University of California; and

WHEREAS, a highly successful entrepreneur, he has brought to bear his financial acumen and knowledge of planning, design and construction, contributing keen insight and wise counsel, as evident in his service as a member of the Compliance and Audit, Finance and Capital Strategies, and Public Engagement and Development Committees, as well as the Investments Subcommittee and Chancellor Search Committee, where his professionalism and expertise have added immeasurably to the Board's deliberations, earning the respect and admiration of his fellow Regents; and

WHEREAS, in recognition of his devoted service as a member of the Board of Regents of the University of California, and in the hope that he will continue as an active and vital participant in the life of the University, the Regents do hereby energetically confer upon Darin Anderson the title, Regent Emeritus;

NOW, THEREFORE, BE IT RESOLVED that the Regents convey to Darin Anderson their deepest appreciation for his outstanding service on this Board and for his many notable contributions and achievements as an esteemed alumnus and spirited supporter of the University;

AND BE IT FURTHER RESOLVED that the Regents direct that a suitably inscribed copy of this resolution be presented to Darin Anderson as an expression of the Board's gratitude, warm regard, and lasting friendship.

Regent Makarechian noted that Regent Anderson has a reputation for getting things done. He added that, aside from Regent Anderson's many commitments to UC, he is also the chief executive officer and chairman of Salas O'Brien, a design, construction, and architectural company. He thanked Regent Anderson for his service.

9. **RESOLUTION IN APPRECIATION – DEVON GRAVES**

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

WHEREAS, on June 30, 2019, Devon Graves, a graduate of the University of California, Los Angeles' Master's program in Higher Education Leadership and Organizational Change and current doctoral candidate in that program, will complete his term as the 44th student Regent, having carried out his Regental responsibilities with diplomacy, thoughtfulness, and skill; and

WHEREAS, from his years as an undergraduate at Cal Poly – Pomona through his years at UCLA, he has made tremendous, significant, and lasting contributions to students throughout California and the nation at the campus, State, and federal levels of governance, including serving as Chair of the California State Student Association for two terms, as a member and Chair of the California Student Aid Commission, appointed by Governor Brown, and as a student representative on a committee at the U.S. Department of Education; and

WHEREAS, as a Regent of the University of California, he has worked tirelessly on behalf of all UC students to lobby for affordable tuition, advocate for State support of public higher education, raise awareness of and institutionalize measures to address student housing and food insecurity, campaign for permanent additional funding for student basic needs and promote the position of Student Regent, resulting in an unprecedented number of applications for the position; and

WHEREAS, as a testament to his deep understanding of the complex issues facing the University of California and higher education in general, he was the first student Regent to be appointed Vice Chair of a standing committee, the Public Engagement and Development Committee, and proposed the establishment of a Special Committee on Basic Needs and served as its Chair, and whereas these efforts have been a hallmark of his service on the Board and reflect the earned respect and admiration of his fellow Regents; and

WHEREAS, his unfailing efforts to ensure that the Board's decisions benefit students have broadened the perspective of his colleagues, especially as a member of the Regents' Academic and Student Affairs Committee and Public Engagement and Development Committee, as well as the Advisory Search Committee for a new Chancellor for the Santa Cruz campus; and

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California express their sincere thanks for his service as a member of the Board, and in recognition of his dedicated service as a member of the Board of Regents of the University of California, the Regents do hereby confer upon Devon Graves the title, Regent Emeritus;

AND BE IT FURTHER RESOLVED that the Regents extend to Devon Graves their best wishes for great success in his future endeavors, knowing that he will be an effective

advocate for and friend of higher education and all those aspiring to attend a university, and they extend their heartfelt appreciation and good wishes to him and direct that a suitably inscribed copy of this resolution be presented to him as a symbol of the Board's lasting friendship and esteem.

Regent Ortiz Oakley thanked Regent Graves for his service.

10. **RESOLUTION IN APPRECIATION – JASON MORIMOTO**

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

WHEREAS, on June 30, 2019, Jason Morimoto will complete his term on the Board of Regents, having provided distinguished and thoughtful leadership to the University as a Regent-designate and then as an Alumni Regent, and has made enormous contributions as an alumni volunteer for the University and its Berkeley campus in particular, ably serving as President of the Cal Alumni Association, Vice President of the Alumni Associations of California and as a member of the UC Berkeley Foundation Board of Trustees; and

WHEREAS, having established a distinguished career in finance and business development in technology companies, and as a graduate of the Berkeley campus, he has generously shared his expertise with students at his beloved alma mater and beyond, interacting with countless students through job recruitment efforts, fellowship award interviews, mentoring, and visits to many of the University of California campuses; and

WHEREAS, a tireless advocate for students, he has demonstrated a particular commitment to listening to students' perspectives and reflecting these perspectives in meetings of the Academic and Student Affairs Committee, the Special Committee on Basic Needs, and the Special Committee to Select a Student Regent, which has added immeasurably to the deliberations of these bodies; and

WHEREAS, he has also provided wise counsel, keen insight, and incisive questions at meetings of the Compliance and Audit, Finance and Capital Strategies, Public Engagement and Development Committees, and Investments and National Laboratories Subcommittees; and

WHEREAS, in recognition of his devoted service as a member of the Board of Regents of the University of California, and in anticipation of his continued contributions to the welfare of the students and success of the University; the Regents do hereby confer upon Jason Morimoto the title Regent Emeritus;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California express their appreciation and admiration to Jason Morimoto, who has enriched the University in countless ways from his years as a dedicated alumni volunteer to his current service as a member of the Board of Regents;

AND BE IT FURTHER RESOLVED that the Regents extend to Jason 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 Elliott thanked Regent Morimoto for his dedication to the Board and the time he has spent, particularly time spent traveling to campuses and Laboratories. He stated that Regent Morimoto's insight has been truly valuable.

11. UPDATE ON GOVERNOR'S MAY REVISION TO THE 2019-20 BUDGET

This item was not discussed.

12. APPROVAL OF INCREASE TO UNDERGRADUATE NONRESIDENT SUPPLEMENTAL TUITION WITH FINANCIAL AID PROVISION FOR NONRESIDENT UNDERGRADUATES FOR 2019-20

The President of the University recommended that the Regents approve the increase in undergraduate Nonresident Supplemental Tuition (NRST) shown in Display 1, to be effective commencing with the 2019-20 academic year, with an accompanying requirement that ten percent of the resulting increase in NRST revenue be used for nonresident undergraduate financial aid.

DISPLAY 1: Proposed Increase to Undergraduate Nonresident Supplemental Tuition

	2018-19 Charge	<i>Proposed Adjustment</i>	<i>Proposed % Change</i>	Charges Effective 2019-20
Nonresident Supplementation Tuition				
Undergraduate	\$28,992	\$762	2.6%	\$29,754

President Napolitano stated that this proposal was presented at the March 2019 Regents meeting but was tabled due to some concerns voiced by Regents and those making public comment. The Office of the President (UCOP) has spent the intervening months amending the proposal to address the issues raised. The item proposed increasing undergraduate nonresident supplemental tuition (NRST) by 2.6 percent, which was roughly the rate of inflation, and also setting aside ten percent of the new nonresident tuition revenues for financial aid for domestic and international nonresident students. About ten percent of nonresident students rely on student loans, so setting aside ten percent of the new tuition revenues would allow campuses to cover the increased costs for those students or assist other students for whom the tuition increase might pose an obstacle to enrollment. The President stated that the University should be mindful about admitting only wealthy nonresident students and work to avoid it. She reminded the Board that the budget approved in November included an assumed nonresident student tuition increase. The May Revision to the State budget did not add substantial funding to the Governor's proposed State budget in January. Without the tuition increase, UC would incur another \$30 million shortfall,

which would have an impact on the education provided to undergraduate students regardless of whether they are resident or nonresident.

Executive Vice President and Chief Executive Officer Brostrom stated that this was a revised item. The tuition increase of 2.6 percent, or \$762 per year, was the same amount that was proposed in the March 2019 Regents meeting, but this proposal would also set aside ten percent for need-based aid for these students.

Associate Vice President David Alcocer stated that the \$30 million budget gap would be in addition to any shortfall in State funds in the final State budget. The proposed increase would affect every campus based on the number of nonresident students enrolled, but there are long-term implications even for campuses enrolling few nonresident students. In response to the concerns raised in the March 2019 Regents meeting, the revised item contains more detailed information about why the tuition increase is more manageable for nonresident students and their families. The number of applications and percentage of students who accept UC's offer of admissions remain strong despite rising NRST. For continuing students, graduation rates have improved, and average debt at graduation has declined over time. In response to a request from Regent Park, UCOP has distributed data on the trends of socioeconomic status and countries of origin of international students. Nine percent of nonresident students financed a portion of their education with student loans in 2018, and the new proposal sets aside ten percent for financial aid.

Chancellor Block stated that, in 2008, State general funds provided 64 percent of UCLA's core funds. Following the recession and sharp cuts in State funding, increased revenues from NRST were a critical part of making up for those cuts. Currently, NRST makes up 16 percent of the core funds revenue. In order to maintain a strong core funds budget, UCLA needs annual, inflation-like adjustments to all sources of core funds revenue. State support has improved next year, but the tuition buy-out from last year was not restored, and a tuition freeze for an additional year presents a significant challenge to all campuses. A modest 2.6 percent increase in NRST is necessary. UCLA currently has the largest student body in its history. Since 2008, the UCLA undergraduate population has increased by 20 percent. The campus has worked hard to ensure student success and improve graduation rates, but this is only possible with more seats and class sections to prevent overcrowding. NRST increases have allowed UCLA to add instructors and teaching assistants, as well as expanding overcrowded course sections. Currently, UCLA has a four-year graduation rate of 80 percent and six-year graduation rate of 90 percent, with a 12 percent improvement in the four-year rate since 2008. Class sections have grown by 28 percent. UCLA has prioritized improving graduation rates for underrepresented populations and wishes to close the gap for six-year graduation rates. Chancellor Block closed his remarks by emphasizing that fee increases should be modest, carefully planned, and communicated early so that families have time to prepare. UCLA strongly supports creating return-to-aid for a portion of NRST. He noted that some international students need financial help. Limiting the increase to 2.6 percent with return-to-aid is the best way to move forward. Chancellor Block urged the Board to approve this increase.

Chancellor Christ stated that current State investment in UC was not sufficient to fill the revenue gap created by long-term reduction in State support and a six-year tuition freeze. Increasing the enrollment of nonresident students and NRST revenue has been essential to meeting the needs of all UC Berkeley students. Over the last ten years, UC Berkeley enrollment has grown by 21 percent, and NRST has grown from nine percent to 26 percent of the campus' core budget, enabling expanded instruction and student support services. In FY 2019–20, a 2.6 percent increase in NRST would allow UC Berkeley to invest in instruction, advising, faculty, diversity, and basic needs. The ten percent return-to-aid will aid talented nonresident students. The campus already dedicates \$1 million in aid to nonresident and international students, including \$400,000 administered by the International Office for emergency aid to international students. NRST helps address increasing demand for courses and course sections in the face of increasing enrollment. It also supports the Common-Good Curriculum, the gateway math, writing, and science course that all undergraduates must complete to graduate. Academic advising and other support services are critical to maintaining strong student outcomes and excellent time-to-degree and graduation rates. NRST currently supports the Student Learning Center, which serves over 12,000 students annually, and can help increase the number of advisors in the College of Letters and Sciences, where there are 560 students for every one advisor. The number of ladder rank faculty has remained flat, and UC Berkeley has launched a plan to increase by 100 ladder rank faculty in ten years. NRST is needed to support that hiring plan. Increasing diversity means meeting the basic needs of at-risk students. UC Berkeley uses NRST to provide financial aid to undocumented students. Without NRST, UC Berkeley would face large classes, an inadequate numbers of class sections, which affects time-to-degree, increased-student-to-faculty ratio, and potential negative impacts to students' educational planning and academic performance, which also affects time-to-degree and graduation rates, particularly for underrepresented minority and at-risk students. NRST has been essential for UC Berkeley to maintain access and quality for students. Chancellor Christ urged the Board to approve this modest increase.

Regent Makarechian stated that his support was conditional upon the ten percent return-to-aid going only to existing students. He added that President Napolitano has committed to speaking to the Chancellors about raising additional funds to help incoming nonresident students.

Regent-designate Weddle appreciated the amendments made to the proposal but was not convinced that they would address all issues raised. She stated that ten percent return-to-aid would not alleviate food and housing insecurity that nonresident students experience. She noted that there was nothing in the proposal for students who do not qualify for the State Assembly Bill (AB) 540 exception. She urged the Regents to vote “no.”

Mr. Brostrom responded that nonresident students were eligible for basic needs support from the proposed \$15 million in the State budget, the new \$3.5 million for rapid rehousing, and other money that the Office of the President (UCOP) distributes, such as \$30 million in housing assistance. Resident and nonresident students are not differentiated for those funds. Mr. Alcocer added that UCOP is working with legislative staff on AB 1620, which would expand AB 540 eligibility. UCOP believes that the number of undocumented

students systemwide is 30 or fewer. Regent-designate Weddle clarified that her comment was that she did not believe that the ten percent allocation to financial aid would help prevent food and housing insecurity.

Regent Estolano stated that the amendment for return-to-aid addressed her concerns of UC only enrolling wealthy nonresident students, and AB 1620 addressed her concerns about AB 540 eligibility. Regent Pérez stated that he shared Regent Estolano's concerns and was committed to support this NRST proposal with the assumption that legislation can resolve the AB 540 issue. AB 1620 is a good vehicle, and there may be other possible strategies. Regent Pérez was confident that UC can find a pathway in time to make financial aid distributions to all potentially impacted students, including non-AB 540 undocumented students. Regent Estolano stated that she was confident in the Board and the Legislature that the AB 540 issue would be resolved. For that reason, she was able to support the NRST proposal.

Regent Graves asked how these NRST funds would go toward tuition discounting. Chancellor Christ responded that UC Berkeley has created a form for international students that is the equivalent of the Free Application for Federal Student Aid (FAFSA). Aid is distributed on the basis of need, and the campus anticipates adding these NRST funds to that fund. UC Berkeley actively fundraises for aid to undocumented students. Regent Graves asked Chancellor Block if this was similar at UCLA. Chancellor Block responded in the affirmative. Regent Graves asked what the increase to financial aid would be. Chancellor Christ replied that the increase would be \$300,000, approximately a 25 percent increase. Regent Graves remarked that this is not a lot of money in this context and emphasized that this would not make a significant impact on students. Chancellor Christ responded that the increase may actually be \$500,000, closer to 50 percent.

Regent Leib stated that this was more like a 1.5 percent increase. Mr. Brostrom stated that this was correct.

Regent Park appreciated the work done to amend the proposal. She stated that the need for funds is undisputed but expressed her continued discomfort with the proposal. Drawing from data provided in the background materials, she shared that approximately 2,540 domestic nonresident students have family incomes below \$58,000 families, and 2,468 international families would be of similar income range. She added that \$58,000 was 200 to 250 percent of the federal poverty line. Combined, there over 5,000 nonresident students whose family income is of that \$58,000 range. \$2.9 million in return-to-aid would cover 3,800 students, with 1,200 students uncovered. In 2010–11, 8.7 percent of international students had an annual family income of under \$29,000; currently, only 2.9 percent of international students have that family income. Regent Park provided a few more statistics. As the University has increased tuition, people of lower means feel UC is less accessible. Regent Park was uncomfortable with the trend.

Faculty Representative May stated that the Academic Council had a robust discussion of this matter and is prepared to support the proposal.

Regent Cohen proposed a substitute motion that approved the proposal contingent upon State budget action that provides greater financial aid protection for undocumented students. Legislation would not help undocumented students this year, and they would have to start the fiscal year in uncertainty. Budget action can get them protection by the time the academic year starts. He acknowledged that this was a small but significant cohort of students.

Regent Sures asked what would happen if State budget action did not pass. Regent Cohen responded that the Board would know the results of the budget action by June and be able to reconsider at the July 2019 Regents meeting. Regent Sures recommended acting now so that students can anticipate a tuition increase and have more time to plan ahead. Regent Cohen stated that the Board should use this opportunity to address a long-standing issue for undocumented students.

Regent Pérez clarified that the substitute motion would approve the proposal, announcing to students what the new fees would be, but the proposal would not be effective if legislative budgetary efforts are unsuccessful. Regent Cohen responded that this was correct. Regent Lansing stated her understanding that the Legislature was opposed to financial aid to out-of-state and international students and asked why the Legislature would give the University more funds for out-of-state and international students. Regent Pérez clarified that the contingent legislative action is not an appropriation. Rather, the substitute motion is conditioned on legislative authority that will expand the pool of students who can be covered by financial aid to cover those who are not eligible under AB 540.

Regent Ortiz Oakley stated that the Regents are often in this familiar predicament. There is pressure from the chancellors due to the critical needs of campuses. The Regents ultimately make decisions based on the need for revenue and not on policy. The Board has been making short-term fixes to long-term, structural problems without addressing those problems. He expressed his discomfort with voting for tuition increases before the Regents determine the recommended makeup of the University, such as the number of resident and nonresident students or the number of freshman or transfer students. It would then be much easier to make tuition decisions in general. He stated his opposition to raising tuition on students without a plan for the future of UC. The Board is putting bandages on the issue. Chancellor Block responded that campus costs keep going up and that revenue has to come from somewhere if the campuses wish to provide the same level of service. UCLA has worked hard to reduce the time-to-graduation, which leads to money saved for families. NRST funds have been invested specifically for more courses to speed up graduation.

Chair Kieffer noted that, at the recent retreat, Board did address the issue that Regent Ortiz Oakley raised, and the Board agreed that the approach would be modest tuition increases for resident and nonresident students. Otherwise, the University would lose about three percent annually off 42 percent of the budget. The Board proposed a plan to look forward four years and called upon chancellors to meet an enrollment goal of 200,000 more students by 2030. He disagreed with the idea that the Board did not address the issue of raising tuition.

Faculty Representative May did not agree with holding the tuition increase hostage because of the support of financial aid for undocumented students. Campuses have to budget this tuition increase money in advance. The substitute motion is a tacit agreement to increase tuition anyway. The University should support AB 1620 but should not condition the NRST on its passage.

Regent Zettel asked whether she could move to amend an amendment such that the Regents would vote to support AB 1620 and also the tuition increase. Chair Kieffer recommended voting on the existing substitute motion.

President Napolitano urged the Board to listen to Mr. May's comments and vote for the proposal as written in the item. She stated that UCOP will be working to secure legislation to help undocumented students who do not qualify for resident tuition under AB 540. Running UC by contingency is an extraordinarily difficult way to proceed. She urged a "no" vote on the substitute motion and a "yes" vote on the original motion.

Upon motion duly made and seconded, the amendment was defeated, with Regents Anguiano, Cohen, Elliott, Estolano, Graves, Guber, Ortiz Oakley, Park, and Pérez voting "yes" and Regents Butler, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Morimoto, Napolitano, Sherman, Sures, and Zettel voting "no."

Upon motion duly made and seconded, the recommendation of the President was approved, with Regents Estolano, Guber, Kieffer, Lansing, Leib, Makarechian, Morimoto, Napolitano, Pérez, Sherman, Sures, and Zettel voting "yes," Regents Butler, Cohen, Graves, Kounalakis, Ortiz Oakley, and Park voting "no," and Regent Elliott abstaining.

13. **FISCAL YEAR 2019–20 BUDGET FOR THE UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT**

The President of the University recommended that the Regents approve the Fiscal Year 2019-20 Budget for the University of California Office of the President, as provided in Attachments 5 and 6.

Chair Kieffer stated that, upon conferring with President Napolitano and Regent Pérez, the Office of the President (UCOP) budget requires more review by the Regents, particularly the members of the Governance Committee. Consideration of the UCOP budget would be postponed until the July 2019 Regents meeting. A continuing resolution would allow the Board to operate on expenditures approved under the current budget.

Regent-designate Simmons asked about the status of the multi-year budget in order to put it into perspective with the UCOP budget. Mr. Alcocer replied that the multi-year budget, which included provisions for tuition, State funding, and strategic investments, is a systemwide budget and distinct from UCOP. Regent-designate Simmons clarified that her question was about the about timing of the multi-year budget. Mr. Alcocer replied that UCOP is currently working with State legislators and the Governor's administration.

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

Resolved, the Regents authorize the Office the President to accept and expend funds for fiscal year 2019–20 per Regents Policy 5101 and continue to operate subject to the terms of the fiscal year 2018–19 approved budget. The Governance Committee shall consider and recommend the fiscal year 2019–20 budget to the Board of Regents. This resolution shall remain in effect through August 31, 2019.

14. **THE DIVISION OF AGRICULTURE AND NATURAL RESOURCES**

This item was not discussed.

15. **STRATEGIC PLAN AND FISCAL YEAR 2019–20 BUDGET FOR UC HEALTH DIVISION, OFFICE OF THE PRESIDENT**

This item was not discussed.

16. **INTERIM APPOINTMENTS FOR LEADERSHIP CHANGES AT THE MERCED CAMPUS AND OFFICE OF THE PRESIDENT**

Recommendation

The President of the University recommended that the Regents approve the following items:

- A. Appointment of and compensation for Nathan Brostrom as Interim Chancellor, Merced campus, as follows:
 - (1) Appointment of Nathan Brostrom as Interim Chancellor, Merced campus, at 100 percent time, effective August 15, 2019 through August 31, 2020 or until the appointment of a new chancellor, Merced campus, whichever occurs first.
 - (2) Per policy, continued annual base salary of \$437,100. Mr. Brostrom will remain eligible to participate in the 2019 merit program consistent with University-wide guidelines. At the conclusion of the interim appointment, Mr. Brostrom's compensation will revert to his compensation in effect as of August 14, 2019 plus any adjustments made under the Office of the President salary program during the interim appointment.
 - (3) Per policy, as Mr. Brostrom is not separating from his current position, continuation of monthly contribution to the Senior Management Supplemental Benefit Program.
 - (4) Per policy, as Mr. Brostrom is not separating from his current position, continued annual automobile allowance of \$8,916.

- (5) Per policy, continued eligibility to participate in the UC Employee Housing Assistance Program, subject to all applicable program requirements.
 - (6) Per policy, an administrative fund will be established for official entertainment and other purposes permitted by University policy, effective August 15, 2019 through August 31, 2020 or until the appointment of a new chancellor, Merced campus, whichever occurs first. Adjustments may occur annually as allowed by policy.
 - (7) Per policy, continued participation in standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability).
 - (8) As an exception to policy, reimbursement of housing costs (rent/lodging, utilities, and base phone charges) not to exceed \$2,500 per month, effective August 1, 2019 and continuing until up to two months after the conclusion of Mr. Brostrom's appointment as Interim Chancellor, Merced campus, to facilitate Mr. Brostrom's transition of duties to the new chancellor, Merced campus.
 - (9) As an exception to policy, reimbursement of actual and reasonable moving expenses associated with Mr. Brostrom's temporary relocation to Merced. This constitutes an exception to policy because Mr. Brostrom is not relocating his primary residence, but the reimbursement of these expenses is subject to all other limitations under Regents Policy 7710: Senior Management Group Moving Reimbursement.
- B. Appointment of and compensation for Paul Jenny as Interim Executive Vice President – Chief Financial Officer, Office of the President, as follows:
- (1) Appointment of Paul Jenny as Interim Executive Vice President – Chief Financial Officer, Office of the President, effective August 15, 2019 through August 31, 2020 or until the appointment of a new chancellor, Merced campus, whichever occurs first.
 - (2) Per policy, continued appointment as Senior Vice Chancellor for Finance and Administration, San Francisco campus.
 - (3) Per policy, an annual base salary of \$429,452 during the appointment as Interim Executive Vice President – Chief Financial Officer, Office of the President, during a transition period from July 15, 2019 through August 14, 2019, and during a second transition period while Mr. Brostrom is transitioning responsibilities and information to the new chancellor, Merced campus, which will be no more than two months following the appointment of the new chancellor, Merced campus. Mr. Jenny will remain eligible to participate in the 2019 merit program consistent with University-wide

guidelines. At the conclusion of the second transition period, Mr. Jenny's compensation will revert to his compensation in effect as of July 14, 2019 plus any adjustments made under the UCSF salary program during the transition periods and/or the interim appointment.

- (4) Per policy, continuation of monthly contribution to the Senior Management Supplemental Benefit Program.
- (5) Per policy, continued eligibility to participate in the UC Employee Housing Assistance Program, subject to all applicable program requirements.
- (6) Per policy, continued participation in standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability).

Background

The President of the University recommends the appointment of and compensation for Nathan Brostrom as Interim Chancellor, Merced campus, effective August 15, 2019 through August 31, 2020 or until the appointment of a new chancellor, Merced campus, whichever occurs first. This request is due to the retirement of Chancellor Leland on August 15, 2019. Mr. Brostrom will arrive on the Merced campus on August 1, 2019 to ensure a smooth transition of duties and responsibilities from Chancellor Leland to Mr. Brostrom as the Interim Chancellor. Additionally, following the appointment of a new chancellor, Mr. Brostrom will assist the Merced campus with the transition of duties to the new chancellor for up to two months.

A competitive national search will be started with a target to appoint a new chancellor prior to the start of the 2020-21 academic year.

There is no proposed change to Mr. Brostrom's current annual base salary of \$437,100, which is 13.3 percent below the 25th percentile (\$504,200) of the Market Reference Zone (MRZ) for the position of Chancellor and 4.4 percent above the base salary of the current incumbent (\$418,690). Mr. Brostrom will remain eligible to participate in the 2019 merit program consistent with University-wide guidelines.

Mr. Brostrom intends to live on or near the campus in a furnished apartment as he would not relocate his primary residence for this interim appointment. As an exception to policy, the President recommends reimbursement of monthly housing costs (rent/lodging, utilities, and base phone charges) not to exceed \$2,500 per month. The reimbursement of housing costs for this purpose would be an exception to policy because it is not expressly provided for under policy. Regents Policy 7708: University-Provided Housing does not apply to chancellors serving in an interim capacity; however, no exception is being requested to have Mr. Brostrom live in the UC Merced University House, although University events will continue to be held there as appropriate.

The President also recommends reimbursement of actual and reasonable moving expenses associated with Mr. Brostrom's temporary relocation to Merced. As Mr. Brostrom is not relocating his primary residence, this constitutes an exception to policy.

Mr. Brostrom joined UC in 2006 as Vice Chancellor for Administration at the Berkeley campus, after which he joined the Office of the President as the Executive Vice President – Business Operations from 2009 to 2014. Mr. Brostrom is recognized as a seasoned and versatile University leader and has been serving as the Executive Vice President – Chief Financial Officer (CFO) for the University since 2014.

As the Merced 2020 cosponsor alongside Chancellor Leland, Mr. Brostrom has been directly involved in the planning and implementation of the campus's expansion as well as its budget and operations. As the systemwide CFO, Mr. Brostrom currently oversees all aspects of the University's financial management, including asset management, the operating budget, capital finance and planning, risk services, and procurement. Mr. Brostrom has been teaching an undergraduate higher education seminar at the UC Berkeley Goldman School of Public Policy for the past several years and also serves on the boards for the Thirty Meter Telescope, Fiat Lux, and Futures Without Violence, an international organization that works to reduce domestic abuse and violence against women and children.

At the conclusion of the interim appointment, Mr. Brostrom will return to his current position as Executive Vice President and Chief Financial Officer, Office of the President, and his compensation will revert to his compensation in effect as of August 14, 2019, plus any adjustments made under the Office of the President salary program during the interim appointment.

Mr. Brostrom holds a bachelor's degree from Stanford University and a master's degree in Public Policy from Princeton University.

The Interim Chancellor, Merced campus, position will be funded fully or partially by State funds.

Additionally, during Mr. Brostrom's tenure as Interim Chancellor, the President of the University recommends approval of the appointment of and compensation for Paul Jenny as Interim Executive Vice President – Chief Financial Officer, Office of the President, in addition to his existing appointment as Senior Vice Chancellor for Finance and Administration, San Francisco campus, with an annual base salary of \$429,452. This action will be effective August 15, 2019 through August 31, 2020 or until the appointment of a new chancellor, Merced campus, whichever occurs first. Additionally, this action proposes two transition periods for transfer of responsibilities, so that Mr. Jenny will receive compensation at the proposed interim rate from July 15, 2019 through August 14, 2019 and for the period of time that Mr. Brostrom is transitioning responsibilities and information to the new chancellor, Merced campus, after the appointment of the new chancellor.

The proposed annual base salary of \$429,452 is 10.4 percent below the 50th percentile (\$479,300) of the MRZ for the Executive Vice President – Chief Financial Officer position. This is 1.7 percent below the current incumbent's annual base salary of \$437,100 and ten percent above Mr. Jenny's current annual base salary of \$390,411. Mr. Jenny will remain eligible to participate in the 2019 merit program, consistent with University-wide guidelines.

Mr. Jenny is a seasoned executive with more than 20 years of experience in highly complex higher education environments with a high level of responsibility in the areas of finance and administration. He was appointed as the Senior Vice Chancellor for Finance and Administration, San Francisco campus, in June 2016. Prior to joining UCSF, Mr. Jenny served for eight years as the Senior Vice President – Planning and Management at the University of Washington. Mr. Jenny has also served as the Associate Vice Chancellor – Budget and Resource Planning at UC Berkeley, and has held financial and administrative leadership roles at the University of Alaska, the Brookings Institution, and Loyola University in New Orleans.

He has demonstrated experience and expertise in financial and treasury management, strategic planning and modeling, policy development, capital planning, and operating budgets as well as expert knowledge of financial management and administration for public higher education and not-for-profit entities, including operating budget development and implementation, capital project planning and budgeting, debt financing and treasury responsibilities, sponsored research administration, and general administrative and plant functions in collaboration with faculty, staff, students, deans, administrators, and Regents.

At the conclusion of the interim appointment, Mr. Jenny will continue in his current position as Senior Vice Chancellor for Finance and Administration, San Francisco campus, and following the second transition period, his compensation will revert to his compensation in effect as of July 14, 2019, plus any adjustments made under the UCSF salary program during the transition periods and/or the interim appointment.

Mr. Jenny earned his Master of Business Administration from Loyola University New Orleans and his Bachelor of Arts (Economics) from the University of Washington, Seattle.

The Interim Executive Vice President – Chief Financial Officer, Office of the President position will be funded fully or partially by State funds.

[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.]

President Napolitano noted the upcoming departure of Chancellor Leland from UC Merced and that UC would undertake a national search for her replacement. Because Chancellor Leland's departure would occur before the end of the next academic year and recruitment would take time, President Napolitano explained that this item proposed that Executive Vice President and Chief Executive Officer Brostrom would serve as Interim Chancellor

at UC Merced. Paul Jenny, Chief Financial Officer at UCSF, would divide his time between UCSF and the Office of the President in Mr. Brostrom's absence.

Regent Cohen stated that Mr. Brostrom has been a tireless advocate for the Merced campus and praised the appointment.

Upon motion duly made and seconded, the President's recommendation was approved.

17. UNFINISHED BUSINESS

A. *Amendment of Bylaws and Committee Charters, Establishment of a National Laboratories Committee, and Adoption of National Laboratories Committee Charter*

At the March 2019 meeting of the Regents, notice was served that at the next regular meeting of the Regents, the Regents approve amendment of Bylaw 22.2 – Authority of the Board, Specific Reservations, and Bylaw 24 – Standing Committees, as shown in Attachment 7.

B. *Amendment of Bylaw 27.5 – Interim Actions and Bylaw 23.3 – Officers of the Corporation*

At the March 2019 meeting of the Regents, notice was served that at the next regular meeting of the Regents, the Regents approve amendment of Bylaw 27.5 – Interim Actions, and Bylaw 23.3 – Officers of the Corporation, as shown in Attachment 8.

Upon motion duly made and seconded, the recommendations were approved.

18. REPORT OF INTERIM, CONCURRENCE AND COMMITTEE ACTIONS

Secretary and Chief of Staff Shaw reported that, in accordance with authority previously delegated by the Regents, action was taken on routine or emergency matters as follows:

Approvals Under Interim Action

- A. The Chair of the Board, The Vice Chair of the National Laboratories Subcommittee, and the President of the University approved the following recommendation:

Appointment of Gary Falle to the Lawrence Livermore National Security, LLC and Los Alamos National Security, LLC Boards of Governors and Triad National Security, LLC Board of Directors

- (1) Gary Falle be appointed as an Executive Committee Governor (voting member) on the Lawrence Livermore National Security, LLC, Board of Governors, replacing Kimberly Budil.

- (2) Gary Falle be appointed as an Executive Committee Governor (voting member) on the Los Alamos National Security, LLC, Board of Governors, replacing Kimberly Budil.
- (3) Gary Falle be appointed as a Director (voting member) on the Triad National Security, LLC, Board of Directors, replacing Kimberly Budil.
- (4) The President be authorized, in consultation with the General Counsel, to execute all documents necessary in connection with the actions described above.

B. The Chair of the Board, The Vice Chair of the Board, and the President of the University approved the following recommendations:

- (1) ***Approval of Contract Compensation Parameters for a Head Coach for Men's Basketball, Intercollegiate Athletics, Berkeley Campus***

Recommendation

That authority be delegated to the President of the University or her designee to negotiate and approve the following compensation terms for the new Head Coach for Men's Basketball, Intercollegiate Athletics, Berkeley 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.

- a. **Guaranteed Compensation:** For the first contract year, annual guaranteed compensation not to exceed \$2.5 million, consisting of an annual base salary not to exceed \$275,000 and an annual talent fee not to exceed \$2,225,000. Additionally, for subsequent years, authority to offer an increase of up to five percent between consecutive years in the contract, so long as the average annual guaranteed compensation does not exceed \$2,763,000 over the life of the contract (calculated for a five-year term) and the total cumulative guaranteed compensation does not exceed \$13,815,000. This exceeds the *Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide* (September 2008 Parameters) because the maximum proposed annual guaranteed compensation of \$2.5 million in year one is more than 30 percent over the annual guaranteed compensation of \$1 million in the final contract year of the current incumbent. In addition, the proposed maximum total cumulative guaranteed compensation of \$13,815,000 in the proposed contract is more than 30 percent over the current incumbent's total cumulative guaranteed compensation of

\$5 million over the five-year term of the current incumbent's contract.

- b. **Other Contract Terms:** All other elements of compensation and contract terms must be within the September 2008 Parameters.

Background

Action under interim authority was requested to delegate authority to the President of the University or her designee to negotiate and approve a compensation contract, within certain parameters not to be exceeded, to replace the Head Coach for Men's Basketball, Intercollegiate Athletics, Berkeley campus, effective upon approval. Due to circumstances outlined below, the proposed negotiation and approval parameters for the coaching contract requires Regents' approval because the guaranteed compensation exceeds the *Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide* (the "September 2008 Parameters").

UC Berkeley had not made any announcements in regard to a change to the Men's Basketball coaching staff so as not to cause concern among the players and the staff who support Men's Basketball at Cal. However, the athletic department and campus leadership reported that they were very likely to notify the Head Men's Basketball Coach, Wyking Jones, that his contract would be terminated (following the team's completion of this year's post season).

The recruitment period for Men's Basketball coaches had started and closed within a few weeks; therefore, the President requested that this action be considered under an interim action. As with all NCAA Division I coaching searches, there are very tight time constraints and heavy competition to place new coaches under contract.

The campus athletic department reports that as a likely result of the declining performance of the Cal Men's Basketball program, ticket sales have declined in the past two years to a level 40 percent lower than sales three years ago. The campus states that history has shown that improved performance of the team will lead to increased ticket sales and increased philanthropy that can fund these costs, and the campus will target specific philanthropy requests toward this hiring need.

The level of compensation for NCAA Division I coaches has increased substantially over the last few years, and the proposed guaranteed compensation for the new Head Coach will fall outside of the parameters in the current delegation of authority given the changes in the marketplace.

The categories and maximum compensation amounts proposed below are intended to facilitate successful contract negotiations with the desired candidate for the Head Men's Basketball Coach position. The approval of this delegation of authority for contract compensation parameters will serve as approval of the final compensation of the Head Coach for Men's Basketball wherein the final compensation for the position will be within the limits outlined in this proposal.

The President requested approval of the following maximum contract compensation parameters that exceed the September 2008 Parameters for the **Head Coach position for Men's Basketball**:

- a. **Guaranteed Compensation (Base Salary plus Talent Fee):** The base salary portion of the guaranteed compensation will not exceed \$275,000 in the first year of the contract. The talent fee portion of the guaranteed compensation will not exceed \$2,225,000 in the first year of the contract.

Based on a maximum base salary of \$275,000 and a maximum talent fee of \$2,225,000, the guaranteed compensation in the first contract year will not exceed \$2.5 million. This exceeds the September 2008 Parameters because the maximum proposed annual guaranteed compensation of \$2.5 million in year one is more than 30 percent over the annual guaranteed compensation of \$1 million in the final contract year of the current incumbent.

In subsequent years, UC Berkeley will limit annual increases in guaranteed compensation to no more than five percent. The average annual compensation would be no more than \$2,763,000 over the life of the contract (calculated for a five-year term) for a total guaranteed compensation not to exceed \$13,815,000. This exceeds the September 2008 Parameters because the maximum total cumulative guaranteed compensation is more than 30 percent over the current incumbent's total cumulative guaranteed compensation of \$5 million over the five-year term of the current incumbent's contract.

The remaining proposed elements of compensation under the proposed contract are within the September 2008 Parameters and are reflected below:

- b. **Contract Duration and Appointment:** Contract compensation is calculated on a 12-month basis. UC Berkeley plans to negotiate a contract term not to exceed five years with an appointment at 100 percent time.

- c. **Annual Maximum Incentive Potential:** Annual maximum incentive potential for postseason and academic team performance in an amount not to exceed \$340,000 annually. This would be subject to the academic “gatekeeper” threshold. The September 2008 Parameters allow for an increase of up to 15 percent or \$30,000, whichever is greater, over the current incumbent’s final contract year incentive amount, which will be \$395,000; therefore, the incentive is within parameters.
- d. **Deferred Compensation:** UC Berkeley may provide deferred compensation in the form of a retention bonus up to a maximum of \$1 million or the equivalent of the first year’s guaranteed compensation, whichever is less. This is within the September 2008 Parameters, which allow for deferred compensation that does not to exceed the first year’s guaranteed compensation amount.
- e. **Signing Bonus:** UC Berkeley may provide a one-time signing bonus up to \$750,000 or 33 percent of the first year’s guaranteed compensation, whichever is less. Within the September 2008 Parameters, UC Berkeley can provide a signing bonus that does not exceed 33 percent of the first year’s guaranteed compensation. Therefore, the signing bonus is within current parameters.
- f. **Camp Income:** No income from University-run camps will be offered.
- g. **Coach Termination:** Consistent with the September 2008 Parameters, the contract will include termination and liability clauses limiting the University’s obligations.
- h. **Other Elements of Compensation:** Consistent with the elements included in the athletic contracts at UC Berkeley:
 - i. Use of one courtesy car vehicle.
 - ii. Reimbursement for actual and reasonable moving expenses and costs for up to 30 non-consecutive days of housing at the time of the move.
 - iii. Per policy, standard benefits except that the coach will not be eligible for vacation or sick leave accrual.
 - iv. Other standard coach perquisites consistent with department practice.
- i. **Other Contract Terms:** All other contract terms will be within the September 2008 Parameters.

The Men's Basketball Head Coach position will be paid from Athletic Department revenues and private fundraising; no State funds will be used.

Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

- (2) ***Approval of Contract Compensation Parameters for a Head Coach and Up To Three Assistant Coaches for Men's Basketball, Intercollegiate Athletics, Los Angeles Campus***

Recommendation

That authority be delegated to the President of the University or her designee to negotiate and approve the following compensation for the Head Coach and up to three Assistant Coaches for Men's Basketball, 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.

- a. Approval was requested for the following maximum parameters for the Head Coach, Men's Basketball, Intercollegiate Athletics, Los Angeles campus:
 - i. **Guaranteed Compensation:** For the first contract year, annual guaranteed compensation not to exceed \$8 million, consisting of an annual base salary not to exceed \$300,000 and an annual talent fee not to exceed \$7.7 million. Additionally, for subsequent years, authority to offer an increase of up to 30 percent between consecutive years in the contract, so long as the average annual guaranteed compensation does not exceed \$17 million, and the total cumulative guaranteed compensation does not to exceed \$102 million over the life of the contract (calculated for a six-year term). This exceeds the *Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide* (September 2008 Parameters) because the maximum proposed annual guaranteed compensation of \$8 million in year one is more than 30 percent over the annual guaranteed compensation of \$2.6 million in the final contract year of the previous incumbent. In addition, the maximum proposed total cumulative guaranteed compensation of \$102 million is more than 30 percent over the previous incumbent's total cumulative guaranteed compensation of \$15.6 million with the duration of the previous incumbent's contract adjusted from seven years to

six years so as not to affect the comparison.

- ii. **Annual Maximum Incentive Potential:** Annual maximum incentive potential for postseason and academic team performance not to exceed \$1 million in the first year of the contract, and within the September 2008 Parameters, annual increases of no more than five percent per contract year. This will be subject to the academic “gatekeeper” threshold. This exceeds the September 2008 Parameters because the maximum proposed incentive amount of \$1 million in year one is more than 15 percent over the incentive amount of \$310,500 in the final contract year of the previous incumbent.
 - iii. **Signing Bonus:** One-time signing bonus not to exceed \$6 million. This exceeds the September 2008 Parameters, which limit the one-time signing bonus to an amount not to exceed 33 percent of the first year’s guaranteed compensation.
 - iv. **Camp Income:** A maximum payment not to exceed \$500,000 in the first year of the contract, and within the September 2008 Parameters, annual increases of no more than five percent per contract year, for services performed in conjunction with University-run basketball camps under a revenue-sharing arrangement, the terms of which may be determined at the sole discretion of the Athletics Director and the Head Basketball Coach. This exceeds the September 2008 Parameters because the maximum camp income of \$500,000 in year one is more than 30 percent over the camp income of \$150,000 in the final contract year of the previous incumbent.
 - v. **Other Contract Terms:** All other elements of compensation and contract terms must be within the September 2008 Parameters.
- b. Approval was requested for the following maximum parameters for up to three Assistant Coaches, Men’s Basketball, Intercollegiate Athletics, Los Angeles campus:
- i. **Guaranteed Compensation:** For the first year in each contract, annual guaranteed compensation not to exceed \$1 million, consisting of an annual base salary not to exceed \$250,000 and an annual talent fee not to exceed \$750,000. Additionally, for the second year in each contract, authority

to offer an increase of up to 30 percent. This exceeds the September 2008 Parameters because the maximum proposed annual guaranteed compensation of \$1 million in year one of each contract is more than 30 percent over the annual guaranteed compensation in the final contract years for each of the current incumbents (i.e., \$195,400, \$220,400, and \$305,400). In addition, the proposed maximum total guaranteed compensation of \$2.3 million in each of the proposed contracts is more than 30 percent over the current incumbents' total cumulative guaranteed compensation of \$390,800, \$440,800, and \$610,800 (with the duration of the current incumbents' contracts adjusted so that it does not affect the comparison).

- ii. **Annual Maximum Incentive Potential:** Annual maximum incentive potential for postseason and academic team performance in an amount not to exceed \$250,000 in the first year of each contract and, within the September 2008 Parameters, an annual increase of no more than five percent in the second year of each contract. This will be subject to the academic "gatekeeper" threshold. This exceeds the September 2008 Parameters because the maximum proposed incentive amount of \$250,000 in year one is more than 15 percent over the incentive amount of \$30,000 in the final contract years for each of the current incumbents.
- iii. **Camp Income:** A maximum payment not to exceed \$250,000 in the first year of each contract and, within the September 2008 Parameters, an annual increase of no more than five percent in the second year of each contract for services performed in conjunction with University-run basketball camps under a revenue-sharing arrangement, the terms of which may be determined at the sole discretion of the Athletics Director and the Head Men's Basketball Coach. This exceeds the September 2008 Parameters because the maximum camp income of \$250,000 in year one of each of the new contracts is more than 30 percent over the camp income offered in each of the current coaches' final contract year of \$40,000.
- iv. **Other Contract Terms:** All other elements of compensation and contract terms must be within the September 2008 Parameters.

Background

Action under interim authority was requested to delegate authority to the President of the University or her designee to negotiate and approve a compensation contract, within certain parameters not to be exceeded, to replace the Head Coach and up to three Assistant Coaches for Men's Basketball, Intercollegiate Athletics, Los Angeles campus, effective upon approval. Due to circumstances outlined below, the proposed negotiation and approval parameters for the four coaching contracts require Regental approval because the terms exceed the *Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide* (the "September 2008 Parameters").

The recruitment period for Men's Basketball coaches had started and closed within a few weeks; therefore, the President requests that these actions be considered under an interim action. As with all NCAA Division I coaching searches, there are very tight time constraints and heavy competition to place new coaches under contract. Additionally, concerning the assistant coaching positions, the current incumbents were still in place until the season concluded, and they had not been notified as to whether they will receive new contracts once the Head Coach position is filled.

The level of compensation for NCAA Division I coaches has increased substantially over the last few years, and the proposed contract components for the new Head Coach and up to three Assistant Coaches will fall outside of the parameters in the current delegation of authority given the changes in the marketplace. The campus reports that the UCLA Head Men's Basketball Coach did not receive a guaranteed compensation increase during his six-year tenure and the assistants only received modest increases. The campus also has noted that under the current local authority, UCLA would not be able to hire or present a competitive compensation package to any of the current Top 25 compensated coaches in the country from public institutions based on local authority parameters. The campus is concerned that this would severely limit its options to acquire talent befitting the history and tradition of the UCLA program, which has the distinction of being the program with the highest number of NCAA Men's Basketball National Championships. The campus provided comparative contract compensation data from similar Intercollegiate Men's Basketball programs.

The President requested authority to negotiate and finalize contracts as summarized below:

- a. Negotiate and finalize a contract for a new Head Coach for Men's Basketball. The previous coach separated from the University in December 2018, and the recruitment season has now begun and will close in a few weeks; therefore, the campus would like to initiate

discussions and complete negotiations before the recruitment window closes.

- b. Negotiate and finalize contracts as needed for up to three Assistant Coaches for Men's Basketball. There are currently three incumbents in these positions; however, with the appointment of a new Head Coach, the existing contracts may not be renewed and/or extended. At that point, UCLA will need to initiate discussions and complete negotiations as quickly possible to ensure that a full coaching staff is in place.

The categories and maximum compensation amounts proposed below are intended to facilitate successful contract negotiations with the desired candidates for all four positions. The approval of this delegation of authority for contract compensation parameters will serve as approval of the final compensation of the Head Coach and three Assistant Coaches for Men's Basketball wherein the final compensation for all four positions is within the limits outlined in this proposal.

The following lists the contract compensation parameters **for the Head Coach position for Men's Basketball**. The President seeks approval for those contract components listed below that are noted as exceeding the September 2008 Parameters:

- a. **Contract Duration and Appointment Percentage:** Contract compensation is calculated on a 12-month basis. UCLA plans to negotiate a contract term not to exceed six years with an appointment at 100 percent time. The campus Chief Human Resources Officer in consultation with the Affirmative Action Officer have designated this position as being exempt from the contract duration limit of five years as covered in *PPSM 3: Types of Appointment*, as an employment contract is customarily used in the athletics industry to define the employment relationship.
- b. **Guaranteed Compensation (Base Salary plus Talent Fee):** The base salary portion of the guaranteed compensation will not exceed \$300,000 in the first year of the contract. The talent fee portion of the guaranteed compensation will not exceed \$7.7 million in the first year of the contract.

Based on a maximum base salary of \$300,000 and a maximum talent fee of \$7.7 million, the guaranteed compensation in the first contract year will not exceed \$8 million. This exceeds the September 2008 Parameters because the maximum proposed annual guaranteed compensation of \$8 million in year one is more than 30 percent over the annual guaranteed compensation of \$2.6 million in the final

contract year of the previous incumbent.

In subsequent years, UCLA will limit annual increases in guaranteed compensation to no more than 30 percent between consecutive years. The average annual guaranteed compensation would be no more than \$17 million for a total cumulative guaranteed compensation not to exceed \$102 million over the life of the contract (calculated for a six-year term). This exceeds the September 2008 Parameters because the maximum total cumulative guaranteed compensation is more than 30 percent over the previous incumbent's total cumulative guaranteed compensation of \$15.6 million with the duration of the previous incumbent's contract adjusted from seven years to six years so as not to affect the comparison.

- c. **Annual Maximum Incentive Potential:** Authority to offer an annual incentive for team performance (postseason and academic) in an amount not to exceed \$1 million in the first year of the contract, and within the September 2008 Parameters, annual increases can be applied at no more than five percent between consecutive years. The eligibility for payment of the incentive will be subject to the academic "gatekeeper" threshold.

The September 2008 Parameters allow for an increase of up to 15 percent or \$30,000, whichever is greater, over the previous coach's final contract year incentive amount. The request for an incentive up to \$1 million exceeds the parameters as the previous coach's incentive in the final contract year was \$310,500, which the campus has identified as being below market for many top coaches. The ability to offer potential incentives may assist in keeping the guaranteed compensation lower.

- d. **Deferred Compensation:** Within the September 2008 Parameters, UCLA can provide deferred compensation in the form of a retention bonus not to exceed the first year's guaranteed compensation amount (base salary plus talent fee), which will not exceed \$8 million as stated above and will only be paid after completion of the first contract year.
- e. **Signing Bonus:** Authority to offer up to \$6 million as a one-time signing bonus. This exceeds the September 2008 Parameters, which limit the one-time signing bonus to an amount not to exceed 33 percent of the first year's guaranteed compensation (base salary plus talent fee). However, as many top coaches currently have 'buyouts,' UCLA anticipates that a new Head Coach may have buyout provisions under his/her current coaching contract with

another institution that may require a signing bonus greater than can be provided under the current parameters.

- f. **Camp Income:** Authority to offer an amount not to exceed \$500,000 in the first year of the contract, and within the September 2008 Parameters, annual increases can be applied at no more than five percent between consecutive years for services performed in conjunction with University-run basketball camps under a revenue-sharing arrangement, the terms of which may be determined at the sole discretion of the Athletics Director and the Head Basketball Coach. This exceeds the September 2008 Parameters as the maximum camp income for the new contract is more than 30 percent over the amount of annual camp income offered in the previous coach's final contract year, which was \$150,000.
- g. **Coach Termination:** Consistent with the September 2008 Parameters, the contract will include termination and liability clauses limiting the University's obligations.
- h. **Other Elements of Compensation:** Consistent with the elements included in the athletic contracts at UCLA:
 - i. Reimbursement for actual and reasonable moving expenses and costs for up to 30 non-consecutive days of housing at the time of the move.
 - 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.
- i. **Other Contract Terms:** All other contract terms will be within the September 2008 Parameters.

Additionally, the following lists the contract compensation parameters for up to three **Assistant Coaches for Men's Basketball**. The President seeks approval for those contract components listed below that are noted as exceeding the September 2008 Parameters:

- a. **Contract Duration and Appointment:** Contract compensation is calculated on a 12-month basis. UCLA plans to negotiate contract terms not to exceed two years, and the appointments will be at 100 percent time.

- b. **Guaranteed Compensation (Base Salary plus Talent Fee):** The base salary portion of the guaranteed compensation will not exceed \$250,000 in the first year of each of the contracts. UCLA will be able to increase the base salary by up to 30 percent for the second year of each of the contracts.

The talent fee portion of the guaranteed compensation will not exceed \$750,000 in the first year of each contract. UCLA will be able to increase the talent fee by up to 30 percent for the second year of each of the contracts.

Based on a maximum base salary of \$250,000 and a maximum talent fee of \$750,000, the guaranteed compensation in the first contract year for each contract will not exceed \$1 million.

The September 2008 Parameters allow for a 30 percent increase between the previous incumbent's guaranteed compensation in his/her final contract year and the new incumbent's guaranteed compensation in his/her first contract year. The request for a maximum of \$1 million for the first contract year for up to three Assistant Coach contracts exceeds the current parameters as the current incumbents' final contract year guaranteed compensation for each of the three current contracts is \$195,400, \$220,400, and \$305,400.

The total guaranteed compensation will not exceed \$2.3 million over the life of the contract (calculated for a two-year term). This exceeds the September 2008 Parameters because the maximum total cumulative guaranteed compensation is more than 30 percent over all of the current incumbents' total cumulative guaranteed compensation (\$390,800, \$440,800, and \$610,800), with the duration of the current incumbents' contracts adjusted from one year to two years so as not to affect the comparison.

- c. **Annual Maximum Incentive Potential:** Authority to offer an annual incentive for team performance (postseason and academic) in an amount not to exceed \$250,000 in the first year of the contract and within the September 2008 Parameters, annual increases can be applied at no more than five percent per year. The eligibility for payment of the incentive will be subject to the academic "gatekeeper" threshold.

The September 2008 Parameters allow for an increase of up to 15 percent or \$30,000, whichever is greater, over the previous coach's final contract year incentive amount. The request for an incentive up to \$250,000 in each contract exceeds the parameters as

the three contracts for the current Assistant Coaches have a maximum incentive of \$30,000 in each of their final contract years, which the campus has identified as being below market for many coaches.

- d. **Deferred Compensation:** Within the September 2008 Parameters, UCLA can provide deferred compensation in the form of a retention bonus not to exceed the first year's guaranteed compensation amount (base salary plus talent fee) for each contract, which will not exceed \$1 million as stated above and will only be paid after completion of the first contract year.
- e. **Signing Bonus:** Within the September 2008 Parameters, UCLA can provide a one-time signing bonus for each contract that does not exceed 33 percent of the first year's guaranteed compensation (base salary plus talent fee).
- f. **Camp Income:** Authority to offer in an amount not to exceed \$250,000 in the first year of the contract and within the September 2008 Parameters, annual increases can be applied at no more than five percent per year for services performed in conjunction with University-run basketball camps under a revenue-sharing arrangement, the terms of which may be determined at the sole discretion of the Athletics Director and the Head Men's Basketball Coach. This exceeds the September 2008 Parameters as the maximum camp income for each of the new contracts is more than 30 percent over the amount of annual camp income offered in the each of the current coaches' final contract year of \$40,000.
- g. **Coach Termination:** Consistent with the September 2008 Parameters, the contracts will include termination and liability clauses limiting the University's obligations.
- h. **Other Elements of Compensation:** Consistent with the elements included in the athletic contracts at UCLA:
 - i. Reimbursement for actual and reasonable moving expenses and costs for up to 30 non-consecutive days of housing at the time of the move.
 - 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.

- i. **Other Contract Terms:** All other contract terms will be within the September 2008 Parameters.

The Men's Basketball Head Coach and Assistant Coach positions are paid and will continue to be paid from Athletic department revenues and private fundraising, no State funds will be used.

Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

(3) ***Appointment of and Compensation for Emily Ann Carter as Executive Vice Chancellor and Provost, Los Angeles Campus***

Recommendation

That the following items be approved in connection with the appointment of and compensation for Emily Ann Carter as Executive Vice Chancellor and Provost, Los Angeles campus:

- a. Per policy, appointment of Emily Ann Carter as Executive Vice Chancellor and Provost, Los Angeles campus, at 100 percent time.
- b. Per policy, an annual base salary of \$579,000.
- c. Per policy, a hiring bonus of 20 percent of base salary (\$115,800), which is intended to make the hiring offer market-competitive and assist in securing Ms. Carter's acceptance of the offer. The hiring bonus will be paid in a lump sum subject to the following repayment schedule if Ms. Carter separates from the University or accepts an appointment at another University of California location within four years of her appointment: 100 percent if this occurs within the first year of employment; 75 percent if this occurs within the second year of employment; 50 percent if this occurs within the third year of employment; and 25 percent if this occurs within the fourth year of employment, subject to the limitations under policy.
- d. Reimbursement of actual and reasonable moving and relocation expenses associated with relocating Ms. Carter's primary residence subject to the limitations under Regents Policy 7710: Senior Management Group Moving Reimbursement, except for the specific exceptions to policy listed below. If Ms. Carter voluntarily separates from this position prior to completing three years of service or accepts an appointment at another University of California location within 36 months from her initial date of appointment, she will be required to pay back a pro-rated portion of the moving and

relocation expenses subject to the following repayment schedule: 100 percent if Ms. Carter voluntarily separates from this position prior to completing one year of service or if she accepts an appointment at another University of California location within 12 months from her initial date of appointment; 66 percent if Ms. Carter voluntarily separates from this position prior to completing two years of service or if she accepts an appointment at another University of California location within 24 months from her initial date of appointment; and 33 percent if Ms. Carter voluntarily separates from this position prior to completing three years of service or if she accepts an appointment at another University of California location within 36 months from her initial date of appointment.

- i. As an exception to policy, grant Ms. Carter up to three years after her start date to (a) submit receipts and/or documentation supporting her moving and relocation expenses; (b) sell her residence; and (c) complete her move and the move of members of her household. This permits the reimbursement of expenses authorized by Regents Policy 7710 that are incurred by Ms. Carter up to three years after her start date.
 - ii. As an exception to policy, authorize reimbursement for up to six months of temporary housing-related expenses actually and reasonably incurred, with these temporary housing-related expenses not to exceed a total cost of \$32,400.
- e. Per policy, eligibility to participate in the UC Employee Housing Assistance Program, subject to all applicable program requirements.
 - f. Per policy and contingent upon the campus's approval of Ms. Carter's tenured academic appointment, eligibility to accrue sabbatical credits as a member of tenured faculty, consistent with academic personnel policy.
 - g. Per policy, standard pension and health and welfare benefits and standard senior management benefits including eligibility for senior management life insurance and eligibility for executive salary continuation for disability (eligible after five consecutive years of Senior Management Group service).
 - h. This action will be effective as of Ms. Carter's start date, estimated to be on or about August 15, 2019.

COMPARATIVE ANALYSIS**Recommended Compensation****Effective Date:** On or about August 15, 2019**Title:** Executive Vice Chancellor and Provost**Annual Base Salary:** \$579,000**Incentive Compensation:** N/A**Target Cash Compensation*:** \$579,000**Funding:** Partially or Fully State Funded**Current Incumbent Data****Title:** Executive Vice Chancellor and Provost**Annual Base Salary:** \$457,330**Incentive Compensation:** N/A**Target Cash Compensation*:** \$457,330**Funding:** Partially or Fully State Funded

*Target Cash Compensation consists of base salary and, if applicable, incentive and/or stipend.

Background

Action under interim authority was recommended for the appointment of and compensation for Emily Ann Carter as Executive Vice Chancellor and Provost (EVC-P), Los Angeles campus, with a proposed base salary of \$579,000, effective on her start date which is expected to be on or about August 15, 2019. This is a Level Two position in the Senior Management Group (SMG) at 100 percent time. Subject to the academic personnel approval process, the campus will process a request for a non-salaried tenured faculty appointment at zero percent time at UCLA. The proposed base salary is 4.2 percent below the 75th percentile (\$604,100) of the position's Market Reference Zone (MRZ) and is 26.6 percent above the current incumbent's base salary (\$457,330). Additionally, the President recommended a hiring bonus of 20 percent (\$115,800) of the proposed base salary.

With regard to reimbursement of moving and relocation costs, this item recommended, as an exception to policy, an extension of the period of time during which Ms. Carter may be eligible for certain provisions under Regents Policy 7710: Senior Management Group Moving Reimbursement to three years. The campus requested this extension due to professional obligations of Ms. Carter's spouse and a challenging real estate market where her current primary residence is located. This request also requires an exception to policy to give Ms. Carter up to three years from her start date to provide receipts and/or documentation for reimbursement and/or

payment of moving and relocation expenses, sell her residence, and complete her move and the move of members of her household.

Additionally, this item recommended an exception to policy of up to six months for the period of time covered for temporary housing-related expenses. Regents Policy 7710 authorizes the cost of furnished temporary lodging up to 90 days, reasonable residential parking fees up to 90 days, and meals for the first 30 days of residence in temporary quarters that do not have cooking facilities.

The campus will manage all other details of the relocation package for Ms. Carter within the limitations of policy.

Because of the time limit, exceptions to policy for moving and relocation costs, as well as the proposed salary being above the 60th percentile of the position's MRZ and more than ten percent above the current incumbent's salary, this action required approval by the Regents.

The campus reported that presenting the request at the May or July 2019 Regents meetings would have created a delay in taking immediate and necessary action to inform candidates not chosen, conclude the search process, allow Ms. Carter to resign with sufficient notice, and prepare for her relocation. To ensure an effective transition to the new EVC-P, approval by the Regents via interim authority was requested.

Following a comprehensive national search, Ms. Carter was identified as an outstanding candidate to succeed Scott Waugh, the current EVC-P, who will be stepping down on June 30, 2019 and will return to his faculty appointment. Mr. Waugh has been serving as EVC-P since December 2008 and had served as Acting EVC-P for almost two years prior to that.

The Executive Vice Chancellor and Provost reports directly to the Chancellor and is tasked with bringing broad vision and executive leadership to campus-wide policy, planning, initiatives, and operations and also serves as the Chief Academic Officer for the campus. The EVC-P works closely with the Chancellor in the formulation and implementation of academic and administrative policies at UCLA and also serves as Acting Chancellor in the Chancellor's absence, with responsibility for managing the daily operations of the campus and serving as liaison to the Academic Senate. The EVC-P also guides campus efforts in strategic planning, promotes campus-wide academic initiatives, and defines budgetary and development priorities.

Ms. Carter is currently the Dean of the School of Engineering and Applied Science at Princeton University. She is the Gerhard R. Andlinger Professor in Energy and the Environment, as well as a Professor in the Department of

Mechanical and Aerospace Engineering and the Program in Applied and Computational Mathematics. She was the founding Director of the Andlinger Center for Energy and the Environment at Princeton. Prior to coming to Princeton in 2004, Ms. Carter spent 16 years at UCLA as Professor of Chemistry, Materials Sciences and Engineering. An author of nearly 400 publications, Ms. Carter has delivered more than 500 lectures worldwide and serves on advisory boards spanning a wide range of disciplines. She is a recipient of numerous honors, including election to the U.S. National Academy of Sciences, the American Academy of Arts and Sciences, and the U.S. National Academy of Engineering. She was the first woman to receive several major prizes, including the 2017 Irving Langmuir Prize in Chemical Physics from the American Physical Society and the 2018 Award in Theoretical Chemistry from the American Chemical Society.

In her research, Ms. Carter develops and applies quantum mechanics-based computer simulation tools to enable discovery and design of molecules and materials for sustainable energy, including converting sunlight to electricity; producing chemicals and fuels from renewable energy, carbon dioxide, and water; and optimizing liquid metal alloys for future fusion reactor walls.

Ms. Carter received her Bachelor of Science degree in Chemistry at UC Berkeley and her Ph.D. in Physical Chemistry at the California Institute of Technology.

Ms. Carter's salary will be the highest among the EVC-Ps systemwide, and this action will place her compensation above all but one of UC's chancellors, including Chancellor Block, due to the placement of the Chancellor and EVC-P salaries within their respective MRZs.

Based on policy guidelines for placement within the position's MRZ, the proposed base salary is appropriate in view of Ms. Carter's qualifications, scientific achievements, unique skill set, and professional stature that the campus feels are exceptional and set her apart from her peers. Additionally, in light of the breadth, scope, and complexity of UCLA's academic enterprise, including the Health Sciences, this position is broader and more complex in scope than other positions, and UCLA requires strong and seasoned leadership in the Executive Vice Chancellor and Provost role.

This item recommends approval of a hiring bonus, within the guidelines of Regents Policy 7705: Senior Management Group Hiring Bonus, of 20 percent (\$115,800) of the proposed base salary to be paid in the form of a lump sum. Ms. Carter would be required to pay back a pro-rata portion of the hiring bonus payment (\$28,950 per year) if she were to separate from UCLA to join another UC location or an institution outside of UC prior to

completing four years of service. As an appointee into an SMG role, even with an underlying faculty appointment of zero percent, Ms. Carter is not eligible for a Faculty Recruitment Allowance. Therefore, the campus would like to offer the hiring bonus in order to present a market-competitive offer and assist in securing Ms. Carter's acceptance. The campus also states that it has found this position difficult to fill. There are few candidates with the unique combination of strong academic qualifications, executive experience, and knowledge of the University of California who have the equivalent experience and skills that Ms. Carter would bring to this role. Additionally, the campus reports that it cannot meet Ms. Carter's salary expectations through base pay alone, and it believes that the offer will not be accepted without the ability to offer a hiring bonus.

As noted above, this item recommends the following exceptions to Regents Policy 7710: Senior Management Group Moving Reimbursement in relation to certain time limits for moving and/or relocation costs:

1. Regents Policy 7710 states that receipts and/or documentation must be submitted within 12 months of the appointee's start date; the sale of the residence must occur within 12 months of the appointee's start date; and that all moves of the appointee and members of her household should be completed within one year of the date an appointee first reports to the new job. As an exception to policy, this item recommends extending the time period for each of these items to three years to permit the reimbursement of moving and relocation expenses authorized by policy that are incurred within three years of Ms. Carter's start date.
2. Regents Policy 7710 authorizes the cost of furnished temporary lodging up to 90 days, reasonable residential parking fees up to 90 days, and meals for the first 30 days of residence in temporary quarters that do not have cooking facilities. As an exception to policy, the President recommends extending the time period for these temporary housing-related expenses to six months.

The campus has requested extending the time period for these policy limitations as an exception to policy due to Ms. Carter's spouse's professional obligations and the challenging real estate market in which her primary residence is located, which will delay Ms. Carter's ability to complete the relocation of her family from New Jersey to California within 12 months of her start date. Regents Policy 7710 requires repayment of moving and relocation expenses if the appointee voluntarily separates from the position prior to completing one year of service or accepts an appointment at another University of California location within 12 months from his or her initial date of appointment. As Ms. Carter will have three years to seek reimbursement, the President also recommends extending

these time frames to require repayment on a pro-rated basis (one-third per year) if Ms. Carter voluntarily separates from the EVC-P position prior to completing three years of service or accepts an appointment at another UC location within 36 months of her initial date of appointment. All other terms associated with reimbursement of actual and reasonable moving and relocation expenses will be consistent with policy.

Ms. Carter will be appointed at 100 percent time into her SMG role as Executive Vice Chancellor and Provost, Los Angeles Campus. Additionally, subject to the academic personnel approval process, the campus will process a request for a tenured non-salaried faculty appointment at zero percent time. Contingent upon the campus's approval of this faculty appointment, a research allowance will also be provided in connection with the tenured faculty appointment. This allowance is not compensation, and Ms. Carter may only use it for expenses related to her research allowed under University policy.

This position will be funded partially or fully by State funds.

Approvals Under Concurrence Action

- C. The Chair of the Finance and Capital Strategies Committee approved the following action:

Approval of Design, Student Housing West Project, Santa Cruz Campus

On March 27, 2019, following review and consideration of additional written information received by the Office of the Secretary and Chief of Staff prior to their meeting, Regents Makarechian, Cohen, and Park reviewed the price of the other alternatives to the Student Housing West project as presented by the Santa Cruz campus in an 80-page report with attached summary tables prepared by an independent third party consultant. The Regents did not independently investigate or judge the bases for the cost estimates provided in the report. Based on their receipt of this report, the numbers presented therein, and discussions with the independent consultant and the Santa Cruz campus, the Regents accepted the report as an exhibit to be attached to this item, concluded that the site preferred by the campus for the Student Housing West project appeared to be the most viable, and approved the design of the Student Housing West project as presented to the Board.

19. 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 President of the University, a letter announcing the deployment of UCPATH at UC Berkeley. March 1, 2019.
- B. From the Senior Vice President of External Relations and Communications, an email announcing that the University of California has been selected to co-host College Signing Day on May 1 with Michelle Obama's Reach Higher organization. March 5, 2019.
- C. From the President of the University, a press release titled *UC to hold tuition flat for California residents in 2019-20 academic year*. March 6, 2019.
- D. From the Secretary and Chief of Staff, a letter regarding the membership of the Special Committee on Nominations. March 6, 2019.
- E. From the President of the University, a statement regarding the college admissions investigation. March 14, 2019.
- F. From the President of the University, a letter to the Chancellors regarding the admissions allegations. March 18, 2019.
- G. From the Secretary and Chief of Staff, the Summary of Communications Received for March, 2019. April 18, 2019.
- H. From the General Counsel and Vice President, the Bi-monthly Report of New Litigation for reporting periods August 4 to October 2, 2018, October 3 to November 16, 2018, and November 17, 2018 to January 28, 2019. April 21, 2019.
- I. From the President of the University, the Annual Report on Student Health and Counseling Centers and UC Student Health Insurance Plan. April 26, 2019.
- J. From the President of the University, the 2019 Annual Report on Undergraduate Admissions Requirements and Comprehensive Review. May 2, 2019.

To the members of the Health Services Committee:

- K. From the Executive Vice President of UC Health, informational materials on graduate medical education, Medicaid, patient complexity, Title VII and VIII, and PRIME funding. March 8, 2019.

To the members of the Public Engagement and Development Committee:

- L. From the Federal Governmental Relations Associate Vice President, the Federal Update and Report on Congressional and Administration Activities. April 29, 2019.

The meeting adjourned at 2:10 p.m.

Attest:

Secretary and Chief of Staff

**The University of California
Office of the Chief Investment Officer**

**Annual Incentive Plan (AIP)
For Plan Year July 1, ~~2018-2019~~ through June 30, ~~2019~~2020**

I. Plan Purpose

Under the authority granted by The Board of Regents, the purpose of the University of California Office of the Chief Investment Officer Annual Incentive Plan (“Plan”) is to provide the opportunity for at risk variable financial incentives to those employees responsible for attaining or exceeding key objectives in the Office of the Chief Investment Officer (CIO) which are consistent with University investment objectives.

The Plan provides participants with an opportunity to receive an annual non-base building cash incentive based on the performance of the University’s total investment portfolio, the assets and/or functional groups managed by the individual participant, and the individual participant’s qualitative performance. The incentive award is earned based on the achievement of specific financial, non-financial, and strategic objectives relative to the mission and goals of the Office of the CIO and the performance of the investment portfolio. The Plan focuses participants on maximizing returns in excess of stated performance benchmarks for all funds managed while assuming appropriate levels of risk. It is intended to support teamwork so that members of the Office of the CIO operate as a cohesive group.

II. Plan Year

The Plan year will correspond to the University’s fiscal year, beginning July 1 of each year and ending the following June 30.

III. Plan Oversight

Development, governance and interpretation of the Plan will be overseen by an independent Administrative Oversight Committee (AOC) comprised as follows:

- Executive Vice President – Chief Operating Officer
- Executive Vice President – Chief Financial Officer
- Vice President – Systemwide Human Resources
- Executive Director – Systemwide Compensation Programs and Strategy

The AOC, in its deliberations pertaining to the development or revision of the Plan, may consult with the CIO or other key members of the CIO’s staff. The AOC will abide by the Political Reform Act, which would prohibit Plan participants, such as the CIO and other members of the CIO’s staff, from making, participating in making, or influencing decisions that would affect whether they participate in the Plan, the objectives that will govern whether they earn awards under the Plan, and the amount of awards paid to them under the Plan. The Office of General Counsel will be consulted if there are any questions about the application of the Political Reform Act in this context. The Chief Compliance and Audit Officer will assure that periodic auditing and monitoring will occur, as appropriate.

IV. Plan Approval

The Plan will be subject to an annual review conducted by the AOC to address design issues and market alignment. The Plan will be implemented each year upon the approval of the AOC if no changes to the Plan are being recommended. If the AOC recommends any substantive or material changes to the Plan, including, but not limited to, changing the award opportunity levels, the AOC will obtain the approval of the President and the ~~Regents' Committee on Governance and Compensation and consult with the Chair of the Regents' Investments Subcommittee~~ Regents' Investments Committee before implementing such changes.

Reasonable efforts, given all circumstances, will be made to delay implementing substantive or material Plan changes until after the current Plan year has ended. However, if changes are implemented during the Plan year that would affect the award calculations, changes will only be applied prospectively to the remaining portion of the Plan year. Moreover, no changes will affect awards earned by Plan participants for performance in prior Plan years. Plan changes recommended by the AOC that are not material or substantive, or are deemed to be technical corrections, may be approved by the AOC after consultation with the President and will then be implemented by the AOC at an appropriate time. The Regents will receive reports of all substantive or material changes to the Plan.

V. Plan Administration

The Plan will be administered by the Executive Director – Systemwide Compensation Programs and Strategy, consistent with the provisions of this Plan approved by the President and the Regents. The Plan features and provisions outlined in this document shall supersede any other Plan summary.

Except as set forth below, all award amounts will be reviewed by and require the approval of the AOC. In the unlikely event that the AOC proposes an award that is not consistent with the terms of this Plan document, approval by the President and Regents will be required. The AOC will consult the Chief Compliance and Audit Officer in an independent advisory capacity during its review of proposed awards. Any incentive award for the CIO or any other participant who is a direct report to the Regents and/or the President will require the approval of the Regents in addition to the AOC.

VI. Eligibility to Participate

Eligible participants for the Plan include senior management, professional investment and trading staff and other key positions in the Office of the CIO, as recommended by the CIO and subject to approval by the AOC. Eligibility is reviewed annually by the CIO and is subject to approval by the AOC, prior to the beginning of the Plan year.

A participant who has been found to have committed a serious violation of state or federal law or a serious violation of University policy at any time prior to distribution of an award will not be eligible for such awards under the Plan for that Plan year and/or performance period. If such allegations against a participant are pending investigation at the time of the award distribution, the participant's award(s) may be withheld pending the outcome of the investigation. If the participant's violation is discovered later, the participant may be required to repay awards for the Plan years and/or performance periods in which the violation occurred.

Participants in the Plan may not participate in any other incentive or recognition plan during the plan year, except in the event of a mid-year transfer within the University. Specifically, if a Plan participant is eligible for only a partial year award under this Plan because a mid-year transfer of position renders him or her eligible for Plan participation for only a portion of the Plan year, he or she may participate in a different University plan for the other portion of the Plan year. Concurrent participation in this Plan and another University plan is not permitted.

Prior to the beginning of the Plan year, the AOC will provide the President and the Chair of the Regents' ~~Committee on Governance and Compensation~~ Investments Committee with a list of Plan participants for that Plan year, including appropriate detail regarding each Plan participant.

Plan participation in any one year does not provide any right or guarantee of eligibility or participation in any subsequent year of the Plan.

Participants must be active full-time employees of the University in the Office of the CIO at the conclusion of the Plan year (i.e., as of midnight on June 30th) to be eligible to receive an award for that Plan year, unless the circumstances of their separation from the University entitle them to a full or partial award as set forth in the Separation from the University provision below in Section XIII.

Eligible employees who are appointed after the start of the Plan year must have an employment start date no later than January 15, to be eligible to receive an award for that Plan year. Newly hired participants will be eligible to receive a prorated award in their first partial year.

Participants who were not working for a significant portion of the Plan year may receive a partial award, if they are active full-time employees in the OCIO at the end of the Plan year. For the purpose of this Plan, leave of absence status will be determined by applicable University policies governing such leaves.

VII. Performance Standards

Each performance objective will include standards of performance defined as follows:

- **Threshold Performance:** This level represents satisfactory results, but less than full achievement of performance objectives.
- **Target Performance:** This level represents full achievement of all performance expectations.
- **Maximum Performance:** This level represents results that clearly exceed expectations.

VIII. Incentive Award Opportunity Levels

Plan participants are assigned award levels that serve to motivate individual, group and total entity performance as part of a competitive total cash compensation package. Participants are eligible to receive an incentive award, expressed as a percentage of their base salary that corresponds to predetermined target levels of performance. Actual incentive award levels may be greater or less than the target opportunity level, depending on performance relative to policy portfolio benchmarks and individual contribution. Award opportunity levels by position are as follows:

Position	Threshold Opportunity (as % of Salary)	Target Opportunity (as % of Salary)	Maximum Opportunity (as % of Salary)
Chief Investment Officer (CIO)	50%	100%	165% 200%
Senior Managing Directors & Chief Operating Officer	30%	60%	120%
Managing Directors	25%	50%	100%
Investment and Risk Directors	22.5%	45%	90%
Investment Officers	17.5%	35%	70%
Sr. Investment Analyst /Portfolio Mgr	10%	20%	40%
Other Participants, including Operations Managers/Directors	10%	20%	25% 40%

IX. Performance Objectives

The three Performance Objective categories of the Plan are:

1. Quantitative Entity Performance (e.g., total investment portfolio performance)
2. Quantitative Asset Class and/or Functional Group Performance, if applicable
3. Individual/Qualitative performance

The quantitative investment performance objectives will be reviewed and approved by the AOC in consultation with the CIO, the President, and ~~Chairs of the Regents' Committees on Governance and Compensation, and Investments Subcommittee~~Chair of the Regents' Investments Committee, and an independent investment consultant prior to the beginning of the Plan year. Performance objectives for each Plan participant must include the Entity Performance, the Asset Class Performance (where applicable), and the Individual/Qualitative Performance.

Individual/Qualitative Performance objectives may be established in, but are not limited to, the following areas:

- Leadership
- Implementation of operational goals
- Management of key strategic projects
- Effective utilization of human and financial resources

Individual/Qualitative performance objectives for each Plan participant other than the CIO will be defined by his/her supervisor. These objectives will be subject to endorsement by the CIO and approval by the AOC prior to the beginning of the Plan year. The individual performance objectives of the CIO will be defined annually by the President, who may consult with the Chair of the Regents' Investments SubcommitteeCommittee, prior to the beginning of the Plan year or as soon as possible thereafter. The AOC will consult the Chief Audit and Compliance Officer in an independent advisory capacity during its review of Plan participants' objectives.

Prior to the beginning of the Plan year or as soon as possible thereafter, the-supervisor of each Plan participant will provide him/her with written documentation that (a) identifies the participant's individual performance objectives applicable to the Plan, (b) defines the performance standards and metrics that will be used to measure threshold, target, and maximum performance for each investment objective, and assigns performance weightings to the participant's objectives.

X. Performance Measures and Weightings

For Plan participants other than the CIO, the participant's performance against assigned Individual/Qualitative goals will be assessed by the participant's supervisor and require the approval of the CIO. The CIO's performance against assigned Individual/Qualitative objectives will be assessed by the President, who will consult with the Chair of the Regents' Investments Subcommittee.

Quantitative investment performance of both the University portfolios and the market indexes for performance objectives is measured using a three-year rolling average. This method provides for longer term focus on and accountability for sustainable performance results. Investment returns in a given year, whether positive or negative, affect the average, and thus the payout, over three separate Plan years. The lowest value of any award in a given year will be zero.

If the Entity, Asset Class and/or Functional Group experience negative three-year rolling average returns (or other, applicable performance measurement periods, as described in Section XI, below) in any year, regardless of relative performance against benchmarks, that year's award for that component (Entity, Asset Class and/or Functional Group) will be zero. In those years where a component has negative three-year rolling average returns and nil awards, a participant may nevertheless earn awards tied to the other components where performance is positive, as well as for Individual/Qualitative performance. Negative performance in the current year will have no adverse impact on the deferred portions of prior year awards.

Awards are determined based on achievement of performance objectives relative to policy portfolio benchmarks and individual contribution, and in accordance with the payout curve established for each performance objective. Performance measures for participants in their first full Plan year or later are weighted as displayed in the table below.

Position	Weighting for Entity Performance Objectives	Asset Class Performance Objectives, if applicable	Weighting for Individual/Qualitative Performance Objectives
Chief Investment Officer	75%	0%	25%
Senior Managing Directors (Risk Mgmt and Chief Operating Officer)	75%	0%	25%
Senior Managing Directors (Asset Class)	50%	25%	25%
Managing Directors (Asset Class)	50%	25%	25%
Directors (Asset Class)	50%	25%	25%
Investment Officers Asset Class	50%	25%	25%
Investment Officers, Risk Management	75%	0%	25%
Managing Directors and Directors, Risk	75%	0%	25%
Sr. Investment Analysts	75%	0%	25%
Other Participants, including Operations Managers	75%	0%	25%

XI. Transitional Weightings for New Hires

In recognition of a participant's limited ability to affect attainment of objectives during the first two years of service, the following adjustments are made in the Weighting table for participants in their first three Plan years, as reflected in the following table.

Time Period	Weighting for Quantitative Performance Objectives (Entity, Asset Class, Functional Group)	Weighting for Individual/Qualitative Performance Objectives
First <i>partial</i> year	50% / 1 year performance	50%
Year 1 (first full year)	75% / 1 year performance*	25%
Year 2 (second full year)	75% / 2 years' performance*	25%
Year 3 (third full year)	Standard participation as provide by level under the Plan	

* or including weighting for asset class performance, as provided in the chart in Section X.

In special cases, such as for a new participant charged with the restructuring of an entire asset class or strategy, the above weights may be modified at the recommendation of the CIO, subject to approval by the AOC. In such a case, the participant will be required to meet specific objectives that contribute to long-term performance.

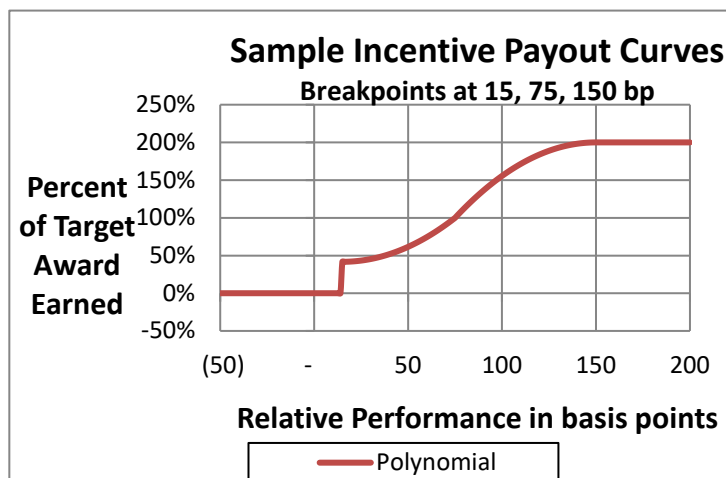
The phase-in of new asset classes will be handled in a similar way, that is, performance for the first year of a new asset class will be based on a single year's return; performance for the second year of the class will be based on the first two years' returns. See the Administrative Guidelines for more details of specific circumstances.

XII. Award Determination and Processing

Annual incentive awards will be payable in cash, subject to appropriate taxes and pursuant to normal University payroll procedures. The participant's total salary (which includes base salary, and any stipends, but does not include any prior year incentive award payouts or disability pay) paid as of the end of the Plan year (i.e., as of midnight on June 30) will be used in the calculation of the award amount. The current position held by the participant at the end of the Plan year or the applicable performance period will determine the award opportunity level in the calculation. For Investment Officers and above, the award will be payable in three annual payments comprised of 50 percent paid after the conclusion of the current Plan year, 25 percent paid when awards are paid for the next Plan year and 25 percent paid when awards are paid for the Plan year after that. For participants below the Investment Officer level (as reflected in the charts above), awards are payable in one lump sum; there is no deferral of any portion of their awards.

The deferred portion of awards earn interest during the period of deferral based on the ~~Short-Term Investment Pool (STIP) rate of return during the period of deferral~~ performance of the Total Entity, calculated using a three-year rolling average (but not less than zero). The calculation of the interest percentage will be completed at the close of each plan year. Payments of the deferred portions of awards for prior Plan years are generally issued during the fall of each year when the non- deferred portion of awards are paid for the recently concluded Plan year. Accrued awards for participants on approved leave of absence will be paid according to the normal schedule.

A polynomial payout curve is used to determine actual awards for performance levels between threshold and maximum and relative to Entity, Asset Class, and Functional Group quantitative performance objectives. The chart below shows an example of the polynomial payout curve. In this example, the Threshold is 15 bp, the Target is 75 bp, and the Maximum is 150 bp.



The primary advantage of the polynomial curve is that it supports higher proportional awards for better performance thereby encouraging participants to achieve target level or higher performance.

XIII. Separation from the University

The table below indicates whether a participant who separates from the University will be eligible to receive partial awards and/or payout of deferred portions of the awards for prior Plan years and also specifies when forfeiture of such awards will occur. Payment of deferred portions of prior Plan year awards will be paid with interest, as described in Section XII. Retirement will be determined based upon applicable University policies. In order to determine the most accurate award for the current Plan year, partial payments will be calculated at the end of the Plan year and issued in accordance with the normal process and schedule. The table, below, provides an example of how separations will be handled.

Reason for Separation	Separation During Plan Year (i.e., on or before June 30, 2020)	Separation on or after July 1, 2020
Voluntary Separation for any reason other than retirement	<ul style="list-style-type: none"> Forfeiture of award for 2018-19 2019-20 Plan year. Forfeiture of deferred portions of awards from 2016-17 and 2017-18 2017-18 and 2018-19 Plan years. 	<ul style="list-style-type: none"> Payout of 50% of award 2018-19 2019-20 Plan year; forfeiture of remainder. Payout of half of deferred portion of award for 2017-18 2018-19 Plan year; forfeiture of remainder. Payout of remaining portion of deferred award for 2016-17 2017-18 Plan year.

<ul style="list-style-type: none"> • Retirement • Medical separation due to disability • Death* • Involuntary separation due to reorganization or restructuring 	<ul style="list-style-type: none"> • Partial award for 2018-19<u>2019-20</u> Plan year. • Payout of all deferred portions of awards from 2017-18<u>2018-19</u> and 2016-17<u>2017-18</u> Plan years. 	<ul style="list-style-type: none"> • Award for 2018-19<u>2019-20</u>. • Payout of all deferred portions of awards from 2017-18<u>2018-19</u> and 2016-17<u>2017-18</u> Plan years.
Involuntary termination due to misconduct or inadequate performance	<ul style="list-style-type: none"> • Forfeiture of award for 2018-19<u>2019-20</u> Plan year. • Forfeiture of deferred portions of awards from 2017-18<u>2018-19</u> and 2016-17<u>2017-18</u> Plan years. 	<ul style="list-style-type: none"> • Forfeiture of award for 2018-19<u>2019-20</u> Plan year. • Forfeiture of deferred portions of awards from 2017-18<u>2018-19</u> and 2016-17<u>2017-18</u> Plan years.

* In such cases, payments will be made to the estate of the participant.

XIV. Extraordinary Market Environments

In periods of unusual market and economic stress, when the entity experiences negative investment returns, regardless of the entity's relative performance against benchmarks, the portion of the current Plan year awards that would normally be paid at the end of the current Plan year may be deferred. If this deferral mechanism is invoked, awards will be reviewed and approved in the usual manner. But, in conjunction with that review and approval process, deferral will be recommended by the AOC and then approved by the President and the Chairs of the Regents' ~~Committees on Governance and Compensation and Investments Subcommittee~~Investments Committee. In such a case, the portion of the current Plan year awards that have been deferred will earn interest ~~based on the STIP rate of return~~ during the period of deferral, as defined in Section XII, above. The portion of the current Plan year awards that have been deferred will be processed and distributed as soon as possible. However, in no event will they be deferred longer than one year.

XV. Award Approval Process

The AOC must convene to review all recommended awards within a reasonable time after the close of the Plan year. The AOC will provide the President and the Chair of the Regents' ~~Committee on Governance and Compensation~~Investments Committee with a listing of award recommendations before awards are scheduled to be paid. Payouts to individuals of approved awards will be processed as soon as possible unless the provision in Section XIV above regarding Extraordinary Market Environments applies.

On behalf of the AOC, the Executive Director – Systemwide Compensation Programs and Strategy will provide the President and the Regents with the award details in the Annual report on Executive Compensation. The AREC will also report awards paid to non-SMGs whose compensation falls within the AREC's reporting criteria.

This Plan may be terminated or replaced at any time for any reason upon the recommendation of the President, in consultation with the Chairs of the Regents' ~~Committee on Governance and Compensation and the Investments Subcommittee~~Investments Committee, and with the approval of the Regents. Reasonable efforts, given all circumstances, will be made to delay Plan termination until after the current Plan year has concluded. However, if the Plan is terminated during the Plan year, prorated awards for the current year will still be processed based on participants' performance during the portion of the Plan year prior to termination. Moreover, such termination will not affect awards earned by Plan participants for

performance in prior Plan years.

The University may require repayment of an award that that was made as a result of inappropriate circumstances. For example, if there is an inadvertent overpayment, the participant will be required to repay the overage. If the participant has not made the repayment before the award or the employee for a subsequent year is approved, the outstanding amount may be deducted from the employee's subsequent award.

Additions shown by underscoring

Charter of the Governance Committee

- A. Purpose. The Governance Committee shall provide strategic direction and oversight, make recommendations to the Board, and take action pursuant to delegated authority, on matters pertaining to the organization and management of the Board, pertaining to the appointment and compensation of the University's senior leadership, performance evaluation of the Principal Officers and the President of the University, and personnel policies for senior leadership, and pertaining to the development, review and amendment of employee compensation and benefits programs and policies.
- B. Membership and Terms of Service. The Committee shall consist of the President of the Board, the Chair and Vice Chair of the Board, the President of the University, the immediate past Chair of the Board if that individual is still a Regent, and the Chairs of the Standing Committees. The Chair of the Board shall be the Chair of the Committee and the Vice Chair of the Board shall be the Vice Chair of the Committee. All members shall be voting Regents, with no advisory members.
- C. Delegated Authority. The benchmarking framework for UC Health compensation shall be reviewed and approved by both the Health Services Committee and the Governance Committee at least every two (2) years. The Health Services Committee and the Governance Committee shall also approve any new UC Health positions in the Senior Management Group and their corresponding salary ranges for positions that are not State-funded without further Regents action. Matters requiring Board or Committee action between meetings may be approved by the Governance Committee.
- 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:
- Review and amendment of the University's Bylaws, Regents Policies that pertain to Board operations, and other governing documents
 - Formation and organization of the Board's Standing Committees, subcommittees and special committees, and development of committee charters
 - Review and oversight of the Board code of conduct and other Board policies
 - Oversight of member compliance with laws, regulations and University policy
 - Development of Board training and performance assessment programs
 - Development of Board meeting and other processes
 - Advising the President of the University on strategic issues and direction of the Office of the President
 - Appointment and performance evaluation of the President of the University and the Principal Officers of the Regents, in accordance with University policy
 - Review of University personnel policies

- Approval of appointment and compensation of University senior leadership, other than individuals within the express jurisdiction of another Committee as specified in a committee charter, in accordance with University policy
- Review of University compensation and benefit plans and programs
- Development of compensation benchmarks, unless otherwise specified in a committee charter, and other tools to assess the efficiency and competitiveness of the University's compensation and benefits plans and programs
- Oversight of University collective bargaining practices
- Assuring that appropriate subject matter expertise is available to the Board and its Committees
- Recommending to the Board procedures to consider any allegation that a Regent, Committee member, Regent Designate or advisor to a Board Committee has not fulfilled their duties as set forth in University Bylaws, policy or applicable law; to implement appropriate response(s) when such allegation is found to have merit, and to determine levels of authority to act on such matters.

The assignment of responsibility to this Standing Committee under Paragraphs C and E 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, to the Board or to any other Committee.

- E. Consultation With Other Committee Chairs on Compensation Matters. The Governance Committee shall consult with the Chairs of other Standing Committees or Subcommittees, as appropriate, in making determinations and recommendations regarding the appointment and compensation of employees within the jurisdiction of those other committees.

Additions shown by underscoring; deletions shown by strikethrough

Appendix E - Charter of the Health Services Committee

- A. Purpose. The Health Services Committee shall provide strategic direction and oversight, make recommendations to the Board, and take action pursuant to delegated authority, on matters pertaining to the University's health professions schools, academic health centers, health systems, non-hospital clinics and student health and counseling centers ("UC Health").
- B. Membership. The Committee shall consist of sixteen members, constituted as follows:
- The President of the Board, serving in an ex officio capacity
 - The Chair of the Board, serving in an ex officio capacity
 - The President of the University, serving in an ex officio capacity
 - A member of the Regents Finance and Capital Strategies Committee
 - ~~A member of the Regents Governance Committee~~
 - ~~Five~~ Six other Regents
 - The senior executive in the Office of the President charged with overseeing UC Health, serving in an ex officio capacity
 - ~~Two~~ Three Chancellors of University of California campuses with medical schools
 - One member in good standing of the Academic Senate, holding a clinical appointment at one of the University's health sciences schools
 - Four additional advisory members, demonstrating expertise in health care delivery management, academic health services, health care mergers and acquisitions or other relevant expertise
- C. Appointment. Except for ex officio members, all members of the Committee, and those chosen to serve as Chair and Vice Chair, shall be nominated by the Governance, and approved by the Board. Candidates for the Chancellor, Academic Senate, and Advisory Member positions on the Committee shall be forwarded for consideration to the ~~Governance~~ Special Committee on Nominations by the President of the University.
- D. Term. Unless otherwise specified by action of the Board, voting Regent members of the Committee, other than ex officio members, shall be appointed for a term of three years, subject to reappointment, in order to facilitate the development of expertise needed to provide effective oversight of the health enterprise. Regents who have less than three years remaining in their terms are eligible for appointment. Advisory members may serve for such terms as recommended by the ~~Governance~~ Special Committee on Nominations, and approved by the Board, and shall not be subject to any term limits.

- E. Special Requirements for Chancellors/Advisory Members. Only the Regent members of the Committee shall be permitted to vote on Committee business. A Chancellor member of the Committee shall be permitted to participate on a matter primarily affecting or benefitting their campus only to the extent of presenting or assisting in the presentation of the matter to the Committee, and shall not otherwise participate in the Committee's deliberations. This limitation shall not apply when the matter is expected to affect or benefit all or substantially all UC Health campuses. External advisory members (non-Chancellors) shall meet separately with the senior executive of UC Health periodically to provide advice.
- F. Delegated Authority Over Transactions.
1. General Delegation: Subject to the limitations and other requirements specified below, the Committee shall have plenary authority to approve the following UC Health business transactions, which, on approval, shall require no further action or authorization from the Board or any other committee:
 - alliances and affiliations involving University financial commitments, use of the University's name, research resources, and the University's reputation;
 - acquisitions of physician practices, hospitals and other facilities and clinics and ancillary services providers;
 - participation or membership in joint ventures, partnerships, corporations or other business entities; and
 - other business transactions primarily arising from or serving the programs or services of UC Health.
 2. Further Delegation: With review and approval of the Chair or Vice Chair of the Health Services Committee, the President may approve any UC Health transaction that can reasonably be anticipated to commit or generate no more than the lesser of (i) 1.5% of the relevant Medical Center's annual operating revenue for the previous fiscal year, or (ii) \$25 million and when combined with other transactions approved by the President for a particular Health Center in the current fiscal year, would reasonably be anticipated to commit or generate no more than the lesser of (i) 3% of the relevant Health Center's annual operating revenue for the previous fiscal year, or (ii) \$50 million; nor to any transaction involving more than one Medical Center.
 3. Exclusions From Delegations:
 - When a transaction is predominantly (by revenue committed or generated) a real estate transaction; or
 - when a transaction includes issuance of debt; or
 - when a transaction is anticipated to generate or commit more than 3% of the annual operating revenue of the sponsoring health center(s), as reflected in the audited financial statement(s) for the most recent fiscal year; or

- when a transaction, when combined with the value of other transactions approved by the Committee in the current fiscal year, reasonably is anticipated to generate or commit more than 5% of the annual operating revenue of the sponsoring health center(s), as reflected in the audited financial statements for the most recent fiscal year.

G. Delegated Authority Over Appointments and Compensation.

1. When the appointment of or compensation for an employee serving UC Health or any of its components, whose compensation is paid solely from sources other than State general fund support to the University, otherwise requires approval from the Regents or a Committee of the Regents, the Health Services Committee may review and approve such appointment and/or compensation without further Regents action.
2. The Committee shall develop a benchmarking framework for use in evaluating compensation proposals that may be approved under the authority delegated in paragraph G(1). The benchmarking framework shall identify peer institutions against which UC Health competes for high level positions and identify external salary data for positions comparable to those that may be approved by the Committee. The benchmarking framework shall be reviewed and approved by both the Health Services Committee and the Governance Committee at least every two (2) years. The Health Services Committee and the Governance Committee shall also approve any new UC Health positions in the Senior Management Group and their corresponding salary ranges for positions that are not State-funded without further Regents action.

H. Other Oversight Responsibilities. In addition to the authority described above, the Committee may review and make recommendations with regard to the following matters and/or with regard to the following areas of the University's business:

- The general operation of UC Health
- Functions and operations of the governing body of each of the academic health centers
- Systemwide or regional UC Health initiatives
- Patient care and the cost, quality and accessibility of service
- Development of health system performance dashboards
- Strategic plans and budgets for UC Health
- Issuance of debt that may affect UC Health clinical strategy
- Real estate transactions that may affect UC Health clinical strategy
- Capital improvements that may affect UC Health clinical strategy
 - The Health Services Committee shall consider proposals for plans for improvements and capital improvement requests involving UC Health or any of its

components prior to or concurrent with consideration, recommendation, or approval by the Finance and Capital Strategies Committee. This requirement applies only to those capital projects that are related to patient care or research, or are otherwise of strategic importance to UC Health.

- Health system acquisitions, affiliations and alliances (for matters not covered by the Committee's delegated authority)
- Health system procurement
- Health system appointments and compensation (for matters not covered by the Committee's delegated authority)
- Health system incentive compensation programs
- Participation in government health care programs and contracts with private health plans
- University health benefits self-insurance programs under UC Health (e.g., UC Care)
- Health information privacy, security and data protection
- Regulatory compliance
- All other matters significantly affecting UC Health

The delegation and assignment of responsibilities to this Standing Committee under Paragraphs G through I 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, to the Board or to any other Committee.

- I. Administrative Committees. Notwithstanding any other University policy, the Regent members of the Committee shall be permitted to serve on committees or work groups established by the President of the University or other University administrators for the conduct of the business of UC Health.
- J. Reporting. In addition to the reports required under Bylaw 24.11, the Committee shall deliver to the Board the following reports, which may be in writing, on at least an annual basis:
 - The UC Health strategic plan and budget, presented to the Board for review
 - A report on the status of the University student health and counseling centers
 - A written report on the status of all health system transactions approved under the Committee's delegated authority during the previous three years

COMMITTEE ASSIGNMENTS FOR 2019-20

<p><u>Academic and Student Affairs</u></p> <p><i>Regents</i> Anguiano (Chair) Butler (Vice Chair) Elliott Kieffer Lansing Oakley Rendon Sures Weddle Zettel</p> <p><i>Chancellors</i> Block May Wilcox Yang</p>	<p><u>Finance and Capital Strategies</u></p> <p><i>Regents</i> Makarechian (Chair) Park (Vice Chair) Blum Cohen Estolano Kounalakis Leib Rendon Sherman Simmons Um</p> <p><i>Chancellors</i> Christ Gillman Hawgood Khosla Leland</p>
<p><u>Public Engagement and Development</u></p> <p><i>Regents</i> Leib (Chair) Simmons (Vice Chair) Blum Guber Kieffer Lansing Oakley Rendon Sherman Zettel</p> <p><i>Chancellors</i> Block May Wilcox</p>	<p><u>Compliance and Audit</u></p> <p><i>Regents</i> Elliott (Chair) Cohen (Vice Chair) Anguiano Butler Estolano Makarechian Park Sures Um Weddle</p> <p><i>Chancellors</i> Christ Gillman Hawgood Khosla Leland Yang</p>

<p><u>Health Services *</u></p> <p><i>Regents</i> Lansing (Chair) Sherman (Vice Chair) Blum Guber (previously appointed to a term ending 6/30/21) Makarechian Park (previously appointed to a term ending 6/30/21) Zettel</p> <p><i>Chancellors</i> Block Hawgood Khosla (contingent on Committee Charter amendment)</p> <p><i>Advisors</i> Hernandez (term ending 6/30/2020) Hetts (previously appointed to a term ending 6/30/20) Lipstein (term ending 6/30/2020) Spahlinger (term ending 6/30/2022)</p> <p>*terms are 3 years for voting members</p>	<p><u>Investments</u></p> <p>Sherman (Chair) Um (Vice Chair) Anguiano Blum Cohen Elliott Leib Makarechian Park Simmons Zettel</p> <p><i>Chancellors</i> Hawgood Khosla Wilcox</p> <p><i>Advisor</i> Zager (previously appointed to a term ending 6/30/2021)</p>
<p><u>National Labs</u> (contingent on Bylaw amendment)</p> <p><i>Regents</i> Zettel (Chair) Sures (Vice Chair) Estolano Kieffer Kounalakis Oakley Sures</p> <p><i>Chancellors</i> Khosla Yang</p>	

Note:

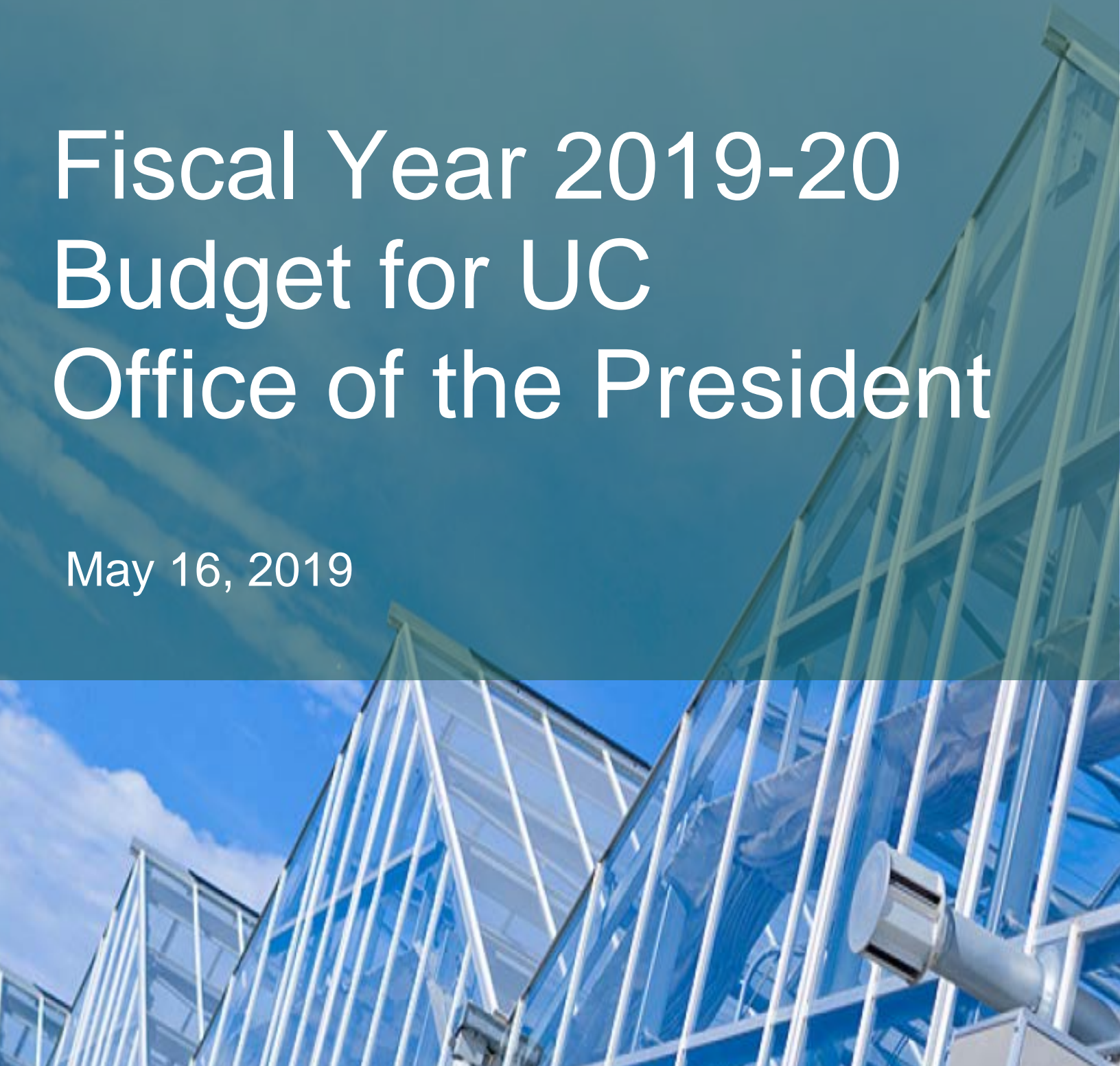
Per Bylaw 23.2, no Regent may serve consecutively in the position of Chair or in the position of Vice Chair for more than two one-year terms. There is no provision that dictates or guarantees that the Vice Chair succeeds as Chair of the Board.

Per Bylaw 24.6, a Committee Chair or Vice Chair may serve up to four consecutive years as Chair; there is no provision that dictates or guarantees that a Vice Chair succeeds as Chair.

UNIVERSITY
OF
CALIFORNIA

Fiscal Year 2019-20 Budget for UC Office of the President

May 16, 2019



TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA:

FISCAL YEAR 2019-20 BUDGET FOR THE UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT (UCOP)

Contents

BACKGROUND	3
About the University of California	3
About UCOP	3
UCOP Optimization Efforts	5
EXECUTIVE SUMMARY	6
FY19-20 UCOP Budget.....	6
FY18-19 to FY19-20 Budget Summary	7
FY18-19 to FY19-20 Budget Cause of Change	7
Reserves	8
Fund Balances	8
FY19-20 UCOP BUDGET	9
Sources of Funds	10
Uses of Funds	12
Programs and Initiatives	13
Central and Administrative Services	15
UCPath Center	17
Strategic Priorities Fund (SPF).....	17
RESERVES	18
Reserve Target Funding Levels	18
Forecasted Reserves	18
FUND BALANCES	19
Actual and Forecast Balances	19
PRESIDENT’S RECOMMENDATION	21
APPENDIX 1: UCOP SCHEDULES.....	23
APPENDIX 2: UCOP ORGANIZATION CHARTS	33
APPENDIX 3: FY19-20 PRESIDENTIAL INITIATIVES	41
APPENDIX 4: KEY TO ACRONYMS	43

Index of Figures and Schedules

Figures

- 1 UC At-A-Glance
- 2 UCOP as a Percentage of UC
- 3 UCOP Impacts and Achievements
- 4 FY19-20 Budget Summary by Category
- 5 FY18-19 to FY19-20 Budget Summary
- 6 FY18-19 to FY19-20 Cause of Change Summary
- 7 Special Expense Classifications
- 8 Sources of Funds
- 9 Change in Sources of Funds
- 10 Uses of Funds
- 11 Change in Uses of Funds
- 12 Programs and Initiatives
- 13 Programs and Initiatives Budget Variances
- 14 Pass-Through Funds Programs
- 15 Central and Administrative Services
- 16 Central and Administrative Services Budget Variances
- 17 Fee-for-Service Activities
- 18 UCOP Reserve Balances
- 19 UCOP Fund Balances

Schedules

- A Sources and Uses by Year
- B Expenditures by Fund
- C Budget by Programs and Initiatives
- D Budget by Division/Subdivision - Central and Administrative Services
- E UC ANR Budget within UCOP
- F Strategic Priorities Fund
- G FY19-20 Budget Cause of Change: Sources and Uses
- H UCOP Reserves
- I UCOP Fund Balances

BACKGROUND

About the University of California

The University of California (UC) serves nearly 280,000 students, produces ground-breaking research, and is a powerful economic engine for the State of California, through its 10 campuses, 5 medical centers, and 3 national laboratories. The University of California provides unparalleled access to upward economic mobility, focuses on its core missions of teaching, research, and public service, and touches the life of every Californian.

UC is the largest university system in the nation. It is twice as large as the next largest system, the University of Texas, and the third largest in the country by enrollment, behind only CSU and SUNY. UC is committed to access, affordability, and excellence. UC leads the way in enrolling and graduating Pell Grant recipients and low-income undergraduate students, and five of the ten campuses have been designated Hispanic Serving Institutions (HSIs) for maintaining undergraduate Hispanic enrollment at or above 25% of their total population.

Figure 1: UC At-A-Glance

Founded in 1868, the University of California consists of:

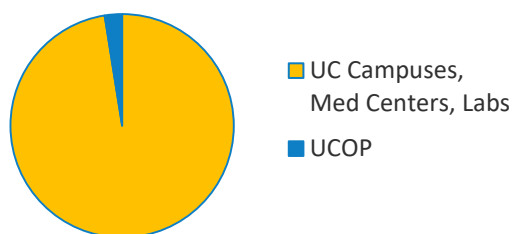
- 10 campuses serving an estimated 280,000 students in 818 instructional programs
- 5 academic medical centers providing approximately 4.7 million outpatient clinic visits each year
- A nearly \$5 billion research enterprise, seeking new knowledge and solutions to critical problems
- A network of libraries housing nearly 40 million print volumes, second only to the Library of Congress
- Approximately 228,000 employees, making UC California's third largest employer

UC receives roughly 10% of total federal research dollars awarded annually, totaling more than \$16 billion over the past five years. Six UC campuses are members of the prestigious Association of American Universities (AAU) – the only university system with more than two members. UC is one of only seven universities to manage a national laboratory, and the only university to manage more than two.

About UCOP

The UC Office of the President (UCOP) is the systemwide headquarters of the University of California. UCOP operates as the nexus between the 10 campuses, 5 medical centers, and 3 national laboratories, the Board of Regents, Academic Senate, state and federal governments, and the public. Together with the University's leadership, UCOP helps shape the vision for the University, managing activities that align with the UC mission and support the essential premise that UC is one University. In total, UCOP represents 2.6% of the UC budget. The divisions that make up UCOP are available in Appendix 2.

Figure 2: UCOP as a Percentage of UC



The UCOP budget represents 2.6% of the \$36.5 billion UC budget. **39% of the UCOP budget is not spent at UCOP but rather passes through UCOP to the campuses, California researchers, and the public through ~30 programs and initiatives.** 29% of the budget supports fee-for-service activities. Net of pass-through programs and fee-for-service activities, **UCOP represents 0.8% of the UC budget.**

Academic and Public Service Programs – UCOP manages almost 30 programs that support the teaching, research, and public service mission of the University. These programs provide thousands of students learning and research opportunities; fund researchers across the State through competitive grant programs, and promotes access and diversity through its outreach programs. Below are a few examples:

Research Programs

- ✓ Tobacco-Related Diseases
- ✓ Breast Cancer
- ✓ HIV/AIDs
- ✓ UC Observatories

Teaching Programs

- ✓ UC Washington Center
- ✓ UC Sacramento Center
- ✓ Innovative Learning and Technology

Outreach Programs

- ✓ Student Academic Preparation and Academic Partnerships (SAPEP)
- ✓ Historically-Black Colleges and Universities
- ✓ Post-Doctoral Fellowships

Other Programs

- ✓ Agriculture and Natural Resources (ANR)
- ✓ California Digital Library
- ✓ UC Press
- ✓ UC National Laboratories

Centralized Services – Several divisions manage systemwide services on behalf of the University. A few examples of these services are listed below:

- | | | |
|---------------------------------|-----------------------------|------------------------|
| ✓ Retirement Center | ✓ Employee benefit programs | ✓ Student Aid |
| ✓ UCPath Center | ✓ HR/Career Tracks | ✓ General Counsel |
| ✓ Risk services/insurance | ✓ Labor negotiations | ✓ Government relations |
| ✓ Capital financing and bonding | ✓ Information technology | ✓ Compliance and audit |
| ✓ Corporate accounting | ✓ Real estate & financing | ✓ Energy purchases |

UCOP employees make a significant impact on UC and the State of California. Figure 3 lists examples of these impacts, organized around three core functions that account for roughly 90% of UCOP's budget.

Figure 3: UCOP Impacts and Achievements

Academics & Programs	Operations	Financial Services
<ul style="list-style-type: none"> Award nearly \$150 million in research grants Engage over 20,000 volunteers and 1.4M participants in Agriculture & Natural Resources programming Oversee SAPEP programs that annually serve over 186,000 K-12 students at nearly 1,500 schools in California and over 27,000 community college students at all 114 California Community Colleges Educate hundreds of students at the Washington and Sacramento centers Save over \$100 million annually by coordinating shared library collections Publish over 180 books and 38 multi-issue journals annually and maintain 4,000 books in print 	<ul style="list-style-type: none"> Pay roughly \$3 billion in benefits to over 73,000 retirees and beneficiaries Manage the ApplyUC system through which 220,000 high school students and transfers applied to UC last year Purchase \$18 million in energy contracts annually Oversee over 90 renewable energy projects including the development of a 660-acre solar energy farm Support and pay more than 190,000 employees including 101,000 across 8 locations on the UCPath system supported by the UCPath Center Administer the UC Learning Center, providing online training to 40,000 employees and students per month 	<ul style="list-style-type: none"> Manage a general revenue debt portfolio of \$23.7 billion Contribute roughly \$300 million in financial benefits to the UC through central purchasing contracts, from new revenue, and reduced costs Manage mortgage loans for qualified faculty and staff totaling \$3 billion Leverage the Regents Captive insurance platforms to smooth premium rates for campuses. Launch new captives to seek savings in voluntary benefits programs Manage nearly \$119 billion in total investments and assets at a cost of less than 0.03% in fees Add billions of dollars in value for the retirement system through strategic borrowing and restructuring

UCOP Optimization Efforts

The Office of the President has undertaken significant efforts in the past two years to ensure services and programs are managed effectively and aligned with the University's mission, solicit and respond to stakeholder input, develop multi-year plans that clearly communicate objectives and goals, and apply industry best practices to budgeting and compensation practices. UCOP is committed to transparency and continuous improvement. The below activities contribute to the effective management of UCOP and where applicable are reflected in the budget.

Independent Reviews

Five independent reviews were completed over the past two years to satisfy a range of concerns regarding financial management, controls, organizational size, scope, duplication of effort, and the role of UCOP within the University. These independent assessments generally concluded that UCOP programs and services are valued by the University community and align with the University's mission.

- **PwC** audited UCOP FY16-17 statement of operating revenues and concluded data was presented in accordance with accounting principles.
- **Deloitte** reviewed the design and effectiveness of UCOP budgeting and reserve controls and concluded controls are operating effectively.
- **Huron** performed a UCOP-wide organizational review and proposed optimization and efficiency options to potentially reduce the size of UCOP by moving various programs and services to other locations. It also confirmed many practices are leading the higher ed industry.
- **Sjoberg Evashenk** conducted a 10-campus survey which identified areas for improved collaboration and communication and also confirmed many functions are appropriately scoped and not duplicative of campus efforts.
- **Sullivan Cotter** confirmed the UC career tracks compensation methodology aligns with industry best practices and accurately reflects public sector comparators, recommended a plan to narrow UCOP salary ranges, and validated market midpoint adjustments.

OP Optimization and Strategic Planning Efforts

UCOP engaged with over 700 stakeholders within and external to UC through the OP Optimization Effort project and strategic planning processes.

- The **UC Executive Budget Committee** comprised of campus, Academic Senate, and UCOP leadership, provides direct input to the President on the UCOP budget.
- **Eight UCOP divisions have restructured their organizations** in response to independent assessments. For example, President Napolitano commissioned two independent advisory committees to determine whether ANR and the UC Health Collaborative should be positioned separately from UCOP. Both committees advised these functions stay within UCOP and made other recommendations around growth models and governance.
- **UCOP is engaged in strategic planning**, and divisions comprising over 88% of the UCOP budget have completed plans that will advance the UC mission, develop policies and advocacy, strengthen financial stability, optimize operations, and develop their staff. This effort is foundational for the subsequent development of multi-year budgets and workforce plans.

UCOP Audit

In response to the 2017 CSA audit, which included budget and compensation-related recommendations, UCOP staff has dedicated over 18,000 hours responding to the 33 recommendations. As of April 25th, 12 have been recognized by the Auditor as complete, and 11 were recently submitted for review. The remaining recommendations will be completed by their due date in April 2020. Information about UCOP's progress is available at <http://www.ucop.edu/ucop-audit-implementation/index.html>.

EXECUTIVE SUMMARY

FY19-20 UCOP Budget

The proposed FY19-20 UCOP budget is **\$941.7M**. This budget retains significant reductions to the FY18-19 budget while recognizing new contract and grant revenues, funding mandatory cost increases, and making modest, strategic programmatic and risk mitigation investments.

The budget reflects stakeholder support for UCOP programs and services confirmed through the multiple external and internal assessments over the past two years and the continued involvement of the Executive Budget Committee (EBC), which includes campus, Academic Senate and UCOP leaders. Sjoberg Evashenk participated in every EBC meeting over the past year, and various aspects of the budget have been reviewed with members of the Regents, Council of Chancellors and external advisors. While consideration was given to moving certain functions out of UCOP, the overwhelming consensus has been to not only retain them within UCOP but to allow for modest increases.

UCOP continues to improve and tighten its budget processes, including quarterly forecasting, fund classification and reallocation, and clearly-defined reserve practices. Consistent with last year's revised best-practice budget presentation, the UCOP budget is organized according to three different categories as defined below.

Sources of Funds	Uses of Funds	Special Expense Classifications
<ul style="list-style-type: none"> Unrestricted Designated Restricted 	<ul style="list-style-type: none"> Programs and Initiatives Central and Administrative Services UCPath Center Strategic Priorities Fund 	<ul style="list-style-type: none"> Pass-through Fee-for-Service

Figure 4: FY19-20 Budget Summary by Category

\$ millions

Sources of Funds	FY19-20 Budget	% of Total
Unrestricted	\$ 282.8	30.0%
Designated	\$ 430.9	45.8%
Restricted	\$ 228.0	24.2%
Total Sources	\$ 941.7	100.0%
Uses of Funds		
Programs and Initiatives	\$ 408.2	43.3%
Central/Admin Services	\$ 409.8	43.5%
UCPath Center	\$ 93.7	9.9%
Strategic Priorities Fund	\$ 30.0	3.2%
Total Uses	\$ 941.7	100.0%
Special Expense Classification		
Pass-Throughs	\$ 364.5	38.7%
Fee-For-Service	\$ 276.9	29.4%
Total Special Expense Classification	\$ 641.4	68.1%
Budget Net of Expense Classification	\$ 300.3	31.9%

70% of the sources of funds are designated for specific programs and services or restricted for use by a third party.

43% of the uses of funds are dedicated to ~30 programs managed by UCOP on behalf of the State, Federal Government, Regents and the UC system.

32% is the remaining UCOP budget net of dollars passed through UCOP to recipients across the State and fee-for-service activities.

FY18-19 to FY19-20 Budget Summary

Figure 5 summarizes and compares the proposed FY19-20 budget with the current budget, including fund balances and reserves. This figure is adapted from a California State Auditor recommendation.

Figure 5: FY18-19 to FY19-20 Budget Summary¹

\$ in millions

				Variance: Inc/(Dec)			Variance: Increase/(Decrease)	
					FY18-19 Forecast vs FY18-19 Budget		FY18-19 Forecast vs FY19-20 Budget	FY18-19 Budget vs FY19-20 Budget
	FY18-19 Budget	FY18-19 Forecast				FY19-20 Budget		
UCOP USES ²								
Programs and Initiatives ³	\$ 388.1	\$ 393.5	\$ 5.4			\$ 408.2	\$ 14.7	\$ 20.1
Central and Administrative Services (excl UCPATH) ⁴	390.6	380.1	(10.4)			409.8	29.7	19.3
Strategic Priorities Fund ⁵	30.0	24.5	(5.5)			30.0	5.5	0.0
SUBTOTAL USES	\$ 808.6	\$ 798.1	\$ (10.5)			\$ 848.0	\$ 50.0	\$ 39.4
UCPATH Center Operations	67.8	76.0	8.2			93.7	17.7	25.9
TOTAL USES	\$ 876.4	\$ 874.1	\$ (2.4)			\$ 941.7	\$ 67.6	\$ 65.3
				% Spent: 99.7%	% Change: 7.4%			
					% Change Unrestricted: 1.6%			
INCLUDED IN USES ABOVE								
Fee-For-Service ⁶	\$ 239.4	\$ 240.2	\$ 0.8			\$ 276.9	\$ 36.7	\$ 37.5
Pass-Throughs ⁷	335.2	331.6	(3.5)			364.5	32.8	29.3
Total Fee-For-Service and Pass-Throughs	\$ 574.6	\$ 571.9	\$ (2.7)			\$ 641.4	\$ 69.5	\$ 66.8
CENTRAL OPERATING RESERVE ^{8,9}		\$ 15.0						
NON-OPERATING AND PROGRAM RESERVES ⁸		\$ 88.9						
				6/30/19 Balance	Commitments	Remaining Balance		
FORECASTED FUND BALANCES NET OF RESERVES ¹⁰								
Undesignated - UCOP	\$	31.8	\$ 20.0			\$ 11.8		
Undesignated - Systemwide		7.1	7.1			0.0		
Designated ¹¹		88.3	3.0			85.3		
Restricted ¹¹		13.0	0.0			13.0		
	\$	140.2	\$ 30.1			\$ 110.2		

¹ Figure 11 in *CSA Report 2016-130* issued April 25, 2017.

² Additional details in Schedule A and Schedule B.

³ Additional details in Schedule C.

⁴ Additional details in Schedule D.

⁵ Additional details in Schedule F.

⁶ Additional details on pg 16.

⁷ Additional details on pg 14.

⁸ Additional details in Schedule H.

⁹ Held in President's Endowment Fund.

¹⁰ Additional details in Schedule I.

¹¹ Designated and Restricted fund balances are intended for their original purpose.

FY18-19 to FY19-20 Budget Cause of Change

Over the past four years UCOP consistently minimized budgetary increases while absorbing rising costs in labor, goods, and services. In 2017, UCOP's primary source of unrestricted funds, the campus assessment, was replaced by a State General Funds appropriation. Last year, excluding UCPATH, the FY18-19 budget was reduced by \$33M, including \$8.5M of unrestricted funding redirected to student enrollment growth. This revenue source has declined from \$218M to \$215M over the past four years, a **compound annual growth rate of -0.4%**.

The proposed FY19-20 budget reflects a minimal **1.6% increase in unrestricted funds**. The remaining designated and restricted fund increases represent programs and services that either pass budget dollars through UCOP to other recipients (pass-through), or fund specific fee-for-service programs.

Figure 6: FY18-19 to FY19-20 Cause of Change Summary

\$ in millions

Cause of Change	Unrestricted	Designated	Restricted	Total
Revenue Growth	\$ -	\$ 2.3	\$ 16.1	\$ 18.4
UCPath Center	-	25.9	-	25.9
UC Health Collaborative	-	7.3	-	7.3
ANR	-	3.2	-	3.2
Contract / Risk Mitigation	3.4	6.3	0.4	10.0
Net Strategic Investments	1.2	(0.7)	-	0.5
Total Budget Change (\$)	\$ 4.6	\$ 44.2	\$ 16.5	\$ 65.3
Total Budget Change (%)	1.6%	11.4%	7.8%	7.4%

*Minimal **1.6%** increase in unrestricted funds*

The first four categories account for \$54.8M of the total increase

Four primary causes of change account for \$54.8M of the \$65.3M increase:

1. **Revenue Growth:** Primarily restricted revenue growth anticipated by ANR and the Research Grants Program from Federal and State research funds such as Prop 56.
2. **UCPath Center:** The expansion of the Center to onboard the remaining campuses.
3. **UC Health Collaborative:** The outcome of an OP Restructuring Advisory Committee to retain this function within UCOP; funded, within certain parameters, oversight and guidance, by the health centers in accordance with a shared strategic plan.
4. **ANR:** The outcome of an OP Restructuring Advisory Committee to retain this function within UCOP and grow under certain parameters with committee oversight and governance.

Primary causes of the remaining \$10.5M increase are attributable to:

5. **Contract/Risk Mitigation Increases:** Contractual increases including auditing, custodial, subscription and other services, leases, IT systems, labor, employee health care, and risk mitigation increases in legal, Title IX, investigations, which cannot be absorbed.
6. **Strategic Investments/Reductions/Adjustments:** Minimal increases to support faculty and student diversity, the UC digital library, national labs, multi-campus research, and high school transcript evaluation services, offset almost entirely by budget reductions and adjustments.

Prioritization decisions were made whereby more than \$30M in requested increases were rejected and other requests reduced or funded over multiple years. The January Governor's budget assumed flat State General Funds appropriations for UCPath, ANR, and the remainder of the UCOP budget, formerly funded through a campus assessment. However, all three components of the budget require additional funding. Three budget change proposals were submitted to the Department of Finance in April.

Reserves

In March 2019, UCOP reviewed reserve guidelines with the Regents which included target funding levels and controls for monitoring, reporting, and drawing on funds. UCOP projects a total reserve balance of \$103.9M, which is below the target maximum of \$115.8M.

Fund Balances

Total fund balances as of June 30, 2019 are forecasted to decrease by 37% compared to 2018 and includes FY18-19 commitments to fund campus housing priorities, the UC Riverside School of Medicine, and UCOP's strategic priorities fund. Unrestricted fund balances are forecasted to decrease by 81%.

Key Takeaways

1. **39% of the FY19-20 budget will not be spent at UCOP.**
2. The FY19-20 budget includes a minimal **1.6% increase to unrestricted funds.**
3. Unrestricted fund balances are forecasted to **decline by 81%** net of commitments.

FY19-20 UCOP BUDGET

UCOP's total proposed budget for FY19-20 is \$941.7M. The following section describes UCOP's approach to preparing the budget, challenges in developing the budget, and the major categories of funding sources and uses.

The preparation of the FY19-20 budget built on the strengths of last year's process and included:

- Significant stakeholder involvement to evaluate and prioritize UCOP programs and services
- Thoroughly evaluating and prioritizing ~\$60M in requested investments with stakeholders
- Leveraging current year actuals and forecasts to develop budgets
- Providing clear, transparent budgeting and financial reporting throughout the fiscal year and further implementing best practices

UCOP navigated several continuing and new challenges in preparing the budget including;

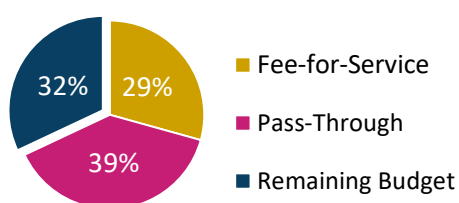
- Conflicting expectations to keep the budget flat but grow several programs and services while receiving more State funds to run research and public service programs
- Constraints on unrestricted funds, primarily the State General Funds appropriations
- Increased funding required for systemwide strategic programs and services (UC Health Collaborative, UCPATH, ANR) and demand for UCOP services that mitigate risk across the system (e.g., legal, Title IX, investigations, cybersecurity)
- Trade-off decisions and deferment or under-funding of requests for important, qualified items
- Unavoidable inflationary cost increases in operations including: rents, employee benefits, salaries, and contracts (e.g., audit fees, janitorial, security)

The budget is structured in categories that define where funds come from ("Sources") and how they are used by or passed through the UCOP budget ("Uses").

Sources of Funds	Uses of Funds	Special Expense Classifications
<ul style="list-style-type: none">• Unrestricted• Designated• Restricted	<ul style="list-style-type: none">• Programs and Initiatives• Central and Administrative Services• UCPATH Center• Strategic Priorities Fund	<ul style="list-style-type: none">• Pass-through• Fee-for-Service

In addition to the Sources and Uses of Funds, UCOP created the *Pass-throughs* and *Fee-for-Service* expense classifications to clearly communicate how budgeted funds are used as displayed in Figure 7.

Figure 7: Special Expense Classifications



39% of funds pass through the UCOP budget to campuses, researchers, and the public. The largest pass-through programs are Agriculture and Natural Resources and the statewide Tobacco-Related Disease Research Program.

29% of funds are generated from fee-for-service activities provided by UCOP to campuses on a fee basis. The largest fee-for-service activities include UCPATH, legal services, and the management of investment assets and employee/retiree benefits. In total, these classifications account for 68% of the UCOP budget.

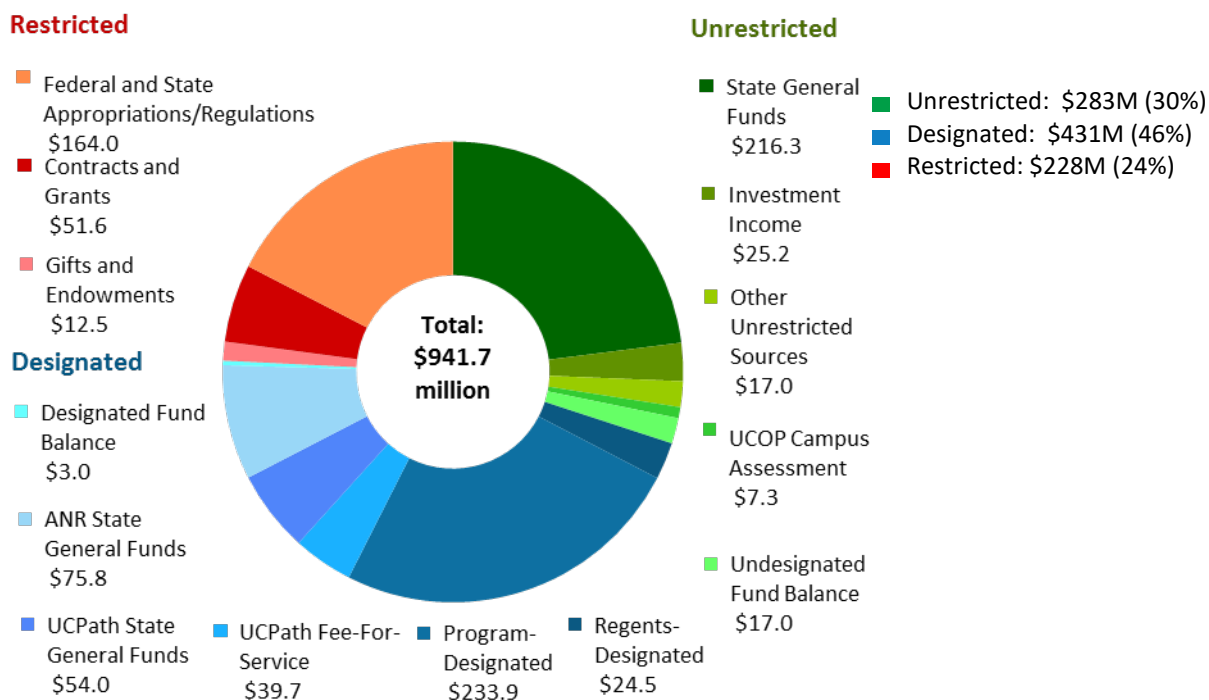
Sources of Funds

(See Schedule A)

In FY18-19, UCOP began budgeting sources as revenue whereas prior budgets only reflected uses of funds as expenditures. Planned sources for FY19-20 total \$941.7M, and are detailed in the attached **Schedule A**. As shown in Figure 8 below, **70% of fund sources are either restricted or designated**. Three State General Funds appropriations represent 37% of the UCOP budget.

Figure 8: Sources of Funds

\$ in millions



UCOP completed an extensive review of all its funds into defined categories, and presented them to the Regents in March 2018. **Three distinct types of funding sources** support the UCOP budget:

- **Unrestricted Funds** include the State General Funds appropriation for UCOP, investment income, campus assessment, unrestricted fund balances, and other sources.
- **Designated Funds**, sourced from Regents, program or service designations are typically funded via a fee-for-service methodology established for the designated purpose. UCPath and ANR are also funded in part from specific State General Funds appropriations.
- **Restricted Funds**, sourced through Federal and State appropriations, endowments, gifts, contracts, and grants are restricted for specific purposes in accordance with Generally Accepted Accounting Principles (GAAP).

Figure 9 below shows the difference between the FY18-19 and FY19-20 budgets by fund type.

Figure 9: Change in Sources of Funds

\$ millions

Fund Type	FY18-19 Budget	FY19-20 Budget	% Inc/(Decr)	% of Total	
Unrestricted	\$ 278.2	\$ 282.8	1.6%	7.0%	<i>Minimal unrestricted funds increase of 1.6%.</i>
Designated	\$ 386.7	\$ 430.9	11.4%	67.7%	
Restricted	\$ 211.5	\$ 228.0	7.8%	25.3%	<i>Growth in restricted funds largely from State/Federal programs.</i>
Total	\$ 876.4	\$ 941.7	7.4%	100.0%	

Budget Change Proposals (BCP)

The Governor's January budget proposed the continuation of State appropriations for three separate line items in the UCOP budget: ANR, UCPath, and the primary source of UCOP's unrestricted budget. The budget proposed each appropriation remain flat for FY19-20 with no additional assessments.

Over the past four year period between FY14-15 and FY18-19, UCOP's primary source of unrestricted funds declined from \$218.5M to \$215.2M, a compound annual growth rate -0.4 percent. Except for UCPath, overall annual budget increases were minimal and mostly absorbed into the existing budget.

In FY18-19, UCOP submitted a budget change proposal to the Department of Finance to supplement the UCPath appropriation with a fee-for-service model. This proposal was accepted. For FY19-20, UCOP submitted a budget change proposal for each line item, requesting an increase at roughly the cost of inflation for each, and requesting additional anticipated expenditures for UCPath be funded from the fee-for-service model, and the general UCOP budget from the campus assessment model. For the general unrestricted budget, this increase would equate to a five-year 0.3% compound annual growth rate.

Campus Assessment

Prior to FY17-18, the majority of the Office of the President's unrestricted funding came from a campus assessment methodology that a systemwide committee designed and adopted several years ago. In FY17-18, an appropriation of State General Funds replaced the assessment methodology.

In FY18-19, AB97 required a redirection of \$15M of UC's budget to enrollment growth. UC reduced the UCOP budget by \$8.5M, and other budgets by an additional \$6.5M. The UCOP reductions remain in effect. In FY19-20, UCOP is requesting a cost adjustment and the use of a hybrid model, similar to UCPath, with a supplemental campus assessment of \$7.3M to support cost increases and strategic investments in systemwide services such as the California Digital Library. This model was reviewed with and approved by campus stakeholders.

Key Takeaways

1. **Unrestricted funds** increase by a **minimal 1.6%** over last year's budget.
2. **UCPath, ANR, and the UC Health Collaborative** are growing as intended based on significant stakeholder input.
3. UCOP submitted three budget change proposals to the Department of Finance, including a request to utilize fee-for-service and campus assessment methodologies to address anticipated expenditures.

Uses of Funds

(See Schedule A)

The FY19-20 planned use of funds budget is \$941.7M. Programs and Initiatives and Central and Administrative Services together make up 87% of the budget. The UCPATH Center represents 10% of the budget, and the Strategic Priorities Fund comprises approximately 3% of the budget. Figure 10 provides an overview of UCOP uses by functional area.

Figure 10: Uses of Funds

\$ in millions

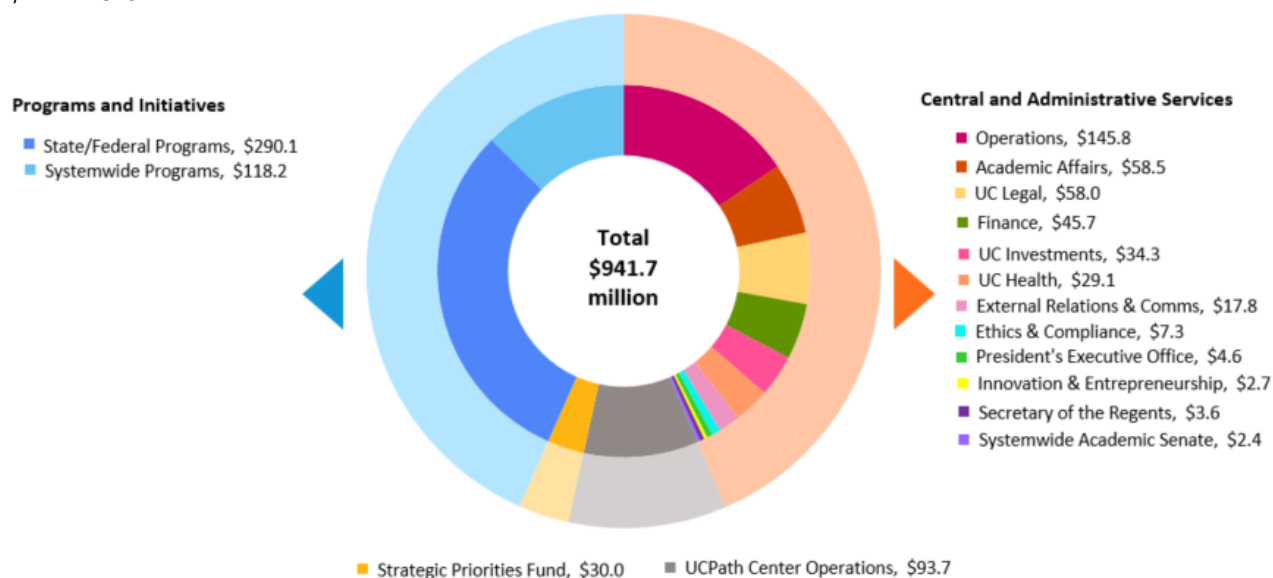


Figure 11 below outlines the changes in the budget by functional area. Additional detail on the Uses of Funds, including budgets, forecasts and variances are included in this section. Year-to-year budget changes are also detailed in **Schedule G**.

Figure 11: Change in Uses of Funds

\$ millions

Functional Area	FY18-19 Budget	FY19-20 Budget	\$ Incr/(Decr)	% Incr/(Decr)
Programs and Initiatives	\$ 388.1	\$ 408.2	\$ 20.1	5.2%
Central/Admin Services	390.6	409.8	19.3	4.9%
UCPATH Center	67.8	93.7	25.9	38.1%
Strategic Priorities Fund	30.0	30.0	0.0	0.0%
Total	\$ 876.4	\$ 941.7	\$ 65.3	7.4%
excl. UCPATH Center	\$ 808.6	\$ 848.0	\$ 39.4	4.9%

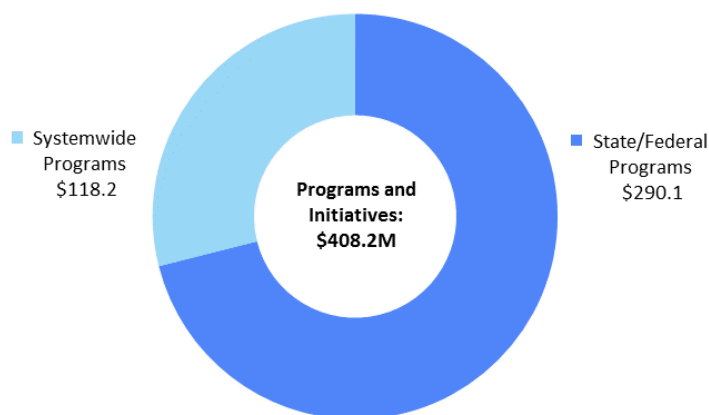
The UCPATH Center accounts for the largest \$ and % increase to the budget as the remaining campuses transition to UCPATH over the next year.

Programs and Initiatives

The proposed FY19-20 Programs and Initiatives budget is \$408.2M, or 43% of the uses of funds. Figure 12 below shows the distribution between ~30 State/Federal and systemwide programs. The complete list of programs, budgets, forecasts and comparisons, can be found in **Schedule C**.

Figure 12: Programs and Initiatives

\$ in millions



71% - State/Federal Programs are either required by legislation or operated by UC on behalf of the State or Federal government, e.g., ANR and the Tobacco-Related Disease Research program.

29% - Systemwide Programs benefit the UC campuses and many other statewide recipients, e.g., SAPEP, UC Press, UC research and astronomy programs.

Last year UCOP also created definitions for systemwide initiatives and campus programs. Outside of the Strategic Priorities Fund, the FY19-20 budget does not contain either of these.

Forecast and Budget Variances

UCOP forecasts quarterly, and the table below reflects the third quarter FY18-19 forecast which shows a small variance between the FY18-19 budget and forecast. Projected variances for the current year and a comparison to the FY19-20 budget are shown in Figure 13 below and on **Schedule C**.

Figure 13: Programs and Initiatives Budget Variances

(Summary of Schedule C)

\$ in millions

Uses	FY18-19			FY19-20		
	Budget	Forecast	Incr/(Decr) ³	Budget	Incr/(Decr) Forecast	Incr/(Decr) Budget ⁴
Campus Programs	\$ 0.9	\$ 0.9	\$ (0.0)	\$ -	\$ (0.9)	\$ (0.9)
State/Federal Programs ¹	\$ 269.2	\$ 281.5	\$ 12.3	\$ 290.1	\$ 8.6	\$ 20.9
Systemwide Programs ²	\$ 117.9	\$ 111.0	\$ (6.9)	\$ 118.2	\$ 7.1	\$ 0.2
Total Uses	\$ 388.1	\$ 393.5	\$ 5.4	\$ 408.2	\$ 14.7	\$ 20.1

¹ State / Federal Programs includes ANR and TRDRP (Tobacco Research) which make up 71% of the total.

² Systemwide Programs include UC Press, UC Astronomy, Laboratory Fees Research, CA HIV/Aids research and SAPEP programs.

³ The FY18-19 forecast to budget variances are due to:

- \$12.3M increase in revenues and funding for grants in ANR and Tobacco-Related Disease Research

- \$6.9M decrease in research awards for Laboratory Fees Research Programs and lower than budgeted expenses for UC Washington Center

⁴ The FY19-20 budget to FY18-19 budget differences are due to:

- \$18.9M increase in State/Federal revenue in ANR and Tobacco-Related Disease Research funding
- 0.9M decrease by moving Hayes Bautista and Drew Medical School funding to the systemwide budget

The majority (96%) of pass-through programs are contained within the Programs and Initiatives Budget. Figure 14 below compares FY18-19 to FY19-20. **39% of the UCOP budget is not spent at UCOP.**

Figure 14: Pass-through Funds Programs

\$ in millions

	FY18-19 Budget	FY19-20 Budget
Pass-Throughs		
Agriculture & Natural Resources	\$ 158.5	\$ 173.2
Research Grant Programs	88.0	93.2
UC Observatories	22.2	22.2
National Laboratory Programs	14.1	14.0
UC Libraries	8.5	11.8
Public Service Programs	12.8	11.6
UC Research Initiative	6.4	9.7
Public Service & Law Fellowship	4.0	5.2
Diversity Initiatives	3.0	5.0
Online Education Initiatives	5.1	4.0
Other Academic Pass-Throughs	3.8	2.5
Undocumented Students	0.9	2.2
UC Health Initiatives	1.9	1.9
All Others	6.1	8.1
Total Pass-Throughs	\$ 335.2	\$ 364.5
Year-Over-Year Increase \$	\$	29.3
Year-Over-Year Increase %		8.7%

The top three pass-through programs account for 79% of the total.

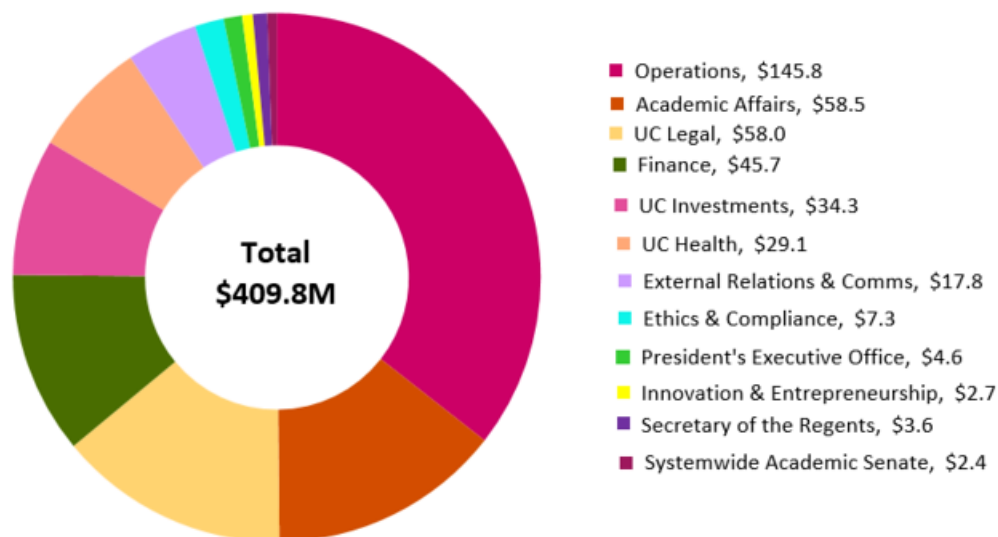
Key Takeaways

1. State and Federal Programs make up **71%** of the Programs & Initiatives budget.
2. **Growth in ANR and Prop 56 tax revenues** are reflected in the State and Federal Programs.
3. **96%** of pass-through funds are tied to the Programs and Initiatives budget.
4. **39% of the UCOP budget is not spent at UCOP.**

Central and Administrative Services

Central and Administrative Services make up \$409.8M, or 44% of the total budget. Figure 15 below and **Schedule D** provide an overview of the budget by division. The Central and Administrative Services budget supports critical systemwide campus services and UCOP internal operations. The Operations division, which makes up a third of the Central and Administrative Services budget, provides systemwide HR, benefits and retirement management, technology services, and energy programs, and oversees internal UCOP operations.

Figure 15: Central and Administrative Services
\$ in millions



Forecast and Budget Variances

The third quarter FY18-19 forecast projects UCOP will end the year \$10.4M or 2.7% below budget. In FY19-20, total Central and Administrative Services activities are projected to be \$19.3M above the FY18-19 budget. Variances are shown in Figure 16 below and in **Schedule D**.

Figure 16: Central and Administrative Services Budget Variances

\$ in millions

Uses	FY18-19			FY19-20		
	Budget	Forecast ¹	Incr/(Decr)	Budget	Incr/(Decr) Forecast	Incr/(Decr) Budget ²
Academic Affairs	\$ 55.7	\$ 53.2	\$ (2.5)	\$ 58.5	\$ 5.3	\$ 2.8
Ethics & Compliance	\$ 6.6	\$ 6.2	\$ (0.4)	\$ 7.3	\$ 1.1	\$ 0.7
External Relations & Communications	\$ 18.1	\$ 16.3	\$ (1.8)	\$ 17.8	\$ 1.5	\$ (0.3)
Finance	\$ 46.0	\$ 45.8	\$ (0.2)	\$ 45.7	\$ (0.0)	\$ (0.3)
Innovation & Entrepreneurship	\$ 4.0	\$ 1.7	\$ (2.3)	\$ 2.7	\$ 0.9	\$ (1.3)
Operations	\$ 139.9	\$ 136.9	\$ (3.0)	\$ 145.8	\$ 8.9	\$ 5.9
President's Executive Office	\$ 4.0	\$ 3.5	\$ (0.5)	\$ 4.6	\$ 1.1	\$ 0.6
Secretary of the Regents	\$ 3.1	\$ 2.9	\$ (0.2)	\$ 3.6	\$ 0.7	\$ 0.5
Systemwide Academic Senate	\$ 2.1	\$ 2.4	\$ 0.3	\$ 2.4	\$ 0.0	\$ 0.3
UC Legal	\$ 56.6	\$ 56.8	\$ 0.2	\$ 58.0	\$ 1.2	\$ 1.4
UC Health	\$ 21.1	\$ 22.6	\$ 1.6	\$ 29.1	\$ 6.5	\$ 8.0
UC Investments	\$ 33.3	\$ 31.8	\$ (1.6)	\$ 34.3	\$ 2.6	\$ 1.0
Total (excluding UC Path Center)	\$ 390.6	\$ 380.1	\$ (10.4)	\$ 409.8	\$ 29.7	\$ 19.3

¹ FY18-19 variances between the third quarter forecast and budget include:

- \$2.5M decrease in Academic Affairs due to movement of patent royalty income to systemwide revenues
- \$1.8M decrease in ER&C due to open positions during a FY18-19 reorganization. Positions will be filled in FY19-20
- \$2.3M decrease in I&E due to open positions pending strategic organizational review. Positions to be filled in FY19-20
- \$3.0M decrease in Operations due to timing differences in energy efficiency biogas programs
- \$1.6M increase in UC Health for expenses related to the new resident and fellows health plan
- \$1.6M decrease in UC investments due to savings from vacant positions

² FY19-20 budget differences to FY18-19 budget include:

- \$2.8M increase in Academic Affairs for investments in Faculty Diversity Programs and the California Digital Library
- \$5.9M increase Operations related to inflationary cost increases for rent, security and the new retirement administration system.
- \$1.4M increase to UC Legal due to the increasing costs of outside counsel, offset by increasing internal staffing and negotiating value-based pricing
- \$8M increase to the UC Health Collaborative funded by and in partnership with the UC health centers, and for self-funded health insurance program management such as the resident and fellows insurance plan

The majority of **UCOP Fee-for-Service activities**, shown in Figure 17 below, are contained within the Central and Administrative Services budget.

Figure 17: Fee-for-Service Activities

\$ in millions

	FY18-19 Budget	FY2018-19 Forecast	FY19-20 Budget
Fee-for-Service			
UCPath	\$ 67.8	\$ 73.1	\$ 93.7
Office of the General Counsel	44.5	42.6	45.4
Investments & Asset Management	36.2	34.8	37.6
UC Retirement System	27.2	25.7	29.4
Employee Benefits Administration	19.8	21.5	21.8
UC Health Collaborative	12.9	11.4	20.2
Risk Management	6.2	6.1	6.9
Information Technology Services	8.1	9.9	6.2
Health Insurance Programs	5.3	6.8	6.0
Bond Management	4.4	2.5	3.4
Patent Royalty Administration	3.5	2.3	2.7
UC Mortgage Origination Plan	2.1	2.1	2.1
Other Services	1.4	1.6	1.6
Total Fee-for-Service	\$ 239.4	\$ 240.2	\$ 276.9
	Year over Year Increase \$		37.5
	Year over Year Increase %		15.7%

The top five fee-for-service activities account for 82% of the total.

Key Takeaways

1. The **Central and Administrative Services (CAS) budget supports critical systemwide services** in finance, human resources, legal, investments, health, compliance and others.
2. Most **Fee-for-Service activities** are in the CAS budget and **make up 29%** of the total budget.
3. **Budgeted increases** in CAS are **due to increasing operating costs**, such as rent, contracts, and benefits **and strategic growth**, such as the UC Health Collaborative funded by the health centers.

UCPath Center

The UCPath Center, located in Riverside, is now providing HR and payroll services to eight UC locations and over 100,000 employees. In the next fiscal year, the ***UCPath Center is projected to grow from \$68M to \$94M as it prepares to bring all remaining locations and 125,000+ employees on-line.*** Currently, UC Davis and ANR will go live in October; UC Irvine and UC Santa Cruz in January; UC San Francisco, LBNL and UC Hastings in March; and UC San Diego in April.

The January 2019 Governor's budget kept the UCPath appropriation flat from two years ago at \$52.4M. However, in FY18-19 the Department of Finance permitted UCOP to use of a fee-for-service model for UCPath to fund the difference between the appropriation and the actual cost. In April 2019, UC submitted a request to the Department of Finance to increase the UCPath appropriation by 3% to \$54.0M, and again allow UCOP to use the fee-for-service model to fund the difference. In FY19-20, the budget total of \$93.7M assumes \$39.7M will be collected from the campuses via the fee-for-service model.

Key drivers of the FY19-20 budget growth for UCPath include:

- \$7.5M for data processing and storage due to more-than-doubling the employee base
- \$6.4M to bring the UCPath Center up to full 440 FTE staffing by November 2019
- \$5.1M for temporary labor to ensure successful transition of the remaining UC locations
- \$2.7M for ongoing support of the existing legacy system

Without full funding, the UCPath effort will not be able to support the additional 125,000+ UC employees transitioning to UCPath by May 2020. Looking ahead, UC will advocate restoring the fee-for-service model for the entire UCPath budget, as this model allocates the costs more appropriately across all funding sources. The current hybrid model, combining State General Funds and approved fee-for-service funding, is unnecessarily complex.

Strategic Priorities Fund (SPF)

Established in FY18-19, the Strategic Priorities Fund (SPF) replaced the past practice of using temporary, one-time, unrestricted fund balances with a line item in the operating budget of \$30M annually. The SPF funds short-term programmatic needs, administrative projects, emergent or urgent priorities, and the President's initiatives. The \$30M target in the FY19-20 budget is flat to FY18-19.

Schedule F details the projected FY18-19 forecast and FY19-20 known commitments of approximately \$17.5M. Committed funds include the presidential initiatives and several OP, campus and systemwide projects and initiatives. The remaining \$12.5M uncommitted balance will fund short-term projects or emergent or urgent priorities identified during the fiscal year. A detailed description of the presidential initiatives can be found in Appendix 3. For the second consecutive year UCOP proposes utilizing unspent SPF funds and additional unrestricted fund balances, for a total of \$17M, to fund the SPF.

Key Takeaways

1. The **UCPath Center budget will grow to accommodate all remaining campuses.** UCOP is requesting the fee-for-service model to fund the budget over the State appropriation.
2. The **FY19-20 SPF budget will remain at \$30M**, consistent with FY18-19.

RESERVES

UCOP reserves are funds intentionally allocated and accrued from fund sources for use in the event of revenue disruption, increased expenses, maintenance of assets including buildings and infrastructure, or in anticipation of a large expense, such as preparing an RFP response for the Department of Energy. UCOP completed a comprehensive review of best practices and peer benchmarking and established target funding levels for all reserves.

Reserves are not fund balances. While a reserve is intentionally accrued to manage risk, a fund balance is the net position, or the cumulative revenues (sources) received in excess of expenditures (uses) for a fund at any given time. Beginning in FY19-20, reserve funds will be maintained separately from operating funds in order to manage each more effectively and transparently.

Reserve Target Funding Levels

In March 2019, UCOP established and reviewed [guiding principles](#) for UCOP reserves with the Board of Regents. The guiding principles include target funding levels, and controls for monitoring, reporting, and drawing on funds. In January, 2018 the Regents adopted the [Policy on a Central Operating Reserve for the University of California Office of the President](#). The policy and presidential guidelines establish the size, funding source and circumstances for drawing on the Central Operating Reserve. This reserve target is set at \$15M or at least 3.5% of covered funds and expenses against the principle of the President's Endowment Fund. The \$15M target for the Central Operating Reserve is unchanged for FY19-20.

Forecasted Reserves

UCOP reports reserve balances and target funding levels to the Regents twice annually, during the presentation of the budget, and after fiscal year close. At the time the budget is presented, the fiscal year is not yet finalized, and therefore reserve balances are forecasted. Figure 18 projects a total reserve balance of \$103.9M as of June 30, 2019, which is within the established target funding range minimum of \$90.1M and maximum of \$115.8M. Details are in **Schedule H**.

Figure 18 – UCOP Reserve Balances

\$ in millions

	Reserve Target Minimum	Reserve Target Maximum	6/30/19 Forecasted Reserve	Variance: 6/30/19 Reserve Over Max / (Under Min)
UCOP RESERVES				
Building and Capital Assets Reserves	\$ 3.0	\$ 8.5	\$ 4.4	\$ -
Program Reserves	49.9	67.3	54.0	1.0
Other Required Reserves	20.0	25.0	30.5	5.5
Sub-Total Program and Non-Operating Reserves	\$ 72.9	\$ 100.8	\$ 88.9	\$ 6.5
Central Operating Reserve	15.0	15.0	15.0	-
TOTAL UCOP RESERVES	\$ 87.9	\$ 115.8	\$ 103.9	\$ 6.5

¹ See Schedule H for additional details. Total reserve balances are under the target maximum, however some reserves may be slightly over the target maximum.

Key Takeaways

1. **Guiding principles were published for all UCOP reserves**, establishing target funding levels and controls for funding, reporting, monitoring, and drawing from all UCOP reserves.
2. **Reserves are maintained separately from operating fund balances**, in order to manage each more effectively and transparently.
3. **UCOP projects a total reserve balance of \$103.9M**, below the maximum target of \$115.8M.

FUND BALANCES

Fund balances reflect the difference at a point in time between sources and uses, less any known encumbrances and commitments. Because fund balances are one-time non-recurring funding streams, they cannot be relied upon to fund recurring operations. **Schedule I, UCOP Fund Balances by Fund Type**, provides additional detail to the fund balances described below.

UCOP has taken several steps to improve the management and transparency of fund balances including development of:

- Clearer definitions and a decision tree used to revalidate the categorization of all funds
- Reports providing actual and forecasted fund balances and commitments at year-end (June 30)
- Repeatable processes to categorize funds, assess all potential needs or uses, and reallocate funds to the campuses, as available

Actual and Forecast Balances

To develop the FY19-20 budget, UCOP analyzed actual fund balances as of February 28, 2019 and then forecasted fund balances for June 30, 2019. UCOP also reviewed known commitments identified for next year. Restricted or designated fund balances are committed for their intended purpose.

In FY18-19, UCOP initiated the CSA recommendation to reallocate fund balances back to the campuses. Balances are forecasted to be much lower this year, so UCOP intends to review final year-end balances before identifying reallocation opportunities. Figure 19 shows a breakdown of fund balance by fund type, forecasted as of June 30, 2019. Overall, fund balances are projected to decrease by \$65.9 million or 37% compared to last year, the largest reduction of 81% taking place in the unrestricted fund.

Figure 19: UCOP Fund Balances

\$ millions

	6/30/19						
	6/30/18 Balance	Forecasted Balance	Commitments	Remaining Balance	Change in Fund Balance	% Change	
Unrestricted	\$ 62.5	\$ 38.9	\$ 27.1	\$ 11.8	\$ (50.7)	-81.1%	
Designated	99.9	88.3	3.0	85.3	(14.6)	-14.6%	
Restricted	13.6	13.0	-	13.0	(0.6)	-4.2%	
Total Fund Balance	\$ 176.0	\$ 140.2	\$ 30.1	\$ 110.2	\$ (65.9)	-37.4%	

Unrestricted Fund Balances afford the most flexibility for use. Unrestricted balances total \$11.8M or 11% of the total remaining fund balance. Historically, UCOP relied on these balances to address emergent priorities, but this practice was replaced last year with the establishment of the Strategic Priorities Fund. Some of the key causes of the change in unrestricted fund balances include:

- \$17.0M committed for the FY19-20 UCOP Strategic Priorities Fund
- \$7.1M committed to campus-specific seismic work using GO bond income balances
- \$12M of GO bond income for campus housing strategies paid in FY18-19
- \$6M investment income paid to the UC Riverside School of Medicine in FY18-19

Designated Funds Balances total \$85.3M or 77% of the forecasted remaining fund balance. A designated balance is considered committed by the Regents or Administration for an intended purpose. The largest balance, \$55.6M, is Regents-designated for the UC National Laboratories and the Lab Fees Research Program. The Office of National Labs provides a spending and reserves plan to the Labs Committee each July for approval.

Designated fund balances also include balances for self-funded programs such as the UC Washington Center. The causes of change are due to:

- \$15.3M reduction in Housing Loan Program funds reallocated to the campuses in FY19-20
- \$11.9M decrease in the Lab LLC program, offset by a \$7.8M increase in the Lab Fees Research program to fund additional research opportunities
- \$6.9M decrease in UC Health funds for two strategic initiatives (CHQI and LSFV)
- Other changes including a \$2.6M increase in iCAMP capital asset planning funding, \$1.7M increase in endowment cost recovery funds and a \$3M increase in Energy and Sustainability funds related to the biogas program.

Restricted Fund Balances by definition, cannot be reallocated for other purposes. Contracts and grants are funded on a reimbursement basis and thus carry no balances. Federal and special State appropriations are forecasted to be slightly lower based on disbursements to the campuses and laboratories. Restricted balances represent only 12% of the forecasted remaining fund balance.

At this time, given the uncertainty in State funding for the FY19-20 year, UCOP is not recommending a reallocation of unrestricted fund balances. Balances will be reviewed by UCOP in consultation with the Executive Budget Committee after the June 30, 2019 fiscal close and reported in the FY18-19 Budget-to-Actuals item to be presented at the November 2019 Regents Meeting.

Key Takeaways

1. Unrestricted fund balances are forecasted to **decline by 81%**.
2. Overall, fund balances are forecasted to **decline by 37%**
3. Given the uncertainty of forecasted fund balances and UCOP's FY19-20 constraints, UCOP will **review fund balances and evaluate reallocation opportunities after fiscal year end.**

PRESIDENT’S RECOMMENDATION

The proposed budget is comprehensive, transparent and clearly demonstrates UCOP’s contributions to the University’s teaching, research, and public service mission. The UCOP budget was reviewed in its entirety by the Executive Budget Committee, which includes campus, Academic Senate and UCOP leaders. All of the Committee’s recommendations were accepted by the President.

Pursuant to Regents Policy 5101, the President of the University recommends approval of the UCOP FY19-20 budget by the Board of Regents.

The background image is a photograph of a modern architectural interior. It features a large, blue, geometric structure that appears to be a staircase or a large architectural element. The structure is composed of several flat, blue panels. To the right, there is a red wall with three small, square windows. Below the blue structure, there is a staircase with wooden steps and railings, leading up to a bright, yellow-lit area. The overall color palette is dominated by blue, red, and yellow.

Appendices

APPENDIX 1: UCOP SCHEDULES

Schedule A

Sources & Uses by Year

Overall UCOP

\$ in millions

\$ in millions

				Variance: Increase/(Decrease)		
	FY18-19 Budget ¹	FY18-19 Forecast	FY19-20 Budget	FY18-19 Forecast vs FY18-19 Budget	FY18-19 Forecast vs FY19-20 Budget	FY18-19 Budget vs FY19-20 Budget
SOURCES						
Unrestricted Sources						
Undesignated						
State General Funds ²	\$ 215.6	\$ 215.7	\$ 216.3	\$ 0.1	\$ 0.7	\$ 0.8
Investment Income	25.4	23.4	25.2	(2.0)	1.8	(0.2)
Other Unrestricted Sources	17.0	8.8	17.0	(8.2)	8.2	(0.0)
UCOP Campus Assessment	-	-	7.3	-	7.3	7.3
Undesignated Fund Balance	20.3	20.3	17.0	(0.0)	(3.3)	(3.3)
Subtotal - Undesignated	278.2	268.1	282.8	(10.1)	14.7	4.6
Designated						
Regents-Designated	24.6	19.6	24.5	(5.1)	4.9	(0.2)
Program-Designated	218.3	211.8	233.9	(6.4)	22.1	15.6
UCPath Fee-For-Service	18.8	23.7	39.7	4.9	16.0	20.9
UCPath State General Funds	52.4	52.3	54.0	(0.1)	1.7	1.6
UC ANR State General Funds	72.6	72.6	75.8	(0.0)	3.3	3.2
Designated Fund Balance	-	-	3.0	-	3.0	3.0
Subtotal - Designated	386.7	379.9	430.9	(6.8)	51.0	44.2
Subtotal - Unrestricted Sources	664.9	648.0	713.7	(16.9)	65.7	48.8
Restricted Sources						
Gifts and Endowments	10.6	12.9	12.5	2.2	(0.4)	1.8
Contracts and Grants	44.4	51.9	51.6	7.5	(0.3)	7.2
Federal and State Appropriations/Regulations	156.5	161.3	164.0	4.8	2.7	7.5
Subtotal - Restricted Sources	211.5	226.0	228.0	14.5	2.0	16.5
TOTAL SOURCES	\$ 876.4	\$ 874.1	\$ 941.7	\$ (2.4)	\$ 67.6	\$ 65.3
USES						
Programs and Initiatives						
Campus Program	\$ 0.9	\$ 0.9	\$ -	\$ (0.0)	\$ (0.9)	\$ (0.9)
State/Federal Programs	269.2	281.5	290.1	12.3	8.6	20.9
Systemwide Program	117.9	111.0	118.2	(6.9)	7.1	0.2
Subtotal - Programs and Initiatives	388.1	393.5	408.2	5.4	14.7	20.1
Central and Administrative Services						
Academic Affairs	55.7	53.2	58.5	(2.5)	5.3	2.8
Ethics & Compliance	6.6	6.2	7.3	(0.4)	1.1	0.7
External Relations & Communications	18.1	16.3	17.8	(1.8)	1.5	(0.3)
Finance	46.0	45.8	45.7	(0.2)	(0.0)	(0.3)
Innovation & Entrepreneurship	4.0	1.7	2.7	(2.3)	0.9	(1.3)
Operations	139.9	136.9	145.8	(3.0)	8.9	5.9
President's Executive Office	4.0	3.5	4.6	(0.5)	1.1	0.6
Secretary of the Regents	3.1	2.9	3.6	(0.2)	0.7	0.5
Systemwide Academic Senate	2.1	2.4	2.4	0.3	0.0	0.3
UC Health	21.1	22.6	29.1	1.6	6.5	8.0
UC Investments	33.3	31.8	34.3	(1.6)	2.6	1.0
UC Legal	56.6	56.8	58.0	0.2	1.2	1.4
Subtotal - Central and Administrative Services (excl UCPath Center Operations)	390.6	380.1	409.8	(10.4)	29.7	19.3
Strategic Priorities Fund	30.0	24.5	30.0	(5.5)	5.5	0.0
SUBTOTAL USES	\$ 808.6	\$ 798.1	\$ 848.0	\$ (10.5)	\$ 50.0	\$ 39.4
UCPath Center Operations	67.8	76.0	93.7	8.2	17.7	25.9
TOTAL USES	\$ 876.4	\$ 874.1	\$ 941.7	\$ (2.4)	\$ 67.6	\$ 65.3
NET MARGIN SURPLUS (DEFICIT)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Included in Sources and Uses Above						
Fee-For-Service	\$ 239.4	\$ 240.2	\$ 276.9	0.8	36.7	37.5
Pass-Throughs	335.2	331.6	364.5	(3.5)	32.8	29.3
Total Fee-For-Service and Pass-Throughs	\$ 574.6	\$ 571.9	\$ 641.4	\$ (2.7)	\$ 69.5	\$ 66.8

¹ The FY18-19 Budget includes an allocation of the UCOP Vacancy Factor at the Division Level for comparability purposes with FY19-20 but remains constant at \$876.4M.

² Excluded from the \$216.3M in State General Funds listed under Undesignated sources are \$5.8M in campus programs previously budgeted at UCOP, but administered on the campuses, that will be permanently budgeted on their home campuses beginning in FY19-20.

Schedule B

Expenditures by Fund

Overall UCOP

\$ in millions

	Unrestricted Funds		Restricted Funds	FY19-20 Budget
	Undesignated	Designated		
Programs and Initiatives				
Campus Program	\$ -	\$ -	\$ -	\$ -
State/Federal Programs	1.0	117.4	171.7	290.1
Systemwide Program	46.5	69.6	2.1	118.2
Total - Programs and Initiatives	47.5	187.0	173.7	408.2
Central and Administrative Services				
Academic Affairs	49.0	6.5	3.1	58.5
Ethics & Compliance	7.3	0.0	-	7.3
External Relations & Communications	12.3	4.7	0.8	17.8
Finance	25.3	18.0	2.5	45.7
Innovation & Entrepreneurship	2.6	0.0	0.0	2.7
Operations	87.3	11.6	46.8	145.8
President's Executive Office	4.2	0.3	0.1	4.6
Secretary of the Regents	3.6	0.0	-	3.6
Systemwide Academic Senate	2.3	0.0	0.1	2.4
UC Health	4.0	25.1	-	29.1
UC Investments	0.0	34.3	-	34.3
UC Legal	10.4	46.7	0.9	58.0
Subtotal - Central and Administrative Services (excl UCPATH Center Operations)	208.3	147.3	54.3	409.8
Strategic Priorities Fund	27.0	3.0	-	30.0
SUBTOTAL USES	\$ 282.8	\$ 337.2	\$ 228.0	\$ 848.0
UCPATH Center Operations	-	93.7	-	93.7
TOTAL USES	\$ 282.8	\$ 430.9	\$ 228.0	\$ 941.7
Included in Sources and Uses Above				
Fee-For-Service	\$ -	\$ 225.7	\$ 51.2	\$ 276.9
Pass-Throughs	61.9	139.3	163.2	364.5
Total Fee-For-Service and Pass-Throughs	\$ 61.9	\$ 365.1	\$ 214.4	\$ 641.4

¹ Schedule B includes the impact to fund designations resulting from further fund definition reviews undertaken in FY18-19.

Schedule C

Budget by Programs and Initiatives Programs and Initiatives

\$ in millions

	FY18-19 Budget ¹	FY18-19 Forecast	FY19-20 Budget	Variance: Increase/(Decrease)		
				FY18-19 Forecast vs FY18-19 Budget	FY18-19 Forecast vs FY19-20 Budget	FY18-19 Budget vs FY19-20 Budget
PROGRAMS AND INITIATIVES						
Campus Program	\$ 0.9	\$ 0.9	\$ -	\$ (0.0)	\$ (0.9)	\$ (0.9)
State/Federal Programs						
Agriculture and Natural Resources (ANR)	163.7	171.8	178.7	8.1	7.0	15.0
California Breast Cancer Research Program	11.9	8.6	12.8	(3.3)	4.2	1.0
California Subject Matter Project (CSMP)	8.6	9.5	8.6	0.8	(0.8)	(0.0)
Gaining Early Awareness and Readiness for Undergraduate Programs	3.5	3.4	3.5	(0.1)	0.1	(0.0)
Graduate Medical Education	-	-	2.0	-	2.0	2.0
Mathematics Diagnostic Testing Project (MDTP)	1.0	1.0	-	0.0	(1.0)	(1.0)
Office of the National Laboratories (UCNL)	4.8	4.4	5.4	(0.4)	0.9	0.6
Other State/Federal Programs	1.7	1.2	0.5	(0.5)	(0.7)	(1.2)
Tobacco-Related Disease Research Program (TRDRP)	71.7	79.2	76.2	7.5	(2.9)	4.5
UC Research Initiatives: Cancer Research Coordinating Committee (CRCC)	2.2	2.4	2.3	0.2	(0.2)	0.0
Subtotal - State/Federal Programs	269.2	281.5	290.1	12.3	8.6	20.9
Systemwide Program						
California HIV/AIDS Research Program (CHRP)	8.8	8.8	8.8	0.1	(0.1)	(0.0)
Eligibility in the Local Context (ELC)	1.0	1.0	1.0	(0.0)	0.0	0.0
Historically Black Colleges and Universities (HBCU) Fellowship Initiative	1.0	1.0	1.8	-	0.8	0.8
Historically Black Colleges and Universities (HBCU) Summer Research Initiative	1.0	1.0	1.8	-	0.8	0.8
Innovative Learning Technology Initiative (Online Education)	10.3	8.9	9.0	(1.5)	0.2	(1.3)
Natural Reserve System (NRS)	2.2	2.8	3.0	0.5	0.2	0.7
Other Systemwide Programs	4.2	4.2	2.4	(0.0)	(1.7)	(1.8)
San Joaquin Valley PRIME program	1.9	1.9	1.9	-	-	-
SAPEP	1.9	1.8	1.9	(0.1)	0.1	0.1
SAPEP - ASSIST	1.9	2.2	2.2	0.4	(0.1)	0.3
SAPEP - Mathematics, Engineering, Science Achievement (MESA)	4.3	4.0	4.3	(0.3)	0.4	0.0
UC Astronomy Programs: UC Observatories (UCO)	7.6	7.4	7.5	(0.2)	0.2	(0.1)
UC Astronomy Programs: W.M. Keck Observatory (Keck)	14.6	14.6	14.6	0.0	0.0	0.0
UC Institute for Mexico and the United States (UC MEXUS)	3.3	3.3	-	0.0	(3.3)	(3.3)
UC Press	23.7	22.5	23.9	(1.1)	1.4	0.3
UC Research Initiatives: Laboratory Fees Research Program (LFRP)	15.0	11.1	14.9	(4.0)	3.9	(0.1)
UC Research Initiatives: Multi-Campus Research Programs and Initiatives (MRPI)	7.4	8.4	8.0	1.0	(0.4)	0.6
UC Washington Center (UCDC)	7.9	6.3	8.2	(1.7)	1.9	0.3
Valley Fever Research	-	0.0	2.9	0.0	2.9	2.9
Subtotal - Systemwide Program	117.9	111.0	118.2	(6.9)	7.1	0.2
TOTAL USES	\$ 388.1	\$ 393.5	\$ 408.2	\$ 5.4	\$ 14.7	\$ 20.1

¹ The FY2018-19 Budget includes an allocation of the UCOP Vacancy Factor at the Division Level for comparability purposes with FY2019-20. The total FY2018-19 Regents Budget remains constant at \$876.4M.

Schedule D

Budget by Division and Sub-Division Central and Administrative Services

\$ in millions

in millions

				Variance: Increase/(Decrease)		
	FY18-19 Budget ¹	FY18-19 Forecast	FY19-20 Budget	FY18-19 Forecast vs FY18-19 Budget	FY18-19 Forecast vs FY19-20 Budget	FY18-19 Budget vs FY19-20 Budget
CENTRAL AND ADMINISTRATIVE SERVICES USES						
Academic Affairs						
Academic Personnel and Programs	\$ 25.2	\$ 26.7	\$ 29.4	\$ 1.5	\$ 2.8	\$ 4.2
Diversity and Engagement	1.1	1.1	0.8	0.1	(0.3)	(0.2)
Immediate Offices	6.8	6.4	6.5	(0.5)	0.2	(0.3)
Institutional Research and Academic Planning	4.1	4.0	4.1	(0.1)	0.2	0.1
Research and Graduate Studies	9.0	6.4	7.9	(2.6)	1.5	(1.1)
Student Affairs	9.6	8.7	9.7	(0.9)	1.0	0.0
Subtotal - Academic Affairs	55.7	53.2	58.5	(2.5)	5.3	2.8
Ethics & Compliance	6.6	6.2	7.3	(0.4)	1.1	0.7
External Relations & Communications						
Alumni and Constituent Affairs	1.0	0.8	0.7	(0.2)	(0.2)	(0.4)
Executive Communications & Engagement	0.9	0.7	0.8	(0.2)	0.1	(0.1)
Federal Government Relations	2.6	2.5	2.8	(0.2)	0.4	0.2
Immediate Office	1.5	1.6	0.6	0.1	(1.0)	(0.9)
Institutional Advancement	1.9	1.7	2.0	(0.2)	0.3	0.1
Legislative Analysis	0.8	0.7	0.8	(0.1)	0.1	0.0
Marketing and Communications	5.9	5.3	6.3	(0.6)	1.0	0.4
Media Relations	0.9	0.7	0.9	(0.2)	0.2	0.0
State Government Relations	2.5	2.2	2.9	(0.4)	0.7	0.3
Subtotal - External Relations & Communications	18.1	16.3	17.8	(1.8)	1.5	(0.3)
Finance						
Budget Analysis and Planning	2.5	2.0	2.3	(0.5)	0.4	(0.2)
Capital Asset Strategies & Finance	12.8	13.9	12.4	1.1	(1.4)	(0.4)
Financial Accounting	10.2	10.2	10.5	0.0	0.4	0.4
Immediate Office	1.4	1.1	1.3	(0.3)	0.1	(0.1)
Risk Services	7.8	7.7	8.3	(0.1)	0.6	0.5
Strategic Sourcing/Procurement	11.4	11.0	10.9	(0.4)	(0.1)	(0.5)
Subtotal - Finance	46.0	45.8	45.7	(0.2)	(0.0)	(0.3)
Innovation & Entrepreneurship	4.0	1.7	2.7	(2.3)	0.9	(1.3)
Operations						
Energy and Sustainability	4.7	2.9	4.4	(1.8)	1.6	(0.3)
Immediate Office	1.3	1.1	1.1	(0.2)	0.1	(0.2)
Information Technology Services	50.6	48.9	51.5	(1.7)	2.6	0.9
Operational Expenses	6.1	4.7	8.0	(1.4)	3.3	1.9
Strategic Program Management Office	2.0	1.9	1.8	(0.1)	(0.1)	(0.2)
Systemwide Human Resources	45.1	46.7	48.2	1.6	1.5	3.0
UCOP Operations	30.2	30.8	30.8	0.6	0.0	0.7
Subtotal - Operations	139.9	136.9	145.8	(3.0)	8.9	5.9
President's Executive Office	4.0	3.5	4.6	(0.5)	1.1	0.6
Secretary of the Regents	3.1	2.9	3.6	(0.2)	0.7	0.5
Systemwide Academic Senate	2.1	2.4	2.4	0.3	0.0	0.3
UC Health						
Self-Funded Health Plans	3.8	5.2	4.6	1.4	(0.6)	0.9
UC Health Core	4.4	5.9	4.3	1.6	(1.7)	(0.1)
UC Healthcare Collaborative	12.9	11.5	20.2	(1.4)	8.7	7.3
Subtotal - UC Health	21.1	22.6	29.1	1.6	6.5	8.0
UC Investments	33.3	31.8	34.3	(1.6)	2.6	1.0
UC Legal	56.6	56.8	58.0	0.2	1.2	1.4
SUBTOTAL USES	\$ 390.6	\$ 380.1	\$ 409.8	\$ (10.4)	\$ 29.7	\$ 19.3
UCPath Center Operations	67.8	76.0	93.7	8.2	17.7	25.9
TOTAL USES	\$ 458.4	\$ 456.1	\$ 503.5	\$ (2.2)	\$ 47.4	\$ 45.1

¹ The FY2018-19 Budget includes an allocation of the UCOP Vacancy Factor at the Division Level for comparability purposes with FY2019-20. The total FY2018-19 Regents Budget remains constant at \$876.4M.

Schedule E

UC ANR Budget within UCOP

Budget by Program and Unit - All Funds

\$ in millions

\$ in millions

				Variance: Increase/(Decrease)		
	FY18-19 Budget	FY18-19 Forecast	FY19-20 Budget	FY18-19 Forecast vs FY18-19 Budget	FY18-19 Forecast vs FY19-20 Budget	FY18-19 Budget vs FY19-20 Budget
SOURCES						
UC ANR Budget within UCOP						
Federal AES	\$ 7.3	\$ 7.3	\$ 7.3	\$ 0.0	\$ (0.0)	\$ (0.0)
State UCCE	72.6	72.6	75.8	0.0	3.2	3.2
Federal UCCE	12.2	12.1	12.1	(0.1)	(0.0)	(0.1)
Endowment Payout	8.4	9.5	9.9	1.1	0.4	1.5
Extramural Funding	34.0	40.0	42.1	6.0	2.1	8.1
Other Sources	29.2	30.2	31.5	1.0	1.2	2.3
TOTAL UC ANR Budget within UCOP	\$ 163.7	\$ 171.8	\$ 178.7	\$ 8.1	\$ 7.0	\$ 15.0
USES						
UC ANR Budget within UCOP						
AES Campuses						
UC Berkeley	\$ 6.9	\$ 7.1	\$ 7.4	\$ 0.2	\$ 0.3	\$ 0.5
UC Davis	22.6	23.3	24.2	0.6	0.9	1.6
UC Riverside	6.5	6.5	6.7	0.0	0.2	0.2
Other Campus-Based Academics	0.1	0.2	0.2	0.0	0.0	0.0
Subtotal - AES Campuses	36.1	37.0	38.5	0.9	1.4	2.3
Statewide Programs & Institutes						
Agriculture Issues Center	0.3	0.3	0.3	0.0	0.0	0.0
California Institute for Water Resources	0.7	0.7	0.8	0.0	0.0	0.0
Elkus Ranch Youth Development Center	0.6	0.8	0.8	0.2	0.0	0.3
Informatics & Geographic Information Systems	0.7	0.7	0.7	0.0	0.0	0.1
Integrated Pest Management	4.0	4.5	4.5	0.4	0.1	0.5
Nutrition Policy Institute	7.8	9.4	9.2	1.6	(0.2)	1.4
Statewide Programs & Initiatives	3.5	3.9	4.1	0.5	0.2	0.7
Sustainable Agriculture Research & Education	0.8	0.8	0.8	0.0	0.0	0.0
Volunteer Based Programs (MFP, MG, Naturalist)	1.1	1.5	1.5	0.3	0.1	0.4
Youth, Family & Communities	7.0	4.1	4.0	(2.9)	(0.1)	(3.1)
Subtotal - Statewide Programs & Institutes	26.5	26.7	26.7	0.2	0.1	0.3
Research and Extension Centers (RECs)	20.8	15.4	16.1	(5.4)	0.7	(4.7)
County-Based Research and Extension	54.5	68.2	72.0	13.8	3.7	17.5
Administration						
General Administration	17.5	17.1	17.8	(0.4)	0.7	0.4
UCPath	1.5	1.5	1.6	0.1	0.1	0.1
Subtotal - Administration	19.0	18.6	19.4	(0.3)	0.8	0.5
Institutional Support	6.9	5.7	6.0	(1.1)	0.2	(0.9)
TOTAL UC ANR Budget within UCOP	\$ 163.7	\$ 171.8	\$ 178.7	\$ 8.1	\$ 7.0	\$ 15.0
NET MARGIN SURPLUS (DEFICIT)						
	\$ -	\$ 0.0	\$ 0.0	\$ 0.0	\$ -	\$ 0.0

¹ The UC ANR state fund allocation reflects an outstanding budget change proposal submitted to the State of California to request additional funding for cost increases. These funds are pending State approval and may not reflect final state funding.

Schedule F

Strategic Priorities Fund

Overall UCOP

\$ in millions

			Variance: Increase/(Decrease)		
FY18-19 Budget	FY18-19 Forecast	FY19-20 Budget	FY18-19 Forecast vs FY18-19 Budget	FY18-19 Forecast vs FY19-20 Budget	FY18-19 Budget vs FY19-20 Budget
COMMITMENTS					
Campus Program					
Alzheimer's Research	\$ -	\$ 2.0	\$ -	\$ (2.0)	\$ -
Clean Energy Research Center - Energy & Water	-	0.2	0.2	-	0.2
Subtotal - Campus Program	-	2.2	2.2	(2.0)	0.2
Central & Administrative					
Audit Response - Finance Resource	-	0.2	0.2	0.0	0.3
Audit Response - Oversight	0.3	0.1	(0.2)	(0.1)	(0.3)
Audit Response - Salary Workstream	-	0.3	0.3	(0.3)	-
Audit Response - Workforce Plan	-	0.1	0.1	0.2	0.3
College Signing Day	-	0.3	0.3	(0.3)	-
Corporate Financial System Replacement	3.0	0.3	(2.7)	0.3	(2.4)
eBilling SW Implementation	-	0.2	0.2	(0.1)	0.1
Financial Info System (FIS) Project	-	0.9	0.9	1.2	2.1
Intellectual Property Asset Management System	0.3	0.2	(0.1)	(0.2)	(0.3)
OP Restructuring Effort	-	1.1	1.1	(1.1)	-
PPS Maintenance	-	2.7	2.7	(2.7)	-
Procurement Legal Support	0.4	0.3	(0.0)	0.0	0.0
Supply Chain 500	-	0.2	0.2	0.1	0.3
SW Compliance/Audit Symposium	-	0.0	0.1	0.0	0.1
Transfer Guarantee Implementation	-	0.1	0.1	0.2	0.3
UCLA Chancellor's Residence Renovation	-	0.2	0.2	(0.2)	-
UCOP Budget Development System (BDS) Improvement Project	-	0.2	0.2	(0.2)	-
UCPath Guided Onboarding	-	0.3	0.3	(0.3)	-
UCSC Chancellor Search	-	0.2	0.2	(0.2)	-
Windows10/Off2016 Hardware Refresh Project	0.4	0.4	0.0	(0.4)	(0.4)
Subtotal - Central & Administrative	4.2	8.4	4.2	(4.0)	0.2
Presidential Initiatives					
Carbon Neutrality Initiative (CNI)	0.9	0.9	(0.0)	0.5	0.5
Global Food Initiative (GFI)	0.3	0.3	0.0	0.2	0.2
Presidential Public Service Fellowship	0.1	0.1	(0.0)	0.1	0.1
Public Service Law Fellowship	3.9	3.9	-	1.2	1.2
UC National Center for Free Speech	1.0	1.0	-	(0.4)	(0.4)
UC-Mexico Initiative	0.8	0.8	-	(0.8)	(0.8)
Undocumented Students Initiative	0.9	0.9	-	(0.9)	(0.9)
Subtotal - Presidential Initiatives	7.8	7.8	(0.0)	(0.1)	(0.1)
Systemwide Initiative					
Diversity Pipeline Initiative	-	0.7	0.7	0.0	0.7
Subtotal - Systemwide Initiative	-	0.7	0.7	0.0	0.7
Systemwide Program					
ASSIST Program	-	0.5	0.5	0.1	0.6
CDL UC Open Access Policy Support	-	0.2	0.2	(0.0)	0.2
Faculty Diversity (HBCU)	-	0.6	0.6	(0.6)	-
MRPI Critical Mission Studies @ CA Crossroads	-	0.3	0.3	0.3	0.5
President's Postdoctoral Fellowship Program	0.3	0.6	0.3	(0.3)	-
Research Catalyst Awards	-	0.8	0.8	(0.8)	-
UC-Mexico Program	-	-	-	0.8	0.8
Undocumented Students - Campus Student Svcs & Financial Aid	-	2.5	2.5	(0.3)	2.2
Subtotal - Systemwide Program	0.3	5.4	5.1	(0.8)	4.3
Committed SPF Funds	12.3	24.5	12.2	(7.0)	5.2
Uncommitted SPF Funds ¹	17.7	5.5	(12.2)	7.0	(5.2)
Total Strategic Priorities Fund	\$ 30.0	\$ 30.0	\$ -	\$ 0.0	\$ 0.0

¹ The FY18-19 Forecast includes commitments of \$24.5M to be funded from the Strategic Priorities Fund. The Uncommitted amount of \$5.5M preserves the residual fund balance to be applied towards the FY19-20 SPF.

Schedule G

FY19-20 BUDGET Cause of Change - Sources

Overall UCOP

\$ in millions

FY18-19 Budget	\$	876.4	
	FY19-20	% of Total	
Changes to Sources of Funds	Incr / (Decr)	Incr / (Decr)	Comments:
I. Unrestricted Fund Increase			
1 State General Funds			
Increase from State of CA	6.5	9.9%	Pending BCP approval of 3% increase over \$215M State General Funds (SGF) base
Campus Programs	(2.5)	-3.8%	Funding for campus programs Drew, Hayes-Bautista, PFPF, UCCS transferred to SGF Set-Asides
UC Mexus	(3.3)	-5.0%	Per optimization review, transfer UC Mexico fundig to UC Riverside via SGF Set-Asides
Investment Income / Other	0.1	0.1%	
Sub-total State General Funds	0.8	1.2%	
2 Undesignated Fund Balance	(3.3)	-5.0%	Reduce dependence of SPF on fund balances from \$20.3M in FY18-19 to \$17.0M in FY19-20
3 Campus Assessment	7.3	11.2%	Pending BCP approval, UCOP to utilize a campus assessment for investments approved by the EBC
4 Investments, Other	(0.2)	-0.3%	
Sub-Total Unrestricted Funds	\$ 4.6	7.0%	
II. Designated Fund Increase			
5 UCPath Fee-For-Service	20.9	32.0%	Supports onboarding new campuses and employees to UCPath
6 UCPath State General Funds	1.5	2.3%	Pending BCP approval of 3% over \$52.4M SGF base
7 Program Designated			
ANR	2.0	3.1%	Sales and service revenues generated by the ANR Division
UC Health Collaborative	7.2	11.0%	Strategy approved by the campuses and funded by the UC health centers
Diversity	2.3	3.4%	Investment in HSI - Doctoral Diversity, HBCU Summer Research Initiative and HBCU Fellowship Initiative
UC National Laboratories	0.8	1.1%	Lab management growth strategy
Other	3.6	5.5%	Offset to FY18-19 Path vacancy factor
Sub-Total Program Designated	15.8	24.2%	
7 ANR State General Funds	3.2	4.9%	Pending BCP approval of \$3.2M over \$72.6M in SGF base per corridor model
8 Designated Fund Balance	3.0	4.6%	Use of fund balance for iCamp operations
9 Regents Designated	(0.2)	-0.2%	
Sub-Total Increase in Designated Funds	\$ 44.2	67.7%	
III. Restricted Fund Increase			
10 Federal and State Appropriations/Regulations			
RGPO: Tobacco-Related Disease Research	5.0	7.6%	Tobacco-Related Disease Research from State Prop 56 funds of \$4.5M
UC Health - Graduate Med Education	2.0	3.1%	Graduate Medical Education funded by State Prop 56 funds
California Digital Library	0.7	1.0%	Growth in CDL grant awards
Other	(0.1)	-0.2%	
Sub-Total Fed/State Appropriations/Regulations	7.5	11.5%	
11 Contracts and Grants			
ANR	8.1	12.5%	Federal / State grant award revenue growth
AA - Diversity & Engagement	(1.0)	-1.5%	Math Diagnostic Testing Program (MDTP) funding moved to UCSD
Sub-Total Contracts and Grants	7.2	11.0%	
12 Gifts and Endowments	1.8	2.8%	Increased ANR revenues of \$1.5M
Sub-Total Restricted Funds	\$ 16.5	25.3%	
Total FY19-20 BUDGET INCREASE TO FUND SOURCES	65.3	100.0%	
Total FY19-20 BUDGET SOURCES	\$ 941.7		

Schedule G

FY19-20 BUDGET Cause of Change - Uses

Overall UCOP

\$ in millions

FY18-19 Budget	\$	876.4	
	FY19-20	% of Total	
Changes to Uses of Funds	Incr / (Decr)	Incr / (Decr)	Comments:
I. Programs and Initiatives:			
1 Campus Programs	(0.9)	-1.4%	Funding for campus programs Drew, Hayes-Bautista, PPFP, UCCS transferred to SGF Set-Asides
2 State / Federal Programs			
ANR	15.0	23.0%	Federal / State grant award revenue growth
Tobacco-Related Disease Research	4.5	6.9%	Increased Tobacco-Related Disease Research grants
Breast Cancer Research	1.0	1.5%	
UCNL	0.6	0.9%	Lab management growth strategy
Other	(0.2)	-0.4%	Math Diagnostic Testing Program (MDTP) funding moved to UCSD, \$1.2M other
Sub-Total State / Federal Programs	20.9	32.0%	
3 Systemwide Programs			
Valley Fever Research	2.9	4.5%	UCOP administration of State-funded Valley Fever grants program
Diversity (HBCU - Fellowship, Summer Research)	1.5	2.3%	Increased investment in faculty pipeline diversity programs
Natural Reserve System	0.7	1.1%	Increase due to additional grant and gift income
Multi-Campus Research Program	0.6	1.0%	Increase of \$500K for additional research grants to the campuses
SAPEP	0.4	0.6%	Public service program to improve college preparedness
UC Washington Program (UCDC)	0.3	0.4%	Increased building occupancy costs
Other	0.1	0.2%	
ILTI	(1.3)	-2.0%	Reduction to ILTI at UCOP funds increase to MRPI
Other Systemwide Programs	(1.8)	-2.7%	Funding for campus programs Drew, Hayes-Bautista, PPFP, UCCS transferred to SGF Set-Asides
UC Mexus	(3.3)	-5.0%	Per optimization review, transfer UC Mexico fundig to UC Riverside via SGF Set-Asides
Sub-Total Systemwide Programs	0.2	0.3%	
SUB-TOTAL PROGRAMS AND INITIATIVES	\$	20.1	30.9%
II. Central and Administrative Services			
8 Academic Affairs			
California Digital Library	3.7	5.6%	\$2.5M for new/existing subscriptions; \$1.3M restricted funds for shared print membership coalition
Research & Graduate Studies	(1.1)	-1.6%	Patent royalties transferred to systemwide revenue
Other	0.1	0.2%	
Sub-Total Academic Affairs	2.8	4.2%	
9 Ethics & Compliance	0.7	1.1%	Increased volume of systemwide investigations
10 External Relations & Communications	(0.3)	-0.4%	SGR rent, offset by savings from org changes
11 Finance	(0.3)	-0.4%	
12 Innovation & Entrepreneurship	(1.3)	-2.0%	
13 Operations			
Systemwide Human Resources	3.0	4.6%	Increased Retirement Administration System (Redwood) operational support
Information Technology Systems & Infrastructure	0.9	1.3%	Change is primarily attributed to UCOP transition to UCLA mainframe
Building / Occupancy Costs	0.9	1.4%	Cost increases related to Rent, Janitorial, and Security
Other Operations	1.4	2.2%	Other Operating cost increases including net impact of vacancy factor
Energy & Sustainability, Immediate Office	(0.4)	-0.6%	
Sub-Total Operations	5.9	9.0%	
14 President's Executive Office	0.6	0.9%	Increased investment in Title IX office
15 Secretary of the Regents	0.5	0.8%	Increased number of off-cycle meetings and campus visits travel
16 Systemwide Academic Senate	0.3	0.4%	
17 UC Health	8.0	12.3%	UC Health Collaborative strategy approved by the campuses and funded by the UC health centers
18 UC Investments	1.0	1.5%	
19 UC Legal	1.4	2.1%	Offset rising outside council expense with internal resources
TOTAL CENTRAL AND ADMINISTRATIVE EXCL. UCPath	\$	19.3	29.5%
20 UCPath Center Operations	25.9	39.6%	Supports onboarding new campuses and employees to UCPath
TOTAL CENTRAL AND ADMINISTRATIVE INCL UCPath	\$	45.1	69.1%
TOTAL FY19-20 BUDGET INCREASE TO FUND USES	65.3	100.0%	
TOTAL FY19-20 BUDGET USES	\$	941.7	

Schedule H

UCOP Reserves

\$ in millions

					Variance:							
					6/30/18	6/30/19						
					Actual vs	Reserve						
					6/30/19	Target						
					Forecast	Over Max /						
						(Under Min)						
UCOP RESERVES												
Building and Capital Assets Reserves												
Capital Maintenance and Renewal	\$	2.6	\$	7.9	\$	6.2	\$	4.0	\$	(2.2)	\$	-
UCOP IT Infrastructure		0.4		0.6		0.4		0.4		-		-
Sub-Total Building and Capital Assets Reserves	\$	3.0	\$	8.5	\$	6.6	\$	4.4	\$	(2.2)	\$	-
Program Reserves												
UC National Laboratories												
LANS and LLNS-LLC Post Contract Contingency ¹		23.0		23.0		14.0		17.2		3.2		-
LANS and LLNS-LLC Fee Contingency ¹		7.0		7.0		7.9		7.8		(0.1)		0.8
LBNL Post Contract Contingency ²		4.0		4.0		2.7		3.3		0.6		-
LBNL Building Commitment ²		10.0		23.0		14.2		16.2		2.0		-
LBNL Guest House Renewal & Replacement ²		1.5		2.5		1.4		1.5		0.1		-
UC Press		1.5		1.5		1.5		1.5		-		-
UC Washington Center (UCDC) ³		2.9		6.3		6.3		6.6		0.3		0.3
Sub-Total Program Reserves	\$	49.9	\$	67.3	\$	48.0	\$	54.0	\$	6.0	\$	1.0
Other Required Reserves												
Housing Loan Program ⁴		20.0		25.0		39.4		30.5		(8.9)		5.5
Sub-Total Other Required Reserves	\$	20.0	\$	25.0	\$	39.4	\$	30.5	\$	(8.9)	\$	5.5
SUB TOTAL NON-OPERATING AND PROGRAM RESERVES ⁵												
	\$	72.9	\$	100.8	\$	94.0	\$	88.9	\$	(5.1)	\$	6.5
Central Operating Reserve ⁶												
		15.0		15.0		15.0		15.0		-		-
TOTAL UCOP RESERVES												
	\$	87.9	\$	115.8	\$	109.0	\$	103.9	\$	(5.1)	\$	6.5

¹ UCNL LANS and LLNS-LLC reserves and reserve targets are established by the UC Regents.

² LBNL reserves targets are established by LBNL and UCNL management.

³ UCDC reserve includes \$1M in reserves and \$5.5M in TRIP.

⁴ \$14.5M of reserve balance was redistributed to campuses during FY18-19.

⁵ Pursuant to this guidance, UCOP will not maintain a systemwide benefits reserve for fully-insured health benefit plans.

⁶ Central Operating Reserve is held in the President's Endowment Fund. Per the established Presidential guidelines, the Central Operating Reserve may be supplemented with up to an additional \$100M or three months of covered funds from a variety of sources.

Schedule I

UCOP Fund Balances by Fund Type ^{1, 2, 3}

\$ in millions

	6/30/18		6/30/19							
	Balance		Forecasted Balance		Commitments ⁴	Remaining Balance	Change in Fund Balance			
UNRESTRICTED										
Undesignated - UCOP										
Investment Income	\$	20.4	\$	6.7	\$	3.0	\$	3.7	\$	(16.7)
UC General Funds		12.6		20.9		17.0		3.9		(8.7)
Legal Settlements		6.3		4.0		-		4.0		(2.3)
Department Deficits		(3.3)		-		-		-		3.3
Other		-		0.2		-		0.2		0.2
Sub-Total Undesignated - UCOP	\$	36.0	\$	31.8	\$	20.0	\$	11.8	\$	(24.1)
Undesignated - Systemwide										
General Obligation Bond Income	\$	26.5	\$	7.1	\$	7.1	\$	-	\$	(26.5)
Sub-Total Undesignated - Systemwide	\$	26.5	\$	7.1	\$	7.1	\$	-	\$	(26.5)
Sub-Total Undesignated	\$	62.5	\$	38.9	\$	27.1	\$	11.8	\$	(50.7)
DESIGNATED										
Regents Designated										
DOE Laboratories ⁵										
LLC	\$	14.4	\$	2.5	\$	-	\$	2.5	\$	(11.9)
LBNL		11.0		14.0		-		14.0		3.0
Lab Fees Research		31.4		39.2		-		39.2		7.8
Housing Loan Programs		15.3		-		-		-		(15.3)
Programs and Initiatives										
UC Healthcare Collaborative	\$	10.2	\$	3.4	\$	-	\$	3.4	\$	(6.9)
California Digital Library		2.4		2.7		-		2.7		0.3
ICAMP		-		5.6		3.0		2.6		2.6
UC Washington Center		2.1		2.1		-		2.1		0.0
Procurement Initiatives		0.9		1.7		-		1.7		0.9
Writing Placement Exam		1.3		0.8		-		0.8		(0.5)
Other		(0.3)		1.4		-		1.4		1.6
Central Services Designated										
Endowment cost recovery		6.8		8.5		-		8.5		1.7
Energy and sustainability		2.5		5.5		-		5.5		3.0
UC Path		0.1		0.0		-		0.0		(0.1)
Other		1.9		1.0		-		1.0		(0.9)
Sub-Total Designated	\$	99.9	\$	88.3	\$	3.0	\$	85.3	\$	(14.6)
RESTRICTED										
Federal and Special State Appropriations/Regu	\$	10.0	\$	9.4	\$	-	\$	9.4	\$	(0.6)
Gifts and Endowments		3.6		3.6		-		3.6		(0.0)
Sub-Total Restricted	\$	13.6	\$	13.0	\$	-	\$	13.0	\$	(0.6)
TOTAL BALANCES	\$	176.0	\$	140.2	\$	30.1	\$	110.2	\$	(65.9)

¹ Fund balances are exclusive of Reserve amounts

² Systemwide and pass-through fund balances are excluded, such as health and welfare benefits balances, wholesale power program funds, systemwide procurement incentives and patent royalty income

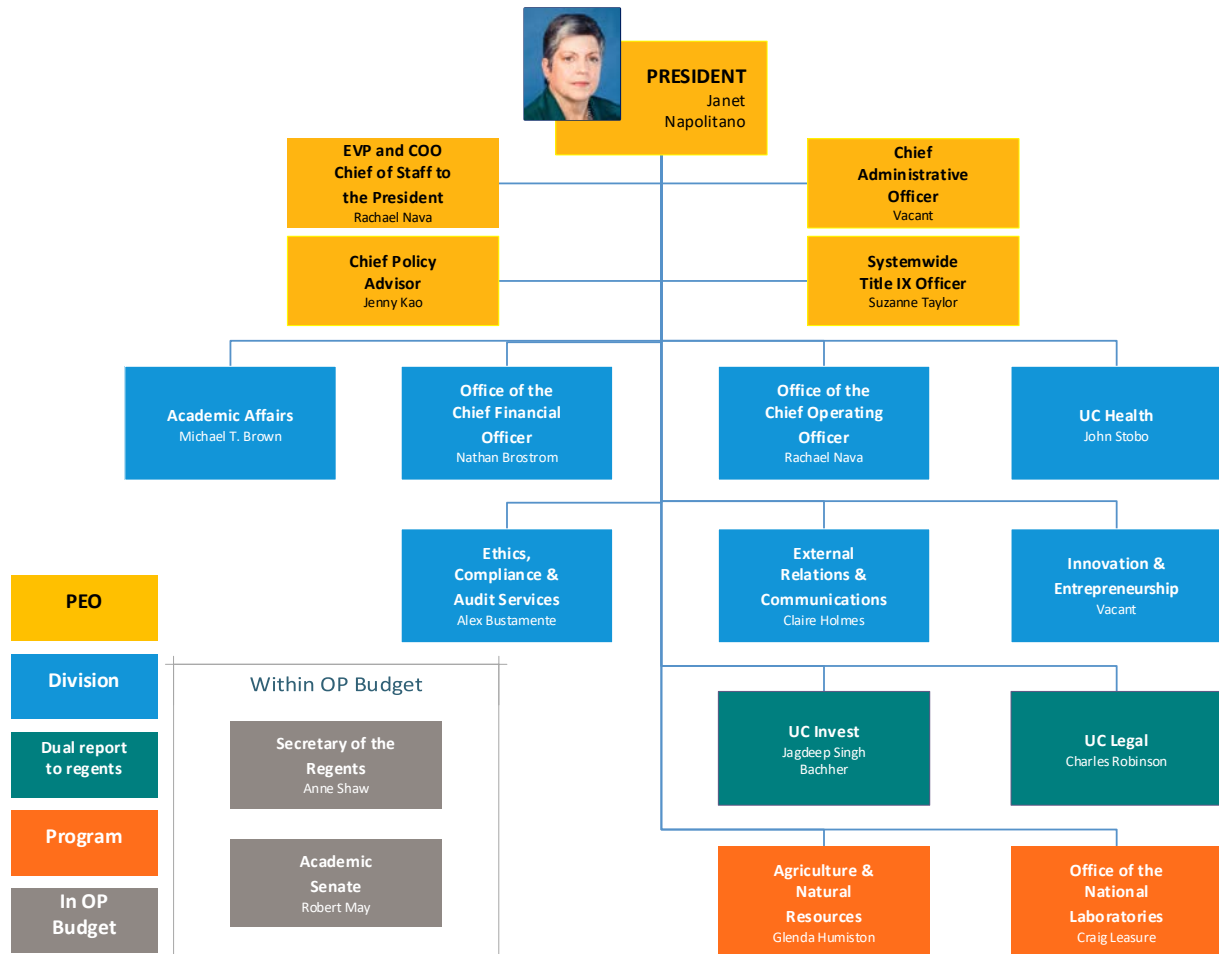
³ Through additional reviews of fund designations, certain funds have shifted from Undesignated to Designated and from Designated to Restricted, such as health benefit and retirement funds which are restricted due to IRS oversight.

⁴ Commitments include \$3M in year-end accruals, \$17M for the FY19-20 SPF, \$7.1M for campus seismic work and interest expense and \$3M for ICAMP.

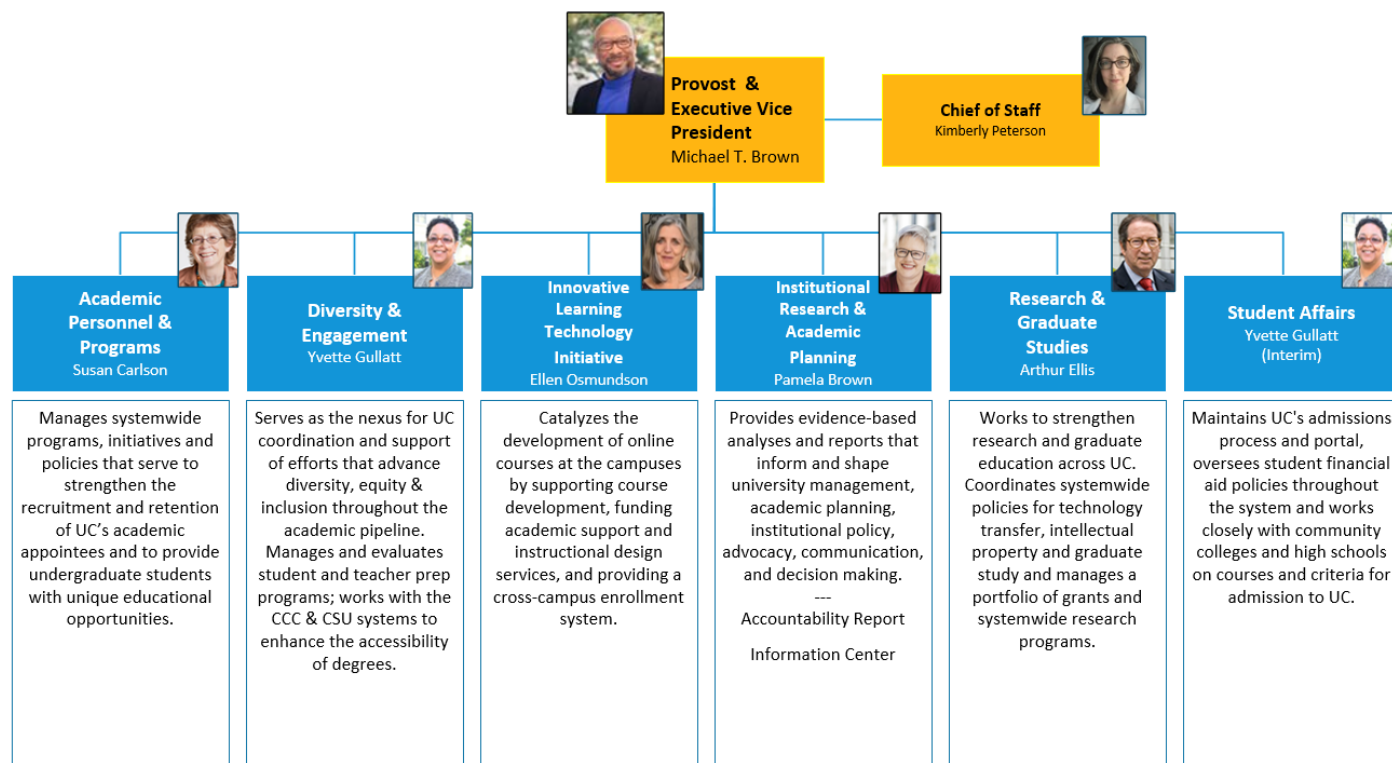
⁵ DOE Laboratories fund balances include DOE fee income from the three UC-run national labs, for lab oversight and building operations.

APPENDIX 2: UCOP ORGANIZATION CHARTS

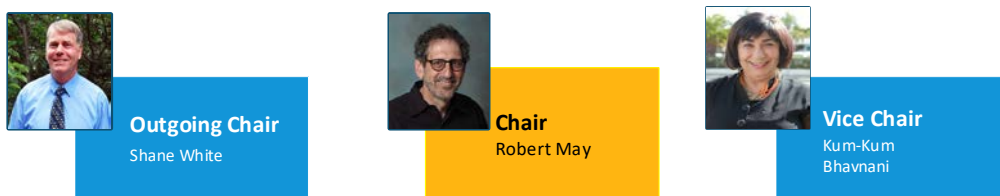
UC Office of the President



Academic Affairs

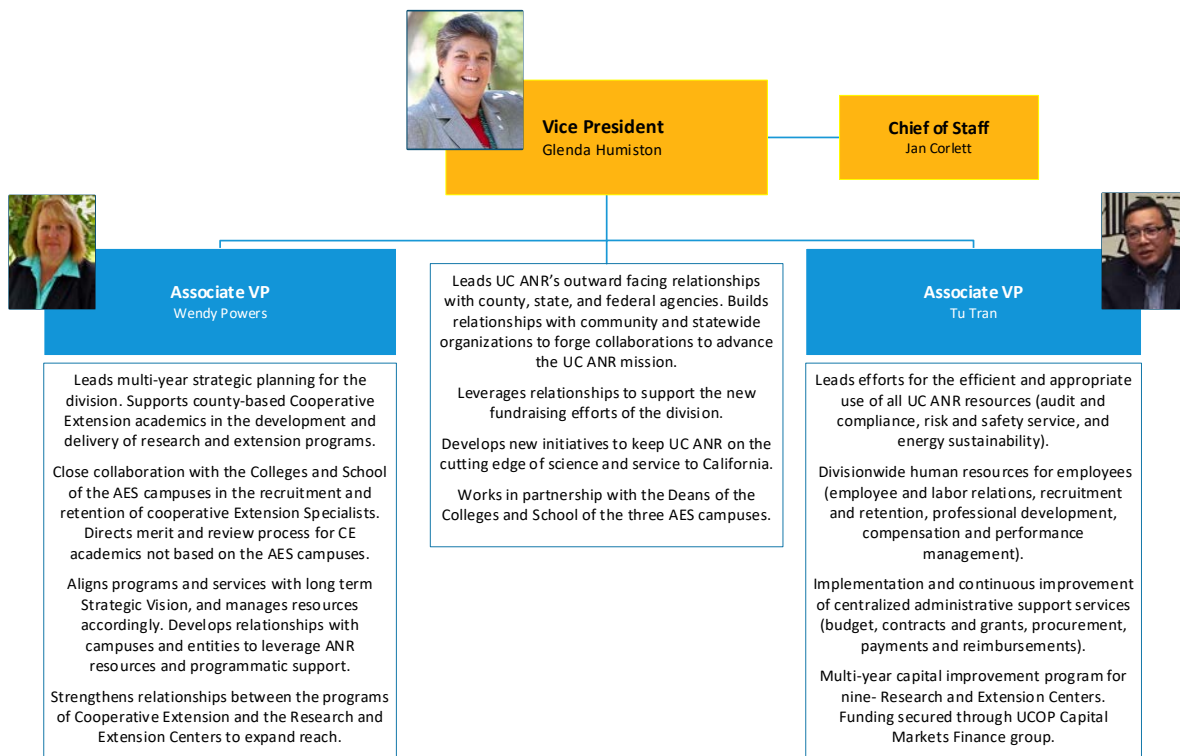


Academic Senate Leadership

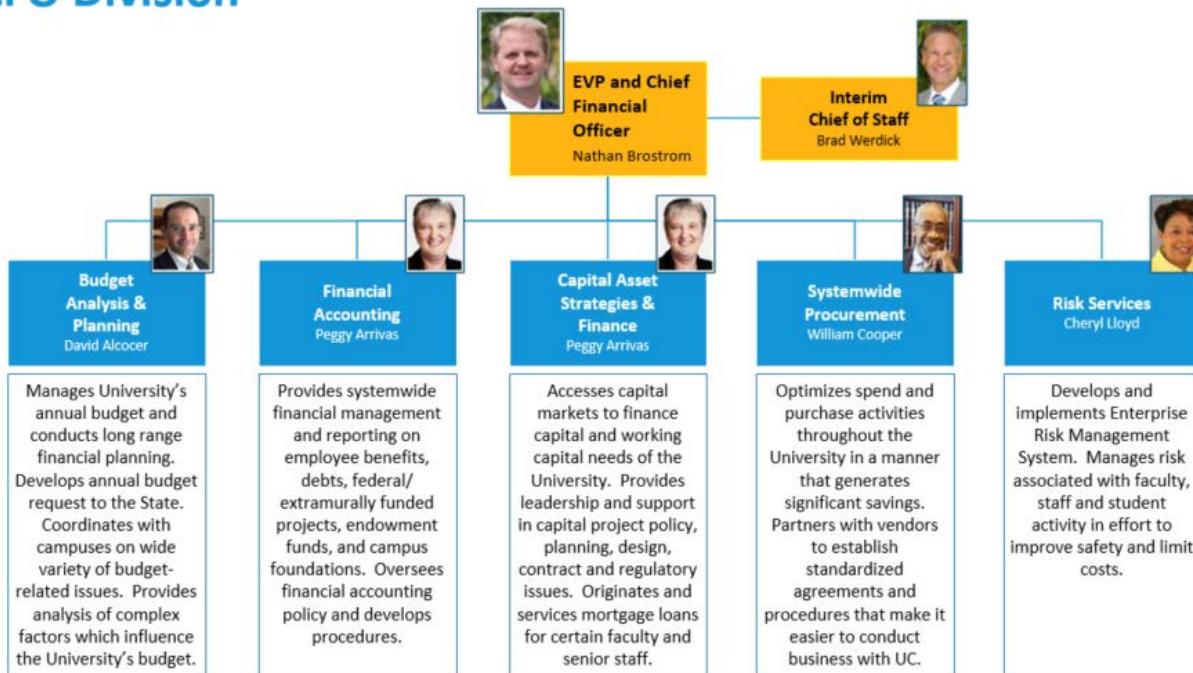


The Systemwide Academic Senate and the ten Divisional Senates provide the organizational framework that enables the faculty to exercise its right to participate in the University's governance. The faculty voice is formed through a deliberative process that includes the Standing Committees of the Senate, the Academic Council, the Assembly of the Academic Senate, and their Divisional counterparts. Consultation with the senior administration occurs in a parallel structure: at the systemwide level between the Academic Council Chair and the President; and on the campus level between the Divisional Senate Chairs and the Chancellors.

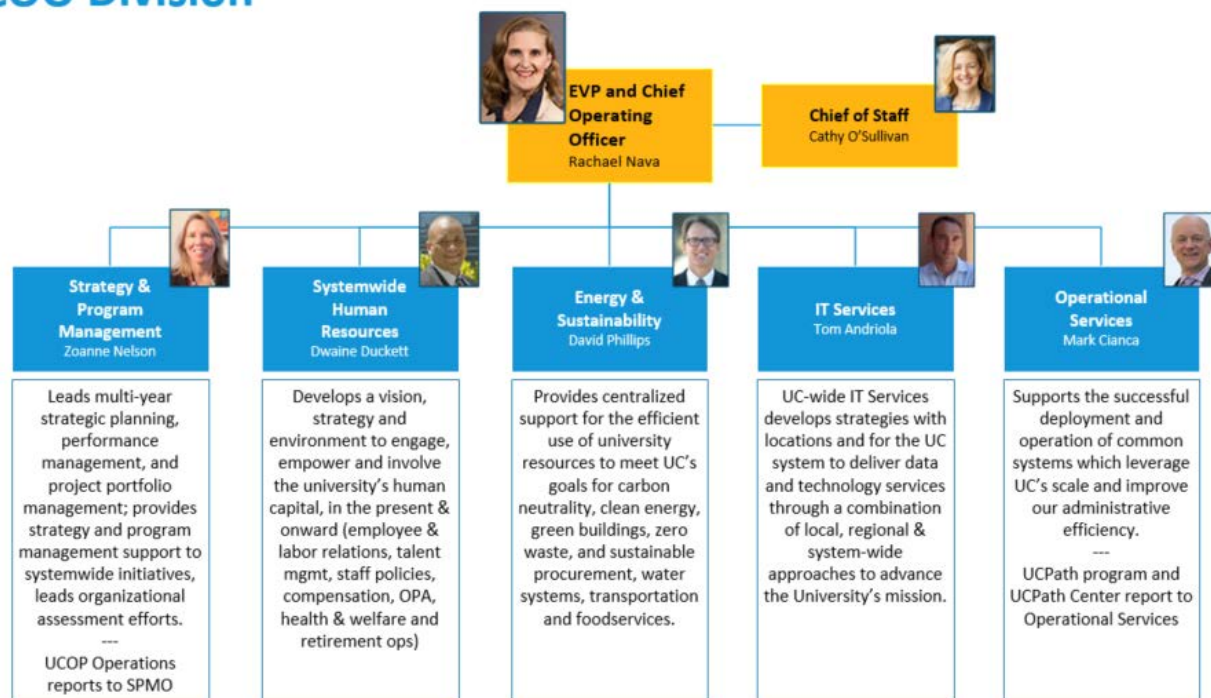
Agriculture and Natural Resources



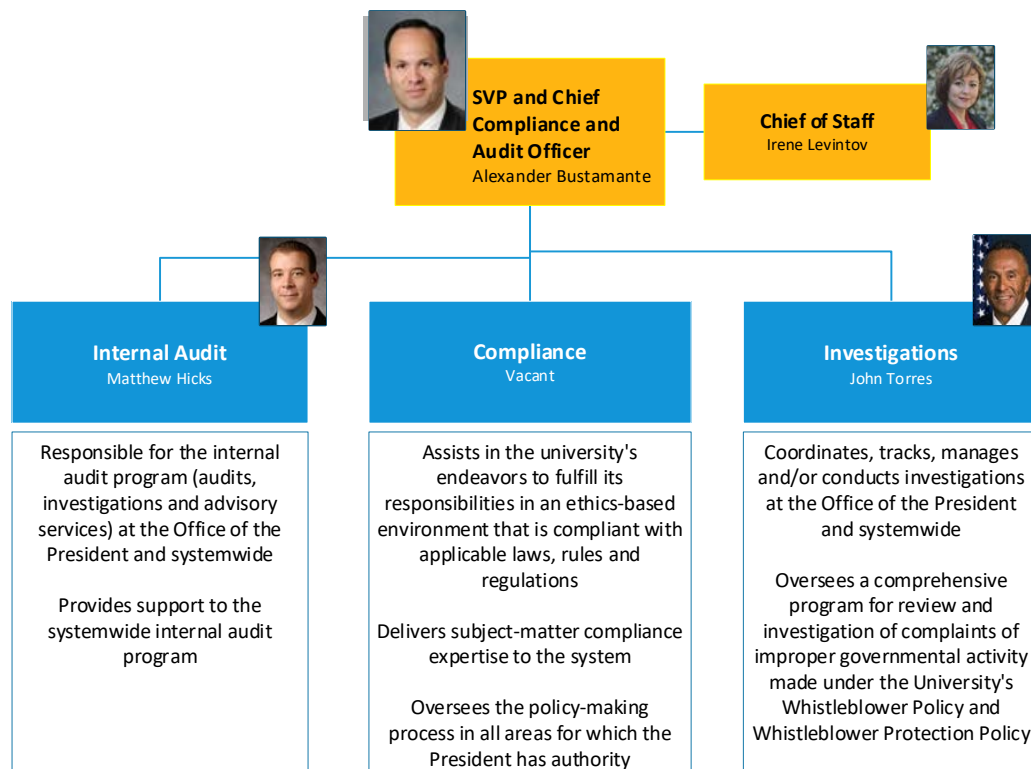
CFO Division



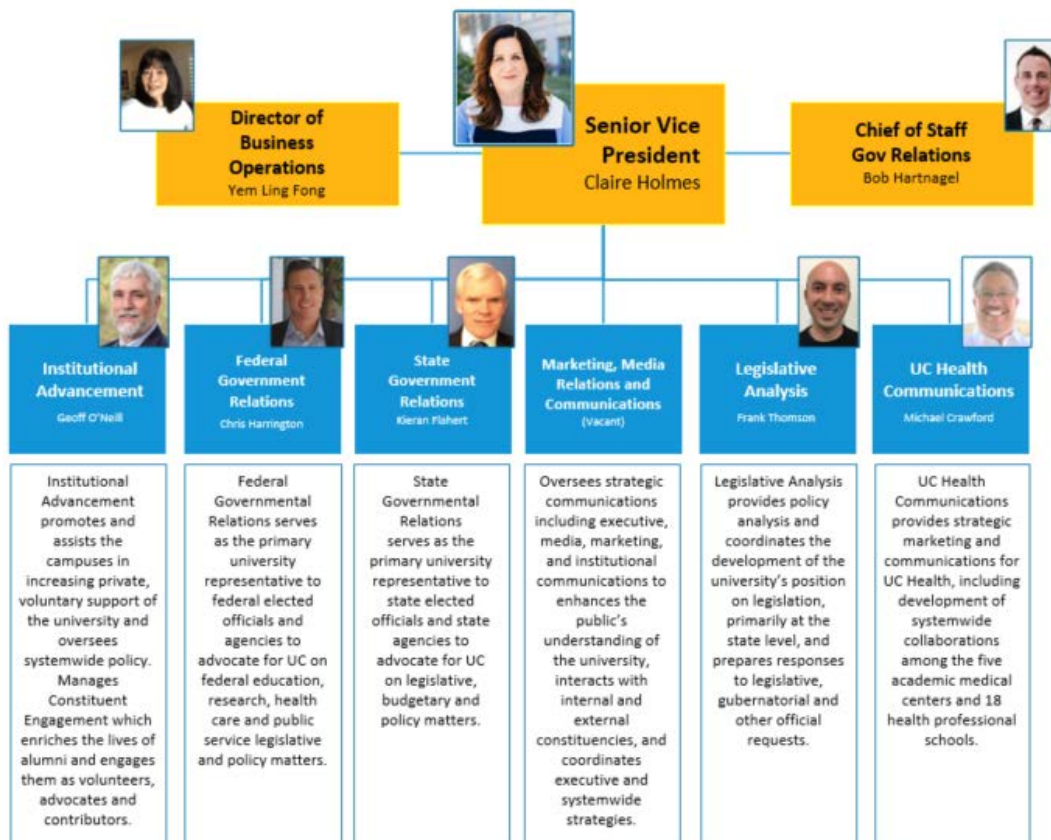
COO Division



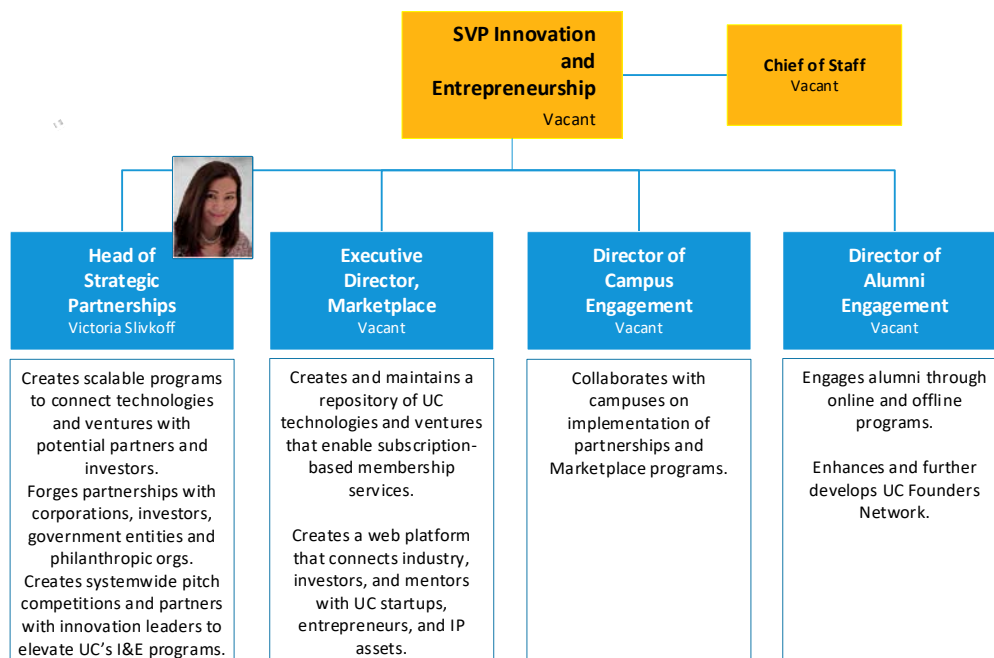
Ethics, Compliance and Audit



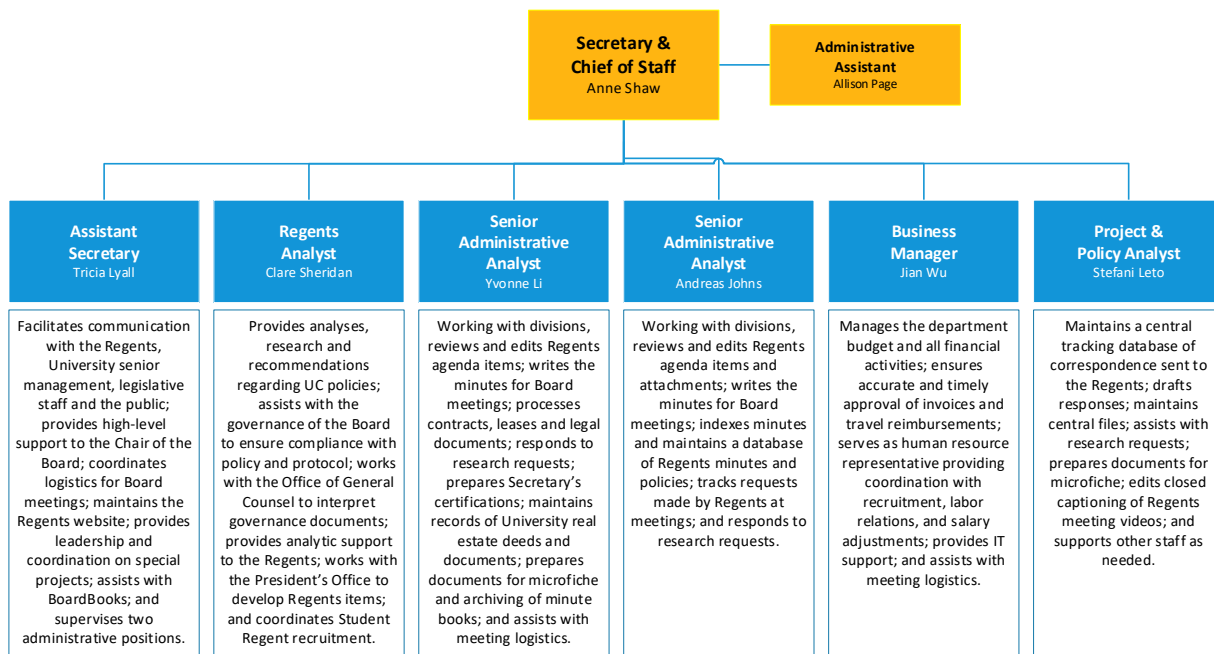
External Relations and Communications



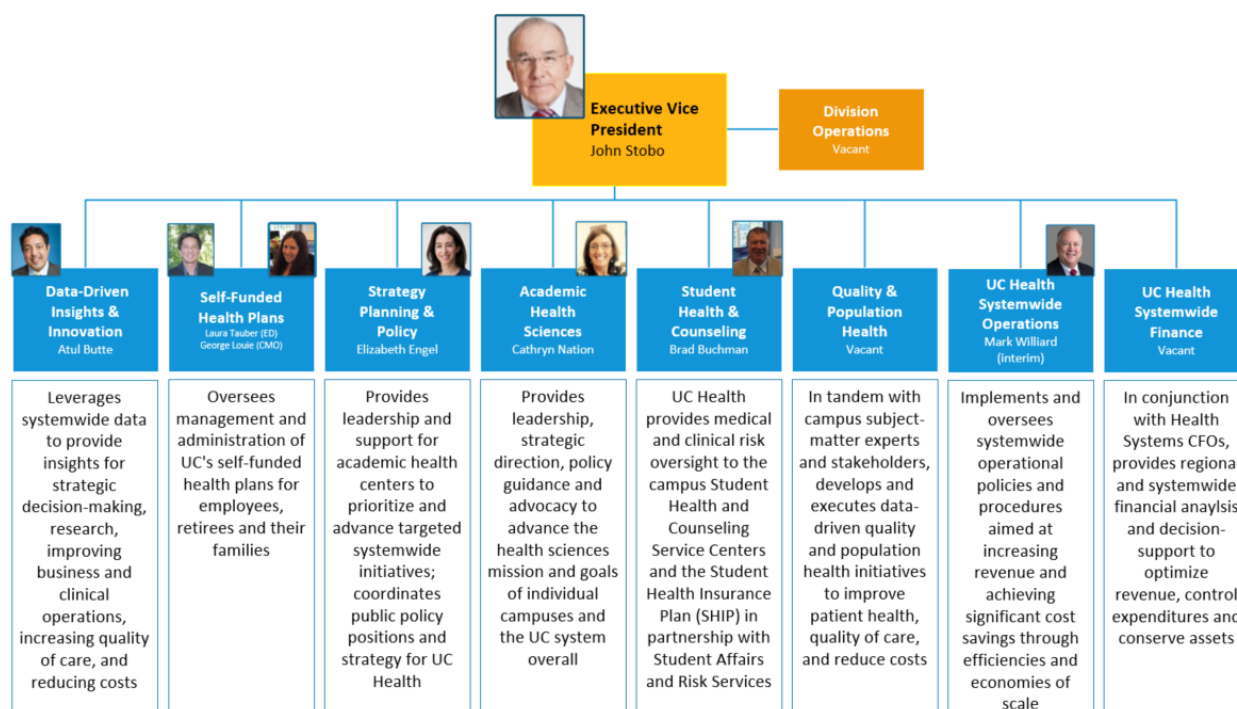
Innovation and Entrepreneurship



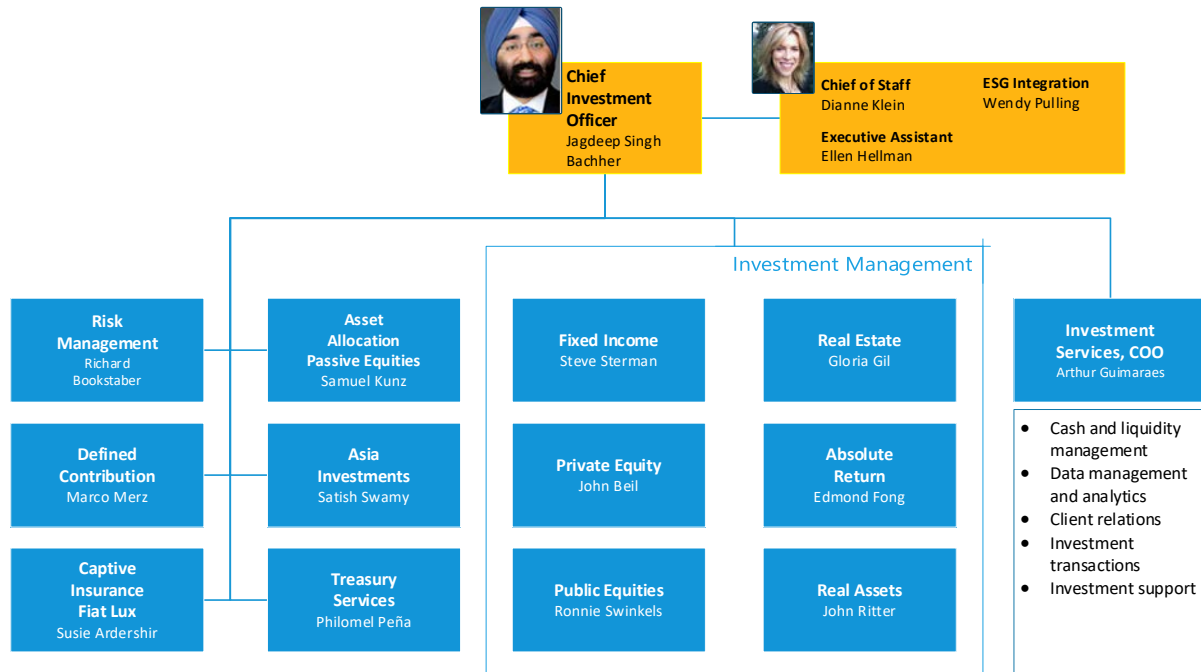
Secretary and Chief of Staff to the Regents



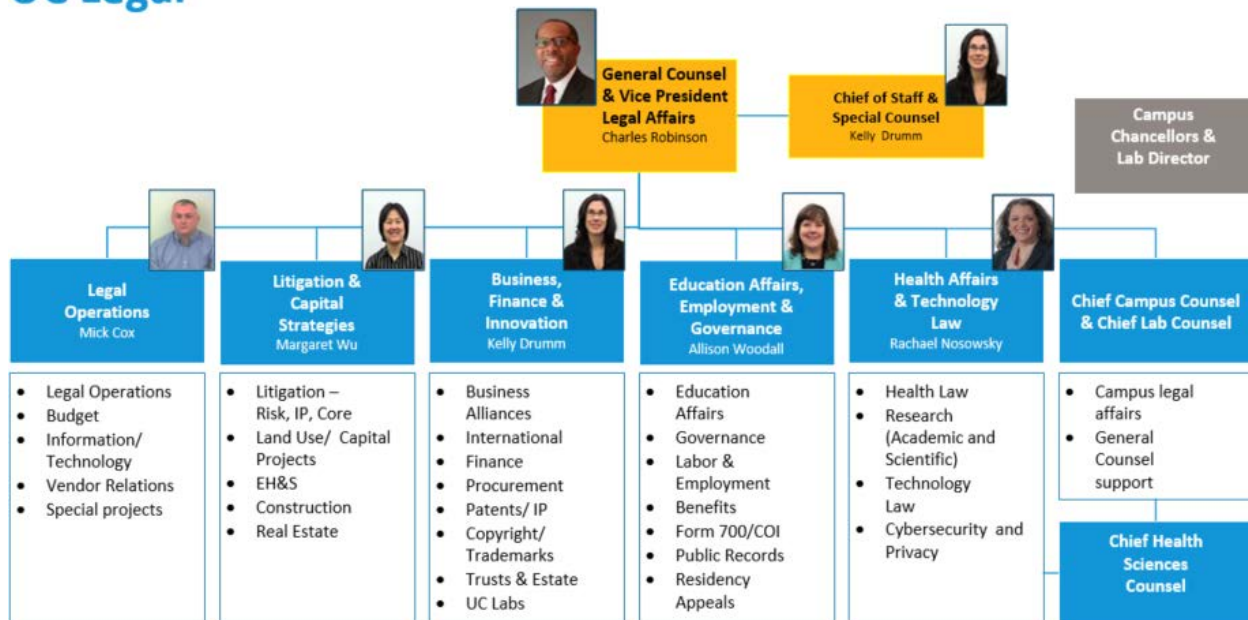
UC Health



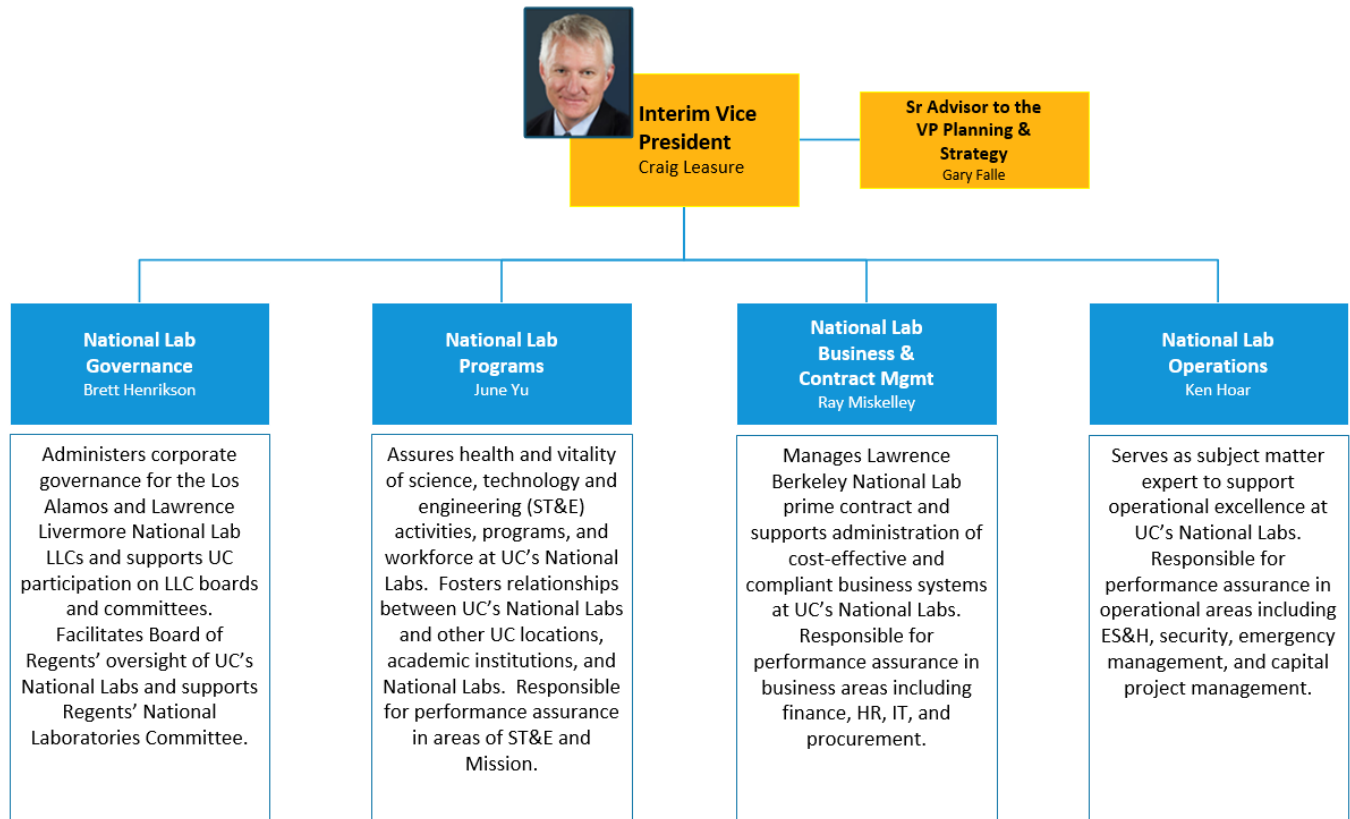
UC Investments



UC Legal



UC National Laboratories



APPENDIX 3: FY19-20 PRESIDENTIAL INITIATIVES

The following provides a description of each UC Presidential Initiative including how it furthers the mission of the University.

#	Presidential Initiative	FY18-19 Budget	FY19-20 Budget	Increase/ (Decrease)
1	Carbon Neutrality Initiative (CNI)	\$ 900,000	\$ 1,380,383	\$ 480,383
2	Global Food Initiative (GFI)	250,000	496,000	246,000
3	Presidential Public Service Fellowship	82,000	168,142	86,142
4	Public Service Law Fellowships	3,920,000	5,080,000	1,160,000
5	UC-Mexico Initiative	770,000	0	(770,000)
6	UC National Center for Free Speech and Civic Engagement	1,000,000	565,000	(435,000)
7	Undocumented Students Initiative – UCIMM ¹	900,000	0	(900,000)
Sub-Total Presidential Initiatives		\$ 7,822,000	\$ 7,689,525	
Remaining Balance		-	132,475	132,475
Total Budget Presidential Initiatives		\$ 7,822,000	\$ 7,822,000	\$ 0

¹ In FY19-20, the State will directly fund the UCIMM at \$1.3 million per year and UCOP support for the UCIMM and Campus Student Services and Financial Aid will be combined into the Undocumented Students Campus Program.

1. Carbon Neutrality Initiative (CNI)

The Carbon Neutrality Initiative (CNI) launched in 2013, committing UC to emit net zero greenhouse gases from its buildings and vehicle fleet by 2025 – something no other major university system has done. This initiative advances the **public service** component of the University’s mission by helping both California and the world to curb the forces that are driving global warming. This initiative also furthers the University’s mission to provide **instruction** by giving undergraduate and graduate students the opportunity to study issues and fund student-generated projects that support the UC system’s carbon neutrality goal through its Carbon Neutrality Student Fellowship Program. By bringing together a Global Climate Leadership Council to advance both teaching and research about climate change and sustainable business practices, this initiative also furthers the **instruction** and **research** components of the University’s mission.

2. Global Food Initiative (GFI)

The Global Food Initiative (GFI) was launched in 2014 to address how to sustainably and nutritiously feed a world population expected to reach 8 billion by 2025. By working to increase food access and security among communities across the ten UC campuses, this initiative furthers the **public service** component of the University’s mission. This initiative also furthers the University’s mission to provide **instruction** by giving undergraduate and graduate students the opportunity to study issues such as food security and food waste through the GFI Fellowship Program. Additionally, by conducting systemwide studies about UC student food access and security through the Healthy Campus Network, and by providing development-oriented graduate students from multiple UC campuses the opportunity to engage in planning and implementing projects related to international food systems and agriculture, this initiative furthers the **research** component of UC’s mission.

3. **Presidential Public Service Fellowship**

The Presidential Public Service Fellowship launched in FY15-16. This need-based fellowship catalyzes student interest in public service careers and encourage more undergraduate students to apply for public service internships in D.C. and Sacramento. By providing educational opportunities to UC students and encouraging students to become agents of change in the public arena, this initiative advances UC's **instruction** and **public service** mission components.

4. **Public Service Law Fellowships**

The Public Service Law Fellowship launched in FY16-17 to support approximately 425 summer and 60 post-graduate fellowships annually at all four UC law schools for students pursuing opportunities in public service. Post-graduate fellowships provide up to \$45,000 for graduates entering public service plus an additional \$2,500 to help defray bar-related costs. Summer fellowships provide approximately \$4,000 to subsidize summer public interest law jobs. The second UC National Public Service Law Conference was held in March 2019 to showcase important legal scholarship and practice and contribute to the national conversation on public interest law. By making post-graduate work and summer positions accessible for students who want to pursue public service legal careers, this initiative advances UC's **instruction** and **public service** missions.

5. **UC-Mexico Initiative**

The UC-Mexico Initiative launched in FY13-14 to enhance UC's relationships with academia, government, and the private sector in Mexico and create the ability for UC to respond quickly to emerging issues. By supporting academic and student exchanges and collaborating with Mexican universities, governmental agencies, and foundations on projects pertaining to arts and culture, education, energy, the environment, and public health, this initiative furthers the **instruction** and **research** components of UC's mission. Going forward, the Initiative is broadening into a systemwide program encompassing UC-Mexico, UC Mexus and Casa de California, and will no longer be classified as a Presidential Initiative.

6. **UC National Center for Free Speech and Civic Engagement**

The UC National Center for Free Speech and Civic Engagement launched in FY17-18 to explore how the fundamental democratic principles of free speech and civic engagement must adapt to the challenges and opportunities of modern society. By bringing together people of various academic and experiential background from across the country to inform free speech and civic engagement policies on college campuses, in State legislatures, and in Washington, D.C., this initiative furthers the **public service** mission of the University. Through this initiative, the UC National Center for Free Speech and Civic Engagement supports a fellowship program wherein fellows research First Amendment issues and present their findings at a national conference. The output of this Center also furthers the **research** component of the University's mission.

7. **Undocumented Students Initiative**

Launched in FY16-17, this purpose of this initiative is to strengthen programs and services aimed at improving access and success for undocumented students at the University through support for the UCIMM at UC Davis, support for Campus Student Services and Financial Aid, and the DREAM Loan Program. This initiative furthers the **instruction** component of UC's mission by lowering barriers to entry into the UC system for undocumented students. By enabling every campus to provide support services for undocumented students, this initiative also advances the **public service** component of UC's mission. Beginning in FY19-20, the State will directly fund the UCIMM at \$1.3 million per year and UCOP support for the UCIMM and Campus Student Services and Financial Aid will be combined into the Undocumented Students Campus Program.

APPENDIX 4: KEY TO ACRONYMS

Acronym	Description
AAU	Association of American Universities
ANR	Agriculture and Natural Resources
BCP	Budget Change Proposal
CAS	Central and Administrative Services
COO	Chief Operating Officer
CSA	California State Auditor
CSU	California State University
EBC	Executive Budget Committee
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GFOA	Government Finance Officers Association
GO Bond	General Obligation Bond
HSI	Hispanic Serving Institutions
HR	Human Resources
Incr/(Decr)	Increase/(Decrease)
IT	Information Technology
LANL	Los Alamos National Laboratory
LBL	Lawrence Berkeley National Laboratory
LLNL	Lawrence Livermore National Laboratory
NACUBO	National Association of College and University Business Officers
SAPEP	Student Academic Preparation and Academic Partnerships
SPF	Strategic Priorities Fund
SUNY	State University of New York
TRDRP	Tobacco-Related Disease Research Program
UC	University of California
UCDC	University of California Washington Center
UCNL	University of California National Laboratories
UCOP	University of California Office of the President



UCOP FY19-20 BUDGET ADDENDUM IN RESPONSE TO THE GOVERNOR'S MAY REVISE

The FY19-20 budget for the University of California Office of the President (UCOP) was submitted to the Board of Regents on May 6th, and assumed the following requests in State General Funds would be approved in the Governor's May Revised budget:

- Each of the three appropriated line items in the UCOP budget would receive an increase over the existing "base budget," commensurate with the Governor's January budget assumptions for the systemwide appropriation, for a total of \$11.3M:
 - \$1.6M increase for UCPATH
 - \$3.2M increase for Agriculture and Natural Resources (ANR)
 - \$6.5M increase for the UCOP general budget
- In addition, UCOP would utilize the existing fee-for-service model for the remaining UCPATH funding gap of \$39.7M and the former campus assessment model to fund the remaining \$7.3M unrestricted funding gap.

The Governor's May Budget Revise released on May 9th excluded the \$11.3M of the requested State General Funds. However, it did acknowledge that existing budget bill language permits the service fee for UCPATH but expressly does not permit a campus assessment for the remaining UCOP operations. The result of the May Revise is an \$18.6M funding deficit for the UCOP FY19-20 budget.

The proposed FY19-20 budget of **\$941.7M** was the outcome of a rigorous assessment of all funding sources and uses and was achieved through collaboration with and endorsement by the UCOP Executive Budget Committee and the UC Chancellors. However, in light of the current situation, UCOP proposes the following changes to sources of funds:

- Replace the requested increase of \$1.6M in State General Funds for UCPATH with an increase to the service fee
- Utilize the entire \$11.8M in forecasted unrestricted fund balances to replace the requested increase of \$9.7M in State General Funds, and offset \$2.1M of the campus assessment, bringing forecasted unrestricted fund balances to \$0

Regarding the remaining \$5.2M proposed campus assessment, the UC Chancellors have voiced their support for the replacing the State General Funds appropriation with the campus assessment. Pending Regents approval of the proposed FY19-20 budget, UCOP would, over the next few weeks, continue to work with the Department of Finance and the Legislature to request allowing the \$5.2M assessment.

If these efforts are not successful, UCOP will address the remaining unfunded \$5.2M in the budget through the quarterly forecast process and will commit to a balanced budget.

AMENDED PRESIDENT'S RECOMMENDATION

The President recommends the Board of Regents approve a total FY19-20 UCOP budget of **\$941.7M**, assuming UCOP will address the changes in funding as noted in the addendum above.

Additions shown by double underscoring; deletions shown by strikethrough

Bylaws of the Regents of the University of California

22. Authority of the Board

Each member of the Board ("Regent") shall be subject to the duties and requirements specified below.

22.2 Specific Reservations

The matters in the following areas are specifically reserved to the Board and/or its Committees for approval or other action, within parameters that may be specified in a Committee Charter or Regents Policy:

(b) Academic Matters

- Upon recommendation of the Academic Senate, approving criteria for University admissions and conferral of certificates and degrees
- Establishing or eliminating colleges, schools, graduate divisions and organized multi-campus research units
- Establishing or eliminating a session of instruction
- Approving the appointment of Regents Professors and University Professors
- Approving dismissal of academic appointees with tenure or security of employment
- ~~Bidding on or entering into a prime contract to manage and operate a National Laboratory or other Comparable Facility (as defined in the Academic and Student Affairs Committee Charter)~~
- ~~Creating a business entity to hold a prime contract to manage and operate a National Laboratory or other Comparable Facility~~
- ~~Approving material changes in the type or scope of work for such a business entity~~
- ~~Appointing voting members to the governing board of such a business entity~~

(h) National Laboratories Matters

- Bidding on or entering into a prime contract to manage and operate a National Laboratory or other Comparable Facility (as defined in the National Laboratories Committee Charter)

- Creating a business entity to hold a prime contract to manage and operate a National Laboratory or other Comparable Facility
- Approving material changes in the type or scope of work for such a business entity
- Appointing voting members to the governing board of such a business entity

24. Standing Committees

24.2 Designation of Standing Committees

The following Standing committees are hereby established and shall provide strategic direction and oversight on matters within their respective areas of responsibility, as described below and in the Committee Charters (attached to these Bylaws as appendices):

(h) The National Laboratories Committee

The National Laboratories Committee shall provide strategic direction and oversight, make recommendations to the Board, and take action pursuant to delegated authority, on matters pertaining to National Laboratories or other Comparable Facilities (as defined in the National Laboratories Committee Charter) historically, currently, or potentially affiliated with the University. (See Appendix H)

Additions shown by double underscoring; deletions shown by strikethrough

27.5 Interim Actions

Matters requiring Board or Committee action between meetings may be acted on upon the recommendation of the President of the University or an Officer of the Corporation in their respective areas of responsibility. For matters requiring action by the Board, approval under this authority requires either the approval of the Chair of the Board and the Chair of the Standing Committee with jurisdiction over the matter or approval by the Governance Committee. If the Chair of the Board also serves as Chair of the relevant Standing Committee, then approval by the Vice Chair of the relevant Standing Committee is required.

23.3(c) Principal Officers

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 Committee.