THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
July 30, 2020

The Regents of the University of California met on the above date by teleconference meeting conducted in accordance with Paragraph 3 of Governor Newsom's Executive Order N-29-20.

Members present: Regents Anguiano, Blum, Butler, Cohen, Elliott, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Mart, Muwwakkil, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, Sures, and Zettel

In attendance: Regents-designate Lott, Torres, and Zaragoza, Faculty Representatives Bhavnani and Gauvain, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Brown, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President Byington, Executive Vice President and Chief Operating Officer Nava, Vice President Brown, Chancellors Block, Christ, Gillman, Khosla, Larive, May, Muñoz, Wilcox, and Yang, and Recording Secretary Li

The meeting convened at 8:35 a.m. with Chair Pérez presiding.

1. **PUBLIC COMMENT**

Chair Pérez 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. Alison Black, UCSD lecturer, called on the University to invest in teaching faculty. She had worked hundreds of extra, unpaid hours to support students during the ongoing COVID-19 pandemic. Non–tenure-track faculty were over 50 percent women, while tenure-track faculty were nearly 75 percent male. Lecturers needed job security during the pandemic, and UC had an opportunity to be an economic engine for the state. She called on UC to propose a fair labor contract to faculty, divest from the police, and prioritize California workers and students.

B. Puanani Apoliona-Brown, member of Uprooted and Rising, addressed item B2, *Thirty Meter Telescope Update*. As a Native Hawaiian woman and daughter of an environmental lawyer and Native Hawaiian activist, she cared deeply about this issue. UC had received almost 4,000 emails about the Thirty Meter Telescope (TMT) project in one weekend. The project was fiscally irresponsible, impractical given that the master lease would expire in 2033, and would be a human rights violation according to the United Nations (UN). As UC has lost investors in the project, it would also lose black and indigenous astronomy students. She demanded that UC vote to divest from the TMT project and reinvest in students immediately.

C. Megan Strom, UCSD lecturer and member of University Council-American Federation of Teachers (UC-AFT) Local 2034, shared her concerns about job

stability. She had been lecturing since 2015 and taught about 1,500 students per year. Having to reapply for her job every year meant that she was constantly looking for other work, which took time from course preparation and mentoring students. At UCSD, over 40 percent of undergraduate instruction was done by lecturers, most of whom had no job security beyond the year or term in which they were teaching. She called on the University to propose a fair labor contract for lecturers.

D. Crystal Chang Cohen, UCB alumna, lecturer, and member of UC-AFT, spoke about working conditions for UC lecturers. Ms. Cohen's 2019 salary was $48,000 after working eight years at UC. Most of the over 6,500 lecturers working at UC earned less than she did, and more than one-third did not have healthcare coverage. Many lecturers had children and were housing and food insecure. Lecturers taught 30 percent of the undergraduate credit hours systemwide and 42 percent at UC Berkeley. She urged the Regents to understand demands for better job stability and to insist that UC propose a fair labor contract.

E. Megan Newsome, UCSB student, spoke in opposition to the TMT project on Mauna Kea. As a graduate student in astrophysics, she was greatly affected by this project. There was no reason to build the TMT on Mauna Kea given the opposition and decades of mismanagement and mistreatment. It was troubling to her to attend an institution that perpetuates this mistreatment. The astronomy community anticipated that Mauna Kea would be deemed unfeasible. There were alternative locations. She offered to share what she learned from a comparison study of Mauna Kea and La Palma in the Canary Islands.

F. Jon Osorio, Dean of the Hawai'inuiākea School of Hawaiian Knowledge at the University of Hawaii, spoke in opposition to the TMT project on Mauna Kea. The University of Hawaii has built an astronomy precinct at the summit of Mauna Kea, on 11,000 acres of Hawaiian national land leased to the State of Hawaii for $1 per year. This created an industrial complex in a conservation district that was sacred to Native Hawaiians, and this has led to criticism, legal testimony, and protests. The University of Hawaii desired to enhance its reputation in astronomy at the expense of Native Hawaiian people and threatened its aspiration to be a Hawaiian place of learning. He urged the Regents reconsider its support of the TMT project on Mauna Kea in the name of academic integrity.

G. TerrillJames Kāneali'ikeikioka'āina Williams, UCR student, addressed item B2. Native Hawaiians did not consent to TMT construction or any further telescope development on the Hawaiian Islands, and UC students did not consent to using UC funds for TMT or any other telescope project on Hawaii. He called for UC's total divestment from the project and that it no longer route funds from the Gordon and Betty Moore Foundation to the project, a total contribution of $68,114,382. The project was high-risk and a poor investment of student funds. He asked that the Regents weigh information and testimony in opposition to the TMT project or in support of divestment that has been generated since March 2019.

H. Alex Tan, UCB alumnus and staff member, spoke on behalf of hundreds of UC staff and faculty calling for the University's divestment from the TMT project on Mauna Kea. The project was in violation of UN regulations, as well as the Regents' Bylaws and ethics requirements. UC staff and faculty were adding their voices to those of Native Hawaiians, students, community members, celebrities, and the UN. He called on UC to partner with black and indigenous communities to address institutional racism and climate change instead.

I. Renee Ku'uleinani Price, one of the Native Hawaiian elders arrested on Mauna Kea, spoke in opposition to the TMT project. People were resilient, but land was not. Quoting President Napolitano's remarks at the previous day's meeting, she stated that this was the University's opportunity to do the right thing and that it was the University's moral obligation to stop the disregard for Native rights.

J. Christina Manzano-King, UCR student, spoke in opposition to the TMT project. Her astronomy research depended on data collected from Mauna Kea, but UC did not need a multi-billion-dollar telescope for research excellence. UC was already a world leader in astrophysics due to the work of students who were paid poverty wages and worked in vermin-infested facilities. Researchers were on strike for a cost of living adjustment. She called on UC to divest from the TMT project and to pay workers a living wage, as well as provide them with a safe place to work.

K. Lidio Fernandes, UCSD Medical Center staff member, expressed concerns about staff vacation accrual during the COVID-19 pandemic. He stated he worked extra hours because of the pandemic and lost vacation hours that he did not use despite President Napolitano's announcement that staff could accrue more vacation hours. He asked the University to examine this issue.

L. Colin Lodwick, UCSC Early Education Services teacher, spoke in opposition to the potential closure of the school. His wife was a Ph.D. candidate at UCSC, and his daughter was a student at the school. The need for housing was not an excuse to close an affordable, award-winning school and replace it with a lower-tier, Title 22 center, resulting in less financial security for the families that UCSC served. The current school provided a living wage to its teachers and gave early education experience to undergraduate students.

M. Dennis McIver, UCR student and black member of the UC community, welcomed President-designate Drake as the University's first black president and encouraged him to establish a zero-tolerance policy for racism at UC, to issue and support a resolution declaring racism a public health crisis at UC medical centers and in the state, to create a task force on campus policing, and to implement an action plan to address recruitment, hiring practices, and racial profiling. Mr. McIver was eager to partner with him.

N. Sara Mooney, Regional Affairs Director for the Campaign for College Opportunity, spoke about the Regents' vote to end the use of the SAT/ACT in admissions, but

noting that the test-optional policy could counteract this intent. The Campaign for College Opportunity, along with 51 equity organizations across the state, advised the Regents to direct UC campuses to admit students without using test scores; not to consider test scores to award scholarships or other merit-based aid; create comprehensive plans to communicate how tests would be used to students, families, and high schools; require implicit bias training for anyone involved in admissions decisions, including readers; and align UC admissions requirements with high school graduation requirements.

O. Emily Carrera, UCLA nurse, spoke about working conditions for nurses during the COVID-19 pandemic. As a labor and delivery nurse, she spent time with pregnant patients in COVID-19–positive rooms. Nurses asked UC not to change nurse-to-patient ratios, because doing so could hurt the patient populations. Nurses also asked that UC provide them with proper personal protective equipment.

P. Angela Mayfield, UCI Medical Center nurse and California Nurses Association member, spoke about nurse staffing. Short staffing has led to higher infection rates, patient and workplace injuries, medication errors, higher patient mortality rates, and missed warning signs. Nurses were too busy to eat or use the restroom, with no break nurse to relieve them and fewer ancillary staff. Increasing nurse-to-patient ratios puts excess stress on nurses. Many nursing units were short-staffed because of nurses who were COVID-19–positive or in quarantine. Adequate staffing meant that nurses could have more time to provide better patient care.

Q. Bernard Johnson, UCR staff member, spoke about layoffs. He lived in a family of five, including grandchildren, and needed to work in order to keep his healthcare for his pacemaker, office visits, and medications. He felt isolated by his employer during the COVID-29 pandemic and called on the University to provide healthcare, benefits, and guarantees of work to staff. People who have worked 20 or more years at the University and helped build UC were being laid off.

R. Tsahai Tafari, UCSF staff member and black member of the UC community, welcomed President-designate Drake as the University's first black president and encouraged him to establish a zero-tolerance policy for racism at UC; issue and support a resolution declaring racism a public health crisis at UC medical centers and in the state; create a task force on campus policing; and implement an action plan to address recruitment, hiring practices, and racial profiling within UC police departments (UCPD). Ms. Tafari was eager to partner with him.

S. Angella Allen, UCPath staff member and black member of the UC community, welcomed President-designate Drake as the University's first black president and encouraged him to establish a zero-tolerance policy for racism at UC, to implement an action plan to address recruitment, hiring practices, and racial profiling within UCPD, and to issue and support a resolution declaring racism a public health crisis at UC medical centers and in the state. The UC community was eager to partner with him.

T. Ghanya Thomas, UC Office of the President staff member and black member of the UC community, welcomed President-designate Drake as the University's first black president and encouraged him to establish a zero-tolerance policy for racism at UC, to issue and support a resolution declaring racism a public health crisis at UC medical centers and in the state, to create a task force on campus policing, and to implement an action plan to address recruitment, hiring practices, and racial profiling within UCPD. Ms. Thomas was eager to partner with him.

U. Daniel Schoorl, UCLA librarian and member of UC-AFT, strongly urged the University to settle fair contracts with UC-AFT lecturers. He was proud of the Regents' decision not to require the SAT/ACT in admissions and their commitment to expanding access to marginalized communities. In his view, the UC system was realigning with its mission to serve society, but he was concerned that quality of UC education would decrease if UC did not commit to rehiring experienced, qualified teaching faculty. Reemployment preferences and multi-year appointments for lecturers were necessary to protect the core of the UC teaching mission.

V. Liz Perlman, Executive Director for the American Federation of State, County and Municipal Employees (AFSCME) 3299, spoke about layoffs. She congratulated President-designate Drake, adding that AFSCME 3299 looked forward to working with him. She called on the Regents to think creatively and reinstate policies that did not put workers' livelihoods and health at risk when reopening the University or addressing its financial situation. Layoffs saved pennies compared to the resources that UC, particularly the Office of the President, had. She urged the Regents to consider a proposal by AFSCME 3299 that included no layoffs for its members for the duration of the pandemic.

W. Allison Calistro-Yazzie, UCM staff member and member of the Teamsters CX Unit, asked that UC renew its commitment not to lay off or furlough employees this fiscal year. Budgets were stretched, but UC had reserves and resources to sustain the employment of all staff, especially those who did not make a living wage in their respective communities. With unemployment rates at an all-time high and the state of healthcare uncertain, she urged the Regents to be part of the solution, not the problem.

X. Stephanie Parreira, UC Agriculture and Natural Resources staff member, spoke in support of the Black Staff and Faculty Organization's suggestions for addressing racism at UC. These included a zero-tolerance policy for racism at UC; transparency on racial disparities; a resolution declaring racism a public health crisis at UC medical centers; funding for black affinity groups systemwide; and defunding and disarming campus police. She also called for divestment from the TMT project, not laying off employees, and using reserves to address the public health and economic crises brought about by the COVID-19 pandemic.

Y. Latascha Magness-Cotton, UCOP staff member and black member of the UC community, welcomed President-designate Drake as the University's first black

president and encouraged him to establish a zero-tolerance policy for racism at UC, to issue and support a resolution declaring racism a public health crisis at UC medical centers and in the state, to create a task force on campus policing, and to implement an action plan to address recruitment, hiring practices, and racial profiling within UCPD. Ms. Magness-Cotton was eager to partner with him.

Z. Greg Johnson, UCSB professor, addressed item B2 on the TMT. He recently joined the University as Professor of Religious Studies and Director of the Walter H. Capps Center for Study of Ethics, Religion, and Public Life. He had studied Hawaiian culture and religion for much of his career, especially burial site protection and claims of sacred land. The reach of the movement against the TMT project was unprecedented in modern Hawaiian history. The commitment of thousands of people should not be underestimated. He implored the Regents to listen to Mauna Kea activists.

AA. Malia Martin, Native Hawaiian, spoke in support of the TMT project. Because of the impact of the COVID-19 pandemic on tourism in Hawaii, she was among the 23 percent in the state who filed for unemployment there. The TMT project would have a positive impact on the Hawaiian economy, provide hope for future generations, and advance the representation of indigenous cultures and people of color in academia and science, technology, engineering, and mathematics (STEM) industries. The self-designated protectors of Mauna Kea were backed by highly organized, agenda-driven groups, which made it more difficult for Native Hawaiian supporters of the TMT to be heard. She recalled that, in 1819, King Liholiho, also known as Kamehameha II, the second king of the Kingdom of Hawaii, abolished the *kapu* system of religious laws, which freed Native Hawaiians from restrictions regarding sacred matters.

2. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meetings of May 21 and June 15, 2020 were approved, Regents Anguiano, Butler, Cohen, Elliott, Estolano, Kieffer, Lansing, Leib, Makarechian, Mart, Muwwakkil, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, Sures, and Zettel voting "aye."[1]

3. REMARKS FROM STUDENT ASSOCIATIONS

President Napolitano introduced UC Student Association (UCSA) President Varsha Sarveshwar and thanked her for her exemplary service and partnership with the University. Ms. Sarveshwar had provided invaluable insight to the Regents and ensured that the student perspective was heard. President Napolitano congratulated Ms. Sarveshwar on being awarded the John Gardner Public Service Fellowship. She thanked Ms. Sarveshwar for her continued commitment to public service and public higher education.

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[1] Roll call vote required by the Bagley-Keene Open Meeting Act [Government Code §11123(b)(1)(D)] for all meetings held by teleconference.

Ms. Sarveshwar began her remarks by thanking President Napolitano for her leadership and service, commending her for consulting students and elevating student perspectives. As this was her last Regents meeting as UCSA President, Ms. Sarveshwar thanked the Regents for the Board's inclusion of students in decision-making, and she thanked staff from the Office of the Secretary and Chief of Staff to The Regents and the Office of the President (UCOP). She noted that many of the UC's milestones were driven by students, such as programs for disabled students, ethnic studies, and divestment from South African apartheid. Present-day student activism was part of that tapestry and reflected a more humane vision of society than the current reality. Students organizing against campus policing did not deny the importance of community safety, but rather recognized that what was currently in place did not provide safety to everyone and contributed to a racist, anti-black environment on campus. This movement was rooted in a hope and aspiration to do better. Students were also advocating for the complete divestment from the Thirty Meter Telescope (TMT) project on Mauna Kea, recognizing that Native Hawaiians had a right to withhold consent from the destruction of their land. Ms. Sarveshwar reflected on how her own efforts shaped UC's future. In the last year, UCSA helped pass three bills that would become ballot initiatives, including Assembly Constitutional Amendment 5, protected State funding for basic needs, and secured additional emergency aid for undocumented students. Students played a key role in the Regents' discussions about tuition and budget, advocated for undocumented and international students, and formed a working group with UCOP to discuss a UCSA and UC Graduate and Professional Council (UCGPC) systemwide fee that would bring stability and power to the student groups. Ms. Sarveshwar's work took its toll—she was taking a full schedule of classes, writing a thesis, working part-time, and representing more than 200,000 of her peers. Being a woman of color in this role was exhausting. Her name was constantly mispronounced; she was bullied, unfairly criticized, and sexually harassed; and she experienced great anxiety working with older and more powerful people. Passing down knowledge and skills to the next generation of student leaders should hopefully make their jobs easier. The Regents should also regard students as partners and not tokenize them; acknowledge and combat the class, race, gender, and age dynamics that hindered student leaders, and address the fact that student associations were under-resourced and student leaders were very underpaid. Students were the moral compass of the University and were fundamentally driven to fight for a better and more just society. She was honored to represent undergraduate students this past year.

Chair Pérez thanked Ms. Sarveshwar for her advocacy on behalf of the Board.

President Napolitano introduced new UCGPC President Gwen Chodur, a fifth-year Ph.D. student in nutritional biology at UC Davis. Ms. Chodur also served as the External Vice President of the UC Davis Graduate Student Association and was a member of the Systemwide Basic Needs Committee.

Ms. Chodur began her remarks by thanking President Napolitano on behalf of the thousands of students who were served by the Global Food Initiative and basic needs efforts. She also recognized Ms. Sarveshwar's sense of justice and commitment to collaboration. Ms. Chodur was honored to represent more than 60,000 graduate and

professional students and looked forward to engaging with the Board. In the past few months, the Regents had taken momentous steps toward advancing equitable access to UC by endorsing Proposition 16 and removing the SAT/ACT requirement for admissions. Aside from being admitted, students from underrepresented backgrounds needed to graduate as well. She urged the Regents to consider a holistic experience for students throughout their time at UC. Nearly half of undergraduate students and 30 percent of graduate students were food insecure, and a significant portion were also housing insecure. UC's own data showed that financial aid and graduate stipends did not realistically address the true cost of attendance. The state was in the midst of a housing crisis, and few campuses had adequate affordable housing. Graduate students were not paid enough, and Ms. Chodur was one of at least 400 graduate students who were incorrectly paid this month due to UCPath issues. First-generation students could not seek financial support from their families as their pay was being corrected, and international students faced a series of federal executive orders. She was proud of how UC and student advocacy groups fought these federal actions, but damage could not be undone. The University has not made a commitment to extend Nonresident Supplemental Tuition waivers for students whose progress has been affected by the pandemic. On the 30th anniversary of the Americans with Disabilities Act (ADA), many campus buildings were still not accessible. ADA standards should not be the goal; universal design should be the default. Student disability centers did not address the needs of graduate students, who were in the research and dissertation stages of their training. Policing on campuses had disproportionately negative consequences for indigenous and black students, as well as other students of color. UC has continued to engage in colonialism and oppression as it pursued the TMT project despite clear opposition from the Native Hawaiian community. Mental health resources were underfunded and unable to meet the growing need. Anxiety and depression rates among graduate students were six times the national average, but receiving care from student health centers took weeks to months. While Ms. Chodur appreciated the Systemwide Title IX Office's efforts to minimize the impact of the U.S. Department of Education's changes to Title IX, she remained concerned about the impact of these changes on students. Higher education had the highest rates of sexual discrimination, harassment, and assault outside of the military, and, according to a National Academies of Sciences, Engineering, and Medicine report, this was especially the case for women of color and those who identified as LGBTQ. The pipeline issues for women in science, technology, engineering and mathematics (STEM) fields could be partially attributed to gender-based discrimination and harassment. Access to the University's world-class education was not magically granted at admission. Campuses have been havens for students with no place to go, such as international students, LGBTQ students, and former foster youth, and reopening campuses would come with risk. The students currently on campus were UC's most vulnerable, and justice-centered conversations were needed to determine whether it would be safe to bring more people back to campus. UC must protect students experiencing the intergenerational trauma of past injustices. Ms. Chodur asked the Regents to suggest to the chancellors to conduct the fall term fully online as UC Berkeley, UC Merced, and UCSF have done. She hoped to spend the next year tackling difficult issues, asking difficult questions, and causing good trouble as she worked with the Regents.

4. **ANNUAL AWARDS FOR OUTSTANDING STUDENT LEADERSHIP**

President Napolitano presented the winners of the 2020 President's Award for Outstanding Student Leadership, which recognized their unique and courageous actions. The winners represented the best of the University's 150-year tradition of activism and public service. The first recipient was UCLA School of Law graduate Dellara Gorjian, who was one of the named declarants in UC's lawsuit to stop the unlawful rescission of the Deferred Action for Childhood Arrivals (DACA) program. Ms. Gorjian took a risk by speaking publicly about her immigration status. She spent many hours in media and U.S. Supreme Court training and bravely recounted her story to the press, elected officials, and the nation.

Chancellor Block congratulated Ms. Gorjian and thanked President Napolitano for recognizing her achievements. Ms. Gorjian showed true moral courage by boldly telling her story and advocating on behalf of hundreds of thousands of DACA recipients and their families. UCLA took great pride in her as a Bruin and a member of the UC community. Her willingness to speak for what is right should be an inspiration to UC leaders, students, staff, faculty, and alumni. Chancellor Block looked forward to her future achievements as she strives for equity and justice for immigrants and others. UC would always be an ally to her work. He thanked her for taking a principled stand.

Ms. Gorjian stated that she shared this honor with all UC leaders who pushed for change. She thanked former Dean Robin Garrell and Vice Chancellor Monroe Gorden for nominating her and President Napolitano for choosing her. She was very proud to advocate on behalf of DACA recipients, but the fight was far from over. Two days prior, the Trump Administration had issued a new memorandum that would reject all new DACA applications and require that existing applications be renewed yearly. This defied the Supreme Court decision and was a direct attack not only on undocumented youth, but also on teachers, engineers, lawyers, and 30,000 frontline workers putting their lives at risk to protect Americans. She had lived in this country nearly her entire life and was taught that Americans fought for their own, as DACA recipients were. She called on the University to continue to protect DACA students and faculty, setting an example for the rest of the country, and she would be proudly fighting alongside UC.

President Napolitano stated that UC was considering its legal options. The Trump Administration's action was an also an attack on the rule of law and the Supreme Court.

President Napolitano stated that the second recipient of the award was RadioBio, a graduate student-run podcast from UC Merced seeking to increase scientific literacy and foster an interest in science, technology, engineering, and mathematics. Now in its fourth season, RadioBio has hosted 13 podcasts this year and was featured in local radio programming serving the Mariposa and Yosemite regions. RadioBio has also hosted Valley Bio, an annual event aiming to make research more accessible to the community at large. RadioBio produced GradSTORY, a collection of ten-minute interviews celebrating UCM graduate student research. RadioBio has also collaborated with the Society for the Advancement of Chicanos/Hispanics and Native Americans in Science, and undergraduate student

organizations at UC Merced. Representing RadioBio was Julia Alvarez, a Ph.D. candidate in quantitative and systems biology and immunology at UC Merced.

Chancellor Muñoz thanked President Napolitano for recognizing RadioBio and the students who have developed presentations, podcasts, and events on topics such as climate change, carbon neutrality, and food waste. This was in keeping with the finest tradition of student activism and intellectualism at UC. He also recognized RadioBio founders Lillie Pennington and Jackie Shay. The podcasts aired on local public radio, and Valley Bio invited local nonprofit organizations and UC Agriculture and Natural Resources to share their knowledge and research with the public. Students worked alongside UCM faculty.

Ms. Julia Alvarez introduced herself as the President of RadioBio, a podcast about scientific research on topics ranging from molecules to ecosystems. RadioBio was comprised of a diverse group of graduate students with a passion for science communication. The podcast was recorded, edited, and produced during students' free time and had listenership in over 50 countries. It was also featured on the National Science Foundation's Science360 website. Last fall, the second annual Valley Bio had over 300 attendees. This award would help RadioBio continue its mission of increasing scientific literacy in the Central Valley and beyond.

5. ANNUAL REPORT OF UNIVERSITY OF CALIFORNIA STAFF ASSEMBLIES

Amanda Chavez, a labor relations senior analyst at UC San Diego and former Chair of the Council of UC Staff Assemblies (CUCSA), reviewed CUCSA's actions in 2019–20. CUCSA represented staff in the systemwide newsletter/internal newsletter working group and the UC Health Benefits Advisory Committee. It also represented staff interests during the search for the next UC President. Recommendations on paid leave presented by CUCSA were approved the UC Council of Chancellors. CUCSA shared information about itself and listened to staff concerns at a virtual town hall that it hosted. Faculty Representative Bhavnani attended two CUCSA meetings this year and was identifying new ways for CUCSA and the Academic Senate to collaborate. CUCSA encouraged its delegates to share the results of the 2019 CUCSA survey and to work with their location leadership to move UC toward being an employer of choice.

LeChé McGill, CUCSA Secretary and HR Analyst at UC Agriculture and Natural Resources (UCANR) stated that one of CUCSA's topic-based work groups focused on creating a flexible work culture. The group researched flexible work schedules and devised alternatives, such as flex time, telecommuting, and remote work. The group researched working arrangements at all ten campuses, UCANR, Lawrence Berkeley National Laboratory, and the Office of the President (UCOP) and found that there was no systemwide policy for flexible work arrangements. The work group's recommendations included supervisor training, collaboration, and identification of key tasks and deliverables, as well as anecdotal information on the benefits of flexible work arrangements. Remote work during the COVID-19 pandemic ensured business continuity and kept as many staff working as possible. CUCSA would continue to focus on telecommuting, remote work, and workplace flexibility.

Jackie Holmes, CUCSA Chair and Financial and Business Operations Manager at UCSD, stated that the second work group topic was staff basic needs, defined as the most essential resources required to live. The group focused on access to nutritious food and stable housing and recommended making food pantries open to staff and students; expanding teaching kitchens to all campuses; food redistribution when campuses host events; and using the UCANR Master Gardener program to help staff grow healthy food. Housing was an issue across the state, but UC has not addressed housing for staff as it has done for students and faculty. CUCSA recommended that UC locations include staff housing in new building projects and include staff in conversations about housing. CUCSA would continue to address staff basic needs, with a focus on mental health and its impact on productivity and engagement.

Ms. Holmes stated that the 2019–20 Outstanding Senior Leadership Award was given to then Interim Chancellor Brostrom. During his tenure, UC Merced campus culture vastly improved, and his engagement with campus constituents created a sense of openness. Ms. McGill explained that the Kevin McCauley Memorial Outstanding Staff Award honored Mr. McCauley's service and commitment to improving conditions for staff and students. The award recognized staff who encouraged equity, diversity, and community, were forward thinking, and did not compromise quality. This year's recipients were Joanna Boval from UCSD for her advocacy of campus veterans, Julie Salgado of UC Riverside for her commitment to service, and Maricel Lumaquin of UC Davis Health for her efforts in promoting and maintaining the food pantry, which staff have been able to use.

Ms. Chavez stated this has been an unprecedented year, with the pandemic, xenophobia and anti-Asian and anti-black racism, the loss of members of the UC community, and uncertainty. Staff were working more hours and homeschooling children, and some were risking their lives and health caring for patients. The year 2020 has challenged CUCSA to demonstrate resiliency and face change and uncertainty with strength and courage; CUCSA looked forward to finding solutions and new opportunities with UC. It was Ms. Chavez's pleasure to serve in CUCSA leadership for the past two years.

6. 2020 UC ACCOUNTABILITY REPORT: HIGHLIGHTS AND UC 2030 UPDATES

[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.]

Provost Brown began this discussion by noting Regent Ortiz Oakley's call for the University to be held accountable to actual goals. The 2030 goals were identified as critical to fulfilling UC's mission. These goals gave UC a unifying mission during this chaotic time and were attuned to the needs of a community responding to the COVID-19 pandemic and systemic racism. He thanked President Napolitano for the strong foundation that was the 2030 framework. The goal of becoming a more equitable, diverse, and inclusive institution was more important than ever despite UC's current financial situation. The report helped UC track its progress on critical indicators. The report did not reflect the impact of the pandemic, but the Office of the President (UCOP) would assess that data as it becomes available.

Vice President Brown stated that the report would be mailed to the Regents and would also be available at the UC Information Center online. Users of the UC Information Center had grown from 20,500 users to over 235,000 users in the last four years. Indicators that were no longer relevant, such as those related to the SAT, were removed from the report. President Napolitano, the chancellors, and the Board set the goals tracked in this report. The themes in the report's executive summary were UC's response to COVID-19 and the 150th anniversary of UC admitting women, a step that many Ivy League colleges did not take for nearly another century. Ms. Brown named Sheila Kuehl, Tani Cantil-Sakauye, Sally Ride, Kathryn Sullivan, Barbara Rush, Ava DuVernay, Elizabeth Blackburn, Carol Greider, Rosemary Schraer, and President Napolitano as examples of prominent women of UC. The executive summary also discussed UC health operations and research in response to COVID-19. The pandemic has affected the economy, supply chain, and educational institutions, and it had a disproportionate impact on communities of color. Faculty could inform the State's policy decisions by providing input on economic impact or COVID-19 case trends.

The third of the 2030 goals was not only to add 1,100 new faculty in four years, but also to bring in those who better reflected and understood the diversity of California. In the first year of the implementation of the 2030 goals, UC has added nearly 200 faculty, but there was concern that the pandemic and fiscal constraints would slow this progress. New faculty were more diverse than existing faculty. Eleven percent of ladder-rank faculty were from underrepresented groups (URGs) and 35 percent were women. Among new hires, 17 percent were from URGs, which was higher than national availability pools, and 44 percent were women, which was just below the national average. UC hiring was still insufficient even where it exceeded availability pools. Mr. Brown and other leaders were seeking ways to grow UC's own professoriate by increasing opportunities for undergraduate students to pursue graduate education and for graduate students to join the professoriate.

The first of the 2030 goals was to produce 200,000 additional undergraduate degrees by 2030, in addition to the one million undergraduate degrees planned. UC has produced over 293,000 degrees, over 24 percent of the 1.2 million target. With modest enrollment growth, UC anticipated achieving this goal. Pell Grant recipient, first-generation, and underrepresented students represented the majority of California's high school population.

The second of the 2030 goals was to ensure that the "California Dream" was for everyone by achieving a 90 percent graduation rate and closing graduation gaps for new-generation students. Currently, 85 percent of freshman students graduated in six years. The six-year freshman graduation rates at UC Berkeley and UCLA were over 90 percent, and other campuses increased their six-year rates. The four-year graduation rate for transfer students was 89 percent, with rates at UC Berkeley, UCLA, and UC Merced at 90 percent or higher. UC Davis and UC Irvine's four-year transfer graduation rates were both 89 percent, UC Santa Barbara's rate was 88 percent, and UC San Diego's rate was 87 percent. Eliminating graduation gaps remained a challenge. UC reduced the gap in freshman graduation rates between Pell Grant recipients and non-Pell Grant recipients by one percentage point. The gap in transfer graduation rates between Pell Grant recipients and non-Pell Grant recipients

was reduced by four percentage points. For underrepresented students, the gap of 18 percentage points decreased by one point. The gap should be reduced by two points per year, and UC had not reached that pace. UC was also examining differences in graduation gaps among the different underrepresented groups.

With regard to retention, in the last several years, the systemwide graduation rate decreased by half a percentage point. This decline was higher for underrepresented students, particularly African American students. This was an area of focus as UC tried to make progress. The 2030 goals presented an opportunity for UC to partner with the State for funding so that campuses could expand programs and practices that would improve timely graduation for new-generation students. Even before the pandemic, there was more interest in growing enrollment instead of improving graduation gaps; some believed that UC graduation rates were already comparatively high. UC was currently considering lessons learned from the remote instruction period in order to better support students in the fall term. Responses from the new UC Undergraduate Experience Survey (UCUES) and course-taking patterns in spring term would be examined. UC would determine whether summer enrollment has increased for new-generation students as it had for the rest of the student population. Data would be available from campuses' own assessments on the residential experience. All nine undergraduate campuses were participating in the American Talent Initiative, a collaboration among 140 universities to increase access and improve outcomes for low-income students, and would hopefully learn strategies from other institutions. In response to previous questions about the broadness of the 2030 goals and the composition of the incoming class, UC was comparing its progress with the geographic, racial, and ethnic diversity of the state. UC leadership might wish to add more goals depending on the outcome of Proposition 16.

Chair Pérez commended Ms. Brown for helping the Board navigate the data, distinguishing what could and could not be known from the data, and addressing concerns that the Board has raised in the past. He suggested discussing the accountability report again at an upcoming Regents meeting after the Regents have had an opportunity to review it.

Regent Makarechian asked that the next presentation address how UC planned to achieve its 2030 goals given its distressed infrastructure and the State's financial problems due to the pandemic. Provost Brown replied that it was important to have strategic goals and that they could be adjusted. He would reexamine how the goals would be attained. Regent Makarechian suggested that the University consider its online instruction, which he would raise at the next discussion.

Regent Muwwakkil thanked the presenters for using a dashboard to present the data, which was very useful for himself and other researchers. He asked why more underrepresented tenured faculty seemed to leave UC than were hired. Ms. Brown replied that the University was trying to understand that as well. When comparing new hires to separations, more underrepresented faculty were joining UC than leaving it, but the higher separation rate was concerning. UCOP would be mining data from a Collaborative on Academic Careers in Higher Education (COACHE) survey for faculty reasons for separation. This

information was part of President Napolitano's discussions with chancellors. Mr. Brown added that his team, chancellors, and executive vice chancellors were looking into it.

Regent Muwwakkil interpreted UC's goal to grow the professoriate to mean training undergraduate students to be eligible and competitive for UC's graduate schools in order to become UC faculty. He suggested that UC have undergraduate research opportunities so that students could be competitive graduate applicants. These opportunities should be provided in an "opt-out" model, so that having undergraduate research experience would be the default. Mr. Brown replied with his hope that President-designate Drake would have such a program to present to the Regents. This would require resources but would be an important investment for the future.

Regent Ortiz Oakley asked that the next presentation address how the pandemic was affecting students and how that would be presented in the data. Chair Pérez added that there were two separate questions—how the impact would be presented in the data and how the University was making decisions about repopulating campuses. Campuses were also evaluating the impact of the pandemic on different populations and whether the pandemic affected the gaps in first-year persistence.

Faculty Representative Bhavnani shared that the Academic Council had an Extending Faculty Diversity Task Force focused on retention and was developing intellectual and leadership strategies, as well as strategies for working through traumas associated with being faculty from underrepresented groups. The Task Force found that older faculty were less diverse. UC could implement strategies to make room for new hires. Chair Pérez asked whether the Task Force was examining historic discrimination in the tenure and peer review processes, as well as the cultures of departments with problems retaining and selecting underrepresented faculty. Ms. Bhavnani replied that she would relay this question to the Task Force. Mr. Brown offered to partner with the Academic Senate on this.

7. THIRTY-METER TELESCOPE UPDATE

[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 acknowledged that, while the Thirty Meter Telescope (TMT) project was important to the University and the scientific community, it also raised painful issues for many Native Hawaiians. UC was committed to continuing the dialogue and honoring Native Hawaiian traditions. She asked the UC members of the TMT governing body to provide an update on the project. Once built, the TMT would be one of most important astronomical discovery facilities created in this century. UC scientists invented key technology that made the new generation of telescopes possible, and astronomers across the UC system provided leadership. The project was governed by the TMT International Observatory LLC (TIO), comprised of representatives from UC, the California Institute of Technology (Caltech), and the governments of Canada, China, India, and Japan. The LLC's Board of Governors' included UC Santa Cruz Professor Michael Bolte, UCSF Senior Vice Chancellor Paul Jenny, and Chancellor Yang, who served as chair of that board. The project

began in 2004 and was formally approved by the Regents in 2014. The Gordon and Betty Moore Foundation gave a gift of $125 million, one of the largest private gifts given for a scientific project, to the University for the development and construction of the observatory. Five people would share their views from their Native Hawaiian perspectives. President Napolitano noted that this presentation was intended to be an information gathering session, not a debate. She thanked the guests for sharing their valuable perspectives with the Board and the University.

Chancellor Yang began by stating that the process of seeking permission to site the TMT on Mauna Kea began 12 years ago and involved continuous conversations, listening, and learning. He visited Hawaii countless times in order to meet with the community, especially the Native Hawaiian community, with whom he shared his respect and *aloha*. Conversations with community members guided the project to respect and embrace the culture and heritage of Native Hawaiians, as well as addressing cultural, environmental, educational, and economic issues. These important conversations have continued. The TMT proposal was recently submitted to the National Science Foundation, and an independent review, federal environmental impact assessment, and outreach process were forthcoming. The guiding principles of the project have been respect for the Hawaiian people and the culture, heritage, and environment of Mauna Kea, as well as a commitment to being the best possible stewards. The project recognized the universal esteem in which Mauna Kea was held around the world and by Native Hawaiians, whose ancestors pioneered astronomy. Chancellor Yang declared that the TMT project aligned with the mission of UC to conduct research and expand the understanding of the universe in the interest of humanity. This telescope was a pacesetter of global collaboration and would be one of most significant scientific facilities and discovery engines of this century.

UC Santa Cruz Professor Michael Bolte stated that the "Power of Ten" has been the strategy for UC astronomy and astrophysics for over 100 years. From Lick Observatory in 1876 to the Keck Observatory in the present day, UC has pooled multi-campus resources to develop leading observatories, with telescopes and instruments available to astronomers on all campuses. This model has attracted top faculty, researchers, technologists, and students, who have been recognized internationally for discoveries, ranging from acceleration of the expansion of universe to the ubiquity of exoplanets throughout the Milky Way Galaxy, and for advances in technology in astronomy and astrophysics research. In the 1990s, UC physicists developed technology for larger telescopes, which could produce images from the ground sharper than images by telescopes from space, and adaptive optics, which removed the shimmer of the atmosphere. These made the TMT possible. With the TMT, scientists would be able to witness the formation of the first stars and galaxies 13 billion years ago and search exoplanets for biomarkers, chemical signatures of life. All fields of astronomy and astrophysics would see advances in capabilities comparable to use of one of the first telescopes by Galileo Galilei (1564-1642).

UCLA Professor Andrea Ghez stated that the TMT would help answer profound questions about the earth's place in the cosmos, how the universe began, and life elsewhere in the universe. She joined the UCLA faculty in 1994 and stayed despite other opportunities because of access to Keck Observatory, the largest optical and infrared telescope in the

world, and the opportunity to work towards the TMT. In researching black holes, Ms. Ghez developed techniques that produced the sharpest images ever obtained of the center of the Milky Way Galaxy, as well as the best evidence of the existence of black holes. Ms. Ghez presented a time-lapse animation of 25 years of her research. The orbits of stars visible only with a telescope at least the size of the Keck Telescope improved the case for massive black holes by a factor of ten million. The TMT would help scientists better understand gravity, the role of black holes in the shaping of galaxies, and the physical realm and the nature of shared human experience.

Mr. Bolte explained that the UC Regents became a member of the TIO in 2014. Mauna Kea provided one of the few best windows to the universe in the entire world, and it was currently home to 13 observatories. Mauna Kea was significant to many Native Hawaiians and featured prominently in Hawaiian culture and mythology. With a summit of nearly 14,000 feet, Mauna Kea also had a unique and fragile ecosystem. When sites for TMT were first considered, members of the project engaged with many people in Hawaii to seek ways to proceed with the project while respecting the deep cultural importance of the mountain. Members consulted regularly with the *Kahu Kū Mauna*, or "Guardians of the Mountain." The approved location for the TMT was 500 feet below the summit elevation and more than one mile from the summit. The TMT would not be visible from the summit or from 85 percent of sightlines around the island of Hawaii, and it would be less visible than existing telescopes. The University of Hawaii has committed to decommissioning at least three telescopes by the time the TMT is completed. The summit of Mauna Kea has never been built upon. Programs developed after consulting with the local community supported K–12 science, technology, engineering, and mathematics education and workforce pipeline development for college students. The project has committed significant annual resources to the stewardship of Mauna Kea. Despite opposition to the TMT on Mauna Kea, the decade-long engagement with the community has resulted in many supporters, including Native Hawaiians. Because of challenges in Hawaii, members of the project pursued an alternative site on La Palma in the Canary Islands. Though not at the standard of Mauna Kea, this site would enable much of the TMT science. Unanimous agreement among partners was required to change sites; UC could not make this decision unilaterally.

In February, the TMT project, along with the National Observatories and the Giant Magellan Telescope (GMT), presented a two-observatory system to the National Academies of Sciences, Engineering, and Medicine's Decadal Survey on Astronomy and Astrophysics panel, which made recommendations to science-funding organizations within the federal government. The three-partner group has also submitted a planning proposal to the National Science Foundation (NSF), which could lead to a partnership between the TMT project and the NSF. A high ranking of the TMT-GMT program by the Decadal Survey would lead to a full evaluation of the TMT project, including the federal environmental impact statement and National Historic Preservation Act (NHPA) Section 106 cultural consultation processes. La Palma would be an alternative option. These two processes would lead to further outreach and another opportunity to listen, learn, and seek solutions. The UC stance on the Board of Governors was that no construction would be initiated at Mauna Kea or La Palma until the Decadal Survey recommendation is announced in spring 2021.

Chancellor Yang introduced the Native Hawaiian panelists: Laulani Teale of the Hoʻopae Pono Peace Project; Kealoha Pisciotta, President of Mauna Kea Anaina Hou; Noe Noe Wong-Wilson *Kānaka Maoli* educator and Executive Director of the Lālākea Foundation; Mailani Neal, a graduate student in astronomy from the New Mexico Institute of Technology; and Kalepa Baybayan, Captain of the Polynesian Voyaging Society and member of the Kahu Kū Mauna.

Ms. Teale, a *lāʻau lapaʻau* medicine person and public health worker specializing in indigenous health issues, explained the concept of *hoʻoponopono* (a Hawaiian practice of reconciliation). Hoʻoponopono was rooted in *pono*, the rightful balance of all things, which was only possible with *ʻoia iʼo*, the absolute, undiluted truth. True peace could only be built upon this. In the spirit of pono and for the sake of peace, she urged the Regents to immediately hold a vote divesting from the TMT project on Mauna Kea. Proceeding with the TMT project would be committing genocide. The destruction of culture and lands not only affected the health of opponents, but also the health of supporters who were subjected to the pain of the conflict, resulting in deaths. One culture should not achieve greatness at the expense of another culture. Justice required truth, respect, and an end to using violence to take anything without consent. From this experience, friendships have been strengthened and the world has seen aloha in action. However, even with all the police violence, the ʻoia iʼo truth was that the TMT would not be built on Mauna Kea. Instead, the University could build a new path for science that aligned scientific knowledge and indigenous wisdom for the healing of the earth and future generations. Ms. Teale called attention to the indigenous land on which UC was located. The tribes from those lands—the Tongva, Kumeyaay, Ohlone, Amah Mutsun, and others—opposed the TMT. Students also opposed the project. UC should withdraw from expensive and irresponsible projects to meet its students' financial needs.

Ms. Pisciotta stated that she was the spokesperson for the Mauna Kea *hui*, who have been protectors of Mauna Kea since 1995. Because Mauna Kea is a historic district to which Native Hawaiians attach cultural and historical significance, the NHPA Section 106 cultural consultation process has been required as early as 2007, when consultation about TMT began. It was also required when the *kiaʻi* (guardians or protectors) protested in 2015 and 2019; when the State of Hawaii issued a notice of intent to construct in 2019; and when 38 *kūpuna* (elders) were threatened with State-sanctioned violence and arrested. The consultation process was required now. Despite UC's claims that cultural practitioners have been consulted, Ms. Pisciotta stated that Native Hawaiians have not been consulted, and NHPA Section 106 has not been activated. A risk assessment report from 2007 construed the TMT as a risky investment with many legal challenges and community opposition. She underscored that the TMT project has not operated in good faith and that the TMT could not and would not be built on Mauna Kea. Advocates would use all peaceful and legal means to stop this project, and, if necessary, they would use their bodies. During the COVID-19 pandemic and the Black Lives Matter movement, the Regents stood at a precipice. UC could either join Native Hawaiians to heal the earth or resort to old, racist, and colonial paradigms that the world was rejecting. She called for the Regents to take a vote and divest from this project, which had hurt and would continue to hurt people.

Ms. Neal stated that she was a graduate student in physics and astronomy instrumentation and had worked at one of the observatories on Mauna Kea for three summers. She was born and raised in Kona on the Island of Hawaii and began pursuing a career as a Native Hawaiian astronomer at the age of nine, when she learned about the voyaging and navigation practices of Ancient Hawaiians in school. The astronomers among her ancestors continued to inspire her career. She had an aptitude for science and math at a young age and attended Kamehameha Schools, where she learned *'Ōlelo Hawai'i*, the Hawaiian language, and Hawaiian culture. In her view, studying astronomy allowed her to be a modern scientist while continuing to practice her culture. Ms. Neal learned about the TMT in an astronomy workshop in 2012, and, since that time, representatives of the TMT project have provided guidance for her career. She felt anguished and conflicted to see her people troubled and hurt during the protests in 2015. Still, she believed that the TMT would be beneficial to Native Hawaiians and all residents of the state. Her petition, We Support TMT, has provided a safe space for people to support the telescope. Those in opposition did not speak for all Native Hawaiians. Heather Kaluna and the late Paul Coleman became prominent Native Hawaiian astronomers, and Ms. Neal, Tyler Kupono Trent, and Makana Silva were leading a new generation. Ms. Neal urged the Regents to review additional materials she submitted. She was honored to support the TMT and the bright future it would bring to Native Hawaiians, residents of Hawaii, the endeavor to understand the universe, and future generations.

Mr. Baybayan stated that he graduated from the Ka Haka 'Ula O Ke'elikōlani College of Hawaiian Language at the University of Hawaii at Hilo and has been a mariner for 48 years. He was a senior captain of deep-sea voyaging canoes and a member of the order of *Pwo*, a 3,000-year-old society of non-instrument navigators. In 2007, he was bestowed the rank of *Palu* by master navigator Mau Piailug. He emphasized that the stars belonged to all humanity. He recalled a past voyage during which he saw the silhouette of Mauna Kea and the stars and realized that Mauna Kea was a portal back in time, as well as the best place on the planet to learn about the universe. At that moment, he became an advocate of astronomy, which was steeped in the tradition of his ancestors who discovered these islands. His ancestors also used the islands' resources to sustain the community. The Mauna Kea Adze Quarry offered conclusive evidence that ancient people used Mauna Kea's resources. To value astronomy on Mauna Kea, one must value the importance of *'ike*, the Hawaiian word for knowledge. Similarly, his ancestors sought knowledge from their environment, including the stars, as well. Astronomy has helped advance human knowledge for the benefit of the global community. In his view, it was culturally consistent to advocate for a field of science that enabled tradition. The true desecration rested in actions that prevented future achievements. Astronomic discoveries revealed humanity's remoteness and vulnerability. It was the job of humanity to ensure that this planet lives a full life. The TMT on Mauna Kea would increase the accuracy of and the capacity for research. The search for knowledge on the slopes of Mauna Kea was a spiritual mission and was consistent with the work of his ancestral forebears. The mission of the TMT remained consistent with that of UC, an institution that served society and was a center for higher learning.

Ms. Wong-Wilson shared that she took part in cultural and religious ceremonies on Mauna Kea and other sacred places in Hawaii for over 20 years. In 2015, she participated in efforts to stop construction of the TMT. From July 2019 to April 2020, she lived on Mauna Kea Access Road with thousands of others. On July 17, 2019, she was one of 38 *kupuna*, or elders, who were arrested for stopping construction vehicles from ascending Mauna Kea. This was the largest law enforcement action against Hawaiian citizens since the U.S. Navy overthrew Queen Lili‘uokalani in 1893. Government action on behalf of the private TMT project galvanized thousands of citizens in support of Mauna Kea. State of Hawaii Office of the Auditor reports from 1998 to 2017 documented the University of Hawaii's failure to properly manage the summit area of Mauna Kea for over 50 years. Observatories like the Keck Observatory, which paid $1 per year for the term of its lease, were located on Kingdom of Hawaii lands that were illegally seized by the U.S. in 1898. This was an affront to the Kānaka Maoli (Native Hawaiians). Therefore, the renewal of the lease to the University of Hawaii and subleases to the observatories, including the Keck telescope and the TMT, was questionable and not guaranteed. Since January 2020, Ms. Wong-Wilson and others had been meeting with businessmen, the TIO, and the Association of Universities for Research in Astronomy (AURA), informing them that their willingness to meet in person should not be construed as ho‘oponopono, which is a high-level process that requires ceremony, self-reflection, and a desire by all parties to return to a former state of pono. It is primarily used for healing in familial relations and often takes years to accomplish. Ms. Wong-Wilson disagreed that Hawaiian beliefs did not exist because *‘Ai Kapu* was abolished in 1820. While ‘Ai Kapu was no longer the State religion, these beliefs remained central to the majority of the Kānaka Maoli, especially Hawaiians who held non-Christian beliefs. The upper region of Mauna Kea was sacred to Native Hawaiians, and their well-being and core identity were inseparable from the *‘aina*, or the Hawaiian land, which included land, ocean, sky, as well as native plants, animals, and people. The visceral Kānaka Maoli reaction to the perceived permanent, irreversible damage to the ‘aina was based on this relationship. Native Hawaiian resistance would not cease, and each phase of proposed TMT construction would be met with intensified opposition, requiring a protracted law enforcement operation. Costs would continue to rise, but no amount of money would fix the generational damage caused. Kupuna were committed to continue standing at Mauna Kea Access Road for the sake of future generations, who would take their place. She implored the Regents to halt further attempts to build on Mauna Kea and to make this decision immediately.

Chair Pérez shared that he had spoken to many people about these issues, including the kupuna who were arrested. His conversation with Ms. Wong-Wilson was moving and affected his views.

Regent Makarechian noted that the University of Hawaii agreed to decommission three of the 13 telescopes on Mauna Kea. He asked why the TMT could not be built where a telescope was decommissioned. Mr. Bolte replied that the TMT's footprint was larger than those of the telescopes there. After consulting with the Kahu Kū Mauna, the site was chosen to move astronomy away from the summit, which was the most sensitive area. A cultural advisory group suggested avoiding important view planes. Chair Pérez invited Ms. Wong-Wilson to add her response. She stated that the TMT was not being built on an existing site

because the University of Hawaii's decommissioning timeline did not appear to fit the TMT's construction timeline. The summit region where the 13 telescopes were located would not be large enough for the TMT and would likely require massive excavation.

Regent Makarechian asked whether there was any opposition to the alternative site in the Canary Islands. Mr. Bolte replied that, during the permitting process, an organization named Ben Magec – Ecologists in Action filed two lawsuits regarding environmental issues that were dismissed.

Regent Makarechian asked how much had been spent on the TMT project thus far. He asked about the cost and delay of moving to another site. Mr. Bolte stated that the TMT project's schedule was driven by National Science Foundation processes following the submission of the TMT proposal to the NSF. Mr. Jenny stated that funding components from the six members of the TIO included direct cash contributions and work product such that different countries were building portions of the telescope. Not including work product, over $100 million has been spent in cash, and the estimated budget was over $1.4 billion, with a pending request to the NSF for about $1 billion. Regent Makarechian asked if the parts produced would be usable at an alternative site. Mr. Jenny replied that a significant investment had been made in the permitting process. Investment in the local community was not wasted. If there was a pause in the project, some of the science could be reused, but most of the money would be considered a sunk cost. Mr. Bolte added that a large amount of the design and fabrication prototype would transfer entirely to a new site. Legal and local programming costs would not transfer.

Regent Leib stated that, since the Regents' approval of this project, six years have passed with no specific plan for completion. He asked what had been accomplished toward completion, when thousands were risking their lives in opposition and Native Hawaiians were more committed to stopping the project now than six years ago. He noted that the TMT was supposed to be completed this year. Chair Pérez asked whether the 2014 Regents item had anticipated completion by now. Mr. Jenny responded in the affirmative. Chair Pérez asked what was different now such that this project could be completed in the next five years. Mr. Bolte replied that there has been much technical progress, the alternative site has been developed, and engagement of NSF has presented an opportunity to start over in Hawaii and hope toward a resolution there.

Regent-designate Zaragoza asked why presenters used the term "mythology" instead of "religion" when describing Mauna Kea. Mr. Bolte stated that he used the terms "culture" and "mythology." Regent-designate Zaragoza stated that indigenous religious practices have often been referred to as mythology. In conversations she has had with Native Hawaiian people, Mauna Kea was of religious importance and related to religious practice.

Regent-designate Zaragoza asked why, in item B2, *Thirty Meter Telescope Update*, the TMT was regarded as unrelated to injustices affecting Native Hawaiians and who had decided this. Mr. Bolte replied that polls regularly taken in Hawaii have asked whether objections to the TMT were related to the TMT or broader issues in Hawaii. A majority of respondents stated that the objections to the TMT were related to other things. Regent-

designate Zaragoza stated that only Native Hawaiian people could say whether there was any relation. She asked whether the statement in B2 came from Native Hawaiians, UC, or outside organizations. She asked whether another reason the TMT was not located at the summit of Mauna Kea was its large size. She noted that the plateau on which the TMT was currently sited was used for specific ceremonies, which could not continue during construction. Ms. Wong-Wilson stated that the summit region of Mauna Kea was no less sacred. It was not the case that some locations were more or less sacred than others. The telescope would absolutely be visible from Waimea, a large community with close ties to Mauna Kea, and religious practitioners.

Regent-designate Zaragoza asked whether UC knew the numbers of supporters and opponents of the project. Chair Pérez stated that the University did not have specific numbers, but the overwhelming majority of letters received seemed to be in opposition. Chair Pérez added that he has not seen information about the polling that was mentioned by presenters. Polling was only as good as the construction of the questions and the choices of the respondents. Ms. Pisciotta offered to provide Internet hyperlinks to petitions in opposition to the project, which now had over 500,000 signatures.

Faculty Representative Bhavnani asked whether there was a unanimous agreement for the alternative site. Chair Pérez asked whether there was no unanimous agreement for the alternative site. Mr. Bolte responded in the affirmative. Ms. Bhavnani asked whether there was unanimous agreement not to build on Mauna Kea. Mr. Bolte replied in the negative. Some of the partners remained hopeful that a balance could be struck and the TMT could be built on Mauna Kea.

Regent Muwwakkil expressed his appreciation for the format of the presentation and his disappointment that both sides were not addressing each other's issues. For instance, proponents presented the reasons for building the TMT, with which he agreed, but did not engage with opposition to the project. He asked proponents about the nature of opposition and whether it could be addressed. Ms. Neal replied that she was alienated, had received threats of violence, and also received messages of ridicule and hate on social media from people in her community. She was a member of Imua TMT, a group led by Native Hawaiians that supported the TMT. Supporters have tried to start a dialogue but did not want to be forceful. She thanked the University for the opportunity to have this dialogue. Mr. Baybayan added that Mauna Kea was large enough to be shared. The TMT project had earned a legal right to proceed, and people who obstructed access to the mountain stalled the project. People had a right to protest but must also respect the law, and the State must restore law and order to the mountain.

Regent Muwwakkil asked what would be lost if the TMT moved to La Palma. Ms. Ghez replied that there was a tremendous amount of science that could not be achieved at La Palma, including research from her program. Mauna Kea was the best site in the world. Chair Pérez noted a conflation of the TMT with the TMT on Mauna Kea. He posited that there could be scientific endeavors that were possible at La Palma and not possible at Mauna Kea. Ms. Ghez stated that La Palma did not provide as much of a southern view of the sky as Mauna Kea.

Regent Stegura asked whether opponents of the TMT project had been able to appear in similar forums before other TIO partners and how they were received. Ms. Wong-Wilson replied that they were not able to speak in a forum as large and open as this one but were able to have a limited discussion with representatives from Japan, Canada, and AURA. Mr. Bolte stated that some partners preferred Mauna Kea and hoped that this could be resolved, particularly with the engagement of the NSF and NHPA Section 106. Chair Pérez asked if consensus was needed from UC as a constituent group. Mr. Bolte responded in the affirmative. Chair Pérez asked whether UC could express itself regarding this issue. Mr. Bolte responded in the affirmative.

Regent Park asked for a Californian parallel that could help her better understand Native Hawaiians' cultural ties to a sacred place. Chair Pérez stated that legislation had been passed in California protecting Native American sacred sites, such as groves in the Inland Empire. Provost Brown added that the State asked that UC steward nearly 800 acres of California land for preservation and protection from deterioration, construction, and habitat erosion. Chair Pérez stated that there was a 50-year dispute over the land where Interstate 710 was located. He offered to provide further specific examples from faculty to the Board. Ms. Pisciotta stated that Mauna Kea had federal and State protections and was deemed a historic district under NHPA Section 106. An environmental impact statement mandated by a federal court for the Keck Telescope acknowledged the significant adverse impact of 30 years of astronomy development on the cultural and natural resources of Mauna Kea. A federal environmental impact statement was more rigorous than one from the State. Mauna Kea was a national monument, landmark, and conservation district under State law.

Regent Sures asked about the duration of the master lease. Mr. Jenny replied that the University of Hawaii held the master lease until 2033. Regent Sures asked how long the project would take to complete if construction began that day. Mr. Jenny stated that construction would occur under the assumption that there would be a new lease, because the project was expected to be completed when the current lease expires. Regent Sures remarked that the project would not be able to proceed without an extension of the lease. Mr. Jenny responded in the affirmative, adding that the extension was being actively negotiated with the State of Hawaii.

Regent Sures asked how much federal funding was expected. Mr. Jenny replied that the proposal to the NSF requested slightly more than $1 billion. Regent Sures asked whether the project would receive that amount if it moved to the Canary Islands. Mr. Jenny stated that funding was appropriated by Congress. Historically, with the exception of Chile serving the Southern Hemisphere, there was a preference for telescopes to be built within the United States.

Regent Sures asked why some opponents were not pleased with the proposal to decommission three telescopes to build the TMT. Ms. Wong-Wilson stated that the University of Hawaii promised to decommission five telescopes. The plan to decommission the first has not been completed for ten years. The community did not trust these promises. It was her understanding that the decommissioning was not directly related to TMT. Ms. Pisciotta added that the decommissioning process was highly destructive and

required environmental review. The decommissioning of the Caltech Submillimeter Observatory on Mauna Kea was on hold because of toxic spills, and the State Department of Health was determining how to clean it. The decommissioning was not an even exchange for the construction of the TMT. There should be discussion on how to decommission in the most sensitive way, because this was also Native Hawaiian burial ground. Chair Pérez stated that this was comparable to determining that it would be less environmentally damaging to convert oil rigs off the California coast to artificial reefs than to remove them.

Regent Ortiz Oakley sought clarification of Regent Makarechian's question of whether the TMT could be sited where other observatories would be decommissioned. Chair Pérez stated that Mr. Bolte's answer was no. Mr. Bolte stated that this was correct. Regent Ortiz Oakley expressed concern about the religious issues given world history.

Regent Lansing expressed respect for science and holy sites. She asked whether the TIO could still proceed if UC removed itself from the project. Mr. Jenny responded that this was technically true, but the organization was unlikely to proceed if any member departed at this point. The University was a leading U.S.-based partner.

Regent Lansing asked whether there was risk in waiting for the NSF recommendation and what the NSF timeframe was. Mr. Jenny replied that the timeframe and schedule readjustment was being discussed by the TIO Board of Governors. It was not unanimous, but it was UC's view that the project should honor the NSF process. UC welcomed the NHPA Section 106 process, because it would give a chance for proponents and opponents to provide their views. Regent Lansing asked how long this would take. Mr. Jenny stated that these processes had not yet started but would take 18 to 24 months.

Regent Lansing asked whether it was correct that, while the alternative site was good, Mauna Kea was the best site. Mr. Jenny replied that this was correct. Based on the totality of science that could be achieved on Mauna Kea, La Palma could achieve 90 percent.

Regent Zettel asked how the Gordon and Betty Moore Foundation would regard the University's departure from the project. Mr. Jenny replied that the gift from the Gordon and Betty Moore Foundation was the largest investment in science at UC. In his view, given the significant amount of money it has given to UC and Caltech, UC's departure might not be viewed favorably. The Foundation was also committed to finding a resolution for the cultural issues discussed.

Regent Zettel asked whether leaving the project would harm UC's astronomy and astrophysics programs. Chair Pérez asked how building the TMT at La Palma would affect UC's ability to attract top talent. Ms. Ghez replied that not building the TMT would be devastating to the University. Moving to La Palma would result in some loss, but it would not be devastating.

Regent Zettel asked whether walking away from this agreement would undermine future agreements with other partners. Chair Pérez directed this question to General Counsel Robinson, who did not believe this was necessarily a legal question. This was more a

question about the impact on UC's reputation and relationships. Ms. Ghez stated that, due to UC's 100-year history in this field, 25 percent of this country's research community was at UC. Whatever happens at UC would reverberate across the country and internationally.

Regent Zettel asked Ms. Neal if her support for the TMT was generational. She asked if younger scholars would be harmed by UC's departure from the project. Ms. Neal replied that the failure to build the TMT at Mauna Kea would cause harm to science and the economy. Most of her friends worked in the tourism industry and were laid off during the COVID-19 pandemic, while she has been able to work at a telescope. The TMT represented a future that did not rely on tourism and was more respectable.

Regent Zettel asked if UC would continue to fund educational and other programs in Hawaii if it left the project. Mr. Jenny replied that UC would not have the ability to do so. Those grants for programs were funded by the TIO Board of Governors. Chair Pérez asked whether the remaining partners would still be committed to the same obligations. Mr. Jenny replied in the affirmative. Regent Zettel noted that UC would pull its commitment while expecting others to honor theirs.

Regent Estolano asked whether there was a competing telescope or whether the consortium would reform with another country taking the lead in the event that the TMT is not built at Mauna Kea or La Palma. She asked if it would take years for a new consortium to form. Mr. Bolte replied that, of the world's three large telescopes, the TMT and GMT had a significant U.S. component. Europe was independently building a 38-meter telescope in South America. He believed that the NSF was interested in maintaining the United States' leadership in astronomy and astrophysics research. If the TMT enterprise were disbanded, it would take years to reform.

Chair Pérez noted that most of Mr. Bolte's presentation was on the TMT, not on whether it should be pursued on Mauna Kea. He asked Mr. Bolte how he should weigh the presentation when most of it was unrelated to the underlying question of location. Mr. Bolte replied that his goal was to update the Board on the project. He thought discussion about Mauna Kea should be left to Native Hawaiian speakers. President Napolitano added that UC felt it was important to explain the project, why UC joined, current options, and the status of the project, because some Regents were unfamiliar with it. Then, UC wished to present various Native Hawaiian points of view. She believed that these aims were accomplished. Chair Pérez expressed concern that UC was taken from a position of neutrality to advocacy and that there was a conflation of science and location. He respected the difference in what was scientifically achievable in the two locations. It was helpful to weigh that difference with other considerations. He thanked the presenters and the Board for the discussion. It was not unlikely that the Board would consider this again, and it might be an action item in the future. Chair Pérez asked that the Board be briefed on what the decision points were, as well as what opportunities the Board had to express itself in the normal course of action. He asked Chancellor Yang and Mr. Jenny to work with the Office of the President to determine this. Chair Pérez apologized to the kupuna for not traveling to Hawaii as he had promised and thanked them for agreeing to meet virtually. He still wished to meet the kupuna in person when travel is allowed.

The Board recessed at 12:35 p.m.

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The Board reconvened at 2:20 p.m. with Chair Pérez presiding.

Members present: Regents Anguiano, Butler, Cohen, Elliott, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Mart, Muwwakkil, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Zettel

In attendance: Regents-designate Lott, Torres, and Zaragoza, Faculty Representatives Bhavnani and Gauvain, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Brown, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President Byington, Executive Vice President and Chief Operating Officer Nava, Vice President Maldonado, Chancellors Block, Christ, Gillman, Hawgood, Khosla, May, Muñoz, and Wilcox, and Recording Secretary Li

8. **UPDATE ON THE 2020–21 OPERATING BUDGET**

[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 began her remarks by providing context for proposed budget. The COVID-19 pandemic presented numerous challenges to the University's core operations, and there was uncertainty about how long the pandemic would last, the extent of the economic downturn, and how this crisis would affect decisions made by students and researchers. Between March and June, the pandemic led to $1.77 billion in lost revenue and new costs. UC received nearly $800 million in federal funding to offset these losses and expenditures, but it did not make UC whole. UC Health received advance payments from the Centers for Medicare and Medicaid Services, and UC was assessing what other COVID-19 research funding it received. The State budget provided upper and lower boundaries of UC support that depended on whether states received more federal assistance. If or when Congress would approve more funding was unknown. UC was trying to make the best decisions in a very fluid situation. There was certainty on three key principles. First, salary reductions and furloughs were preferable to eliminating positions. Second, when staffing levels need to be reduced, voluntary attrition would be preferable to involuntary layoffs. Third, UC would strive to protect its most vulnerable employees. UC had met its commitment of no COVID-19–related layoffs through the end of the fiscal year, and UC would continue to do what it could to support all of its workers.

Executive Vice President and Chief Financial Officer Brostrom stated that, unlike past recessions and downturns, this crisis affected all of UC's major revenue streams. From 2008 to 2010, State appropriation decreased by $1 billion and UC's pension funding level fell by nearly 30 percent, but medical centers performed well; dormitories were full; there was great demand for UC from international students; and research spending increased due to American Recovery and Reinvestment Act funding. There was uncertainty in the trajectory of the pandemic and its impact on State and national economies, both of which

would affect UC revenue sources. The total estimated financial impact to UC was $1.8 billion. An amount of $485 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act funding was given to UC medical centers, and $267 million in CARES Act funding was given to campuses, half of which supported student financial needs. UC projected that recovery would be different for each sector. Medical centers and their auxiliaries would experience a v-shaped recovery when normal operations could resume. Medical centers were performing more essential surgeries and providing more traditional healthcare. Pent-up demand would restore much of the revenue. Dormitories would be full again when UC can safely reopen; most campuses had waiting lists. The impact on core funds and sponsored research was much more uncertain and would require a different response.

Associate Vice President David Alcocer stated that UC's core funds, which supported its academic infrastructure, were comprised of State funds and tuition and fees. The final State Budget Act fully funded the $25 million requested for the UCR School of Medicine and $15 million for UCSF Fresno. If the State receives new federal stimulus funds, UC's State appropriation would increase by about $170 million over 2019 levels. If the State does not receive new federal funding, UC's appropriation would be cut by $301 million. This was an improvement compared to the May Revision to the State budget. The State Budget Act allowed for partial restoration to the budgets of the University and several other State agencies if the State received at least $2 billion in federal stimulus. The difference between the best- and worst-case scenarios in the final State budget was $470 million, or five percent of UC's total core funds budget.

Chair Pérez observed that the best- and worst-case scenarios in the final State budget were better than those in May Revision of the State Budget. He cautioned against the negative connotation placed on the spread in the final State budget. Mr. Alcocer agreed that the overall final State budget was more favorable than what was presented in May.

Mr. Alcocer stated that, under normal circumstances, historical trends would be used to predict the fall enrollment. Currently, schools were still strategizing how to reopen and provide instruction, and students' options had changed. Even if more California students decided not to enroll in the fall, UC would still meet or exceed its California enrollment targets. Nonresident and particularly international students, on the other hand, faced travel, visa, and financial issues. If these students did not enroll at rates comparable to previous classes, campuses would not hit their targets. Knowing fall enrollment would be challenging for any college or university until the first day of instruction.

Chancellor Christ explained that a wide variety of budget strategies, constraints, revenue streams, history, and financial models drove campuses' decision-making. Last fall, UC Berkeley balanced its budget and eliminated a $150 million structural deficit by cutting 500 positions, using central reserves, and growing revenues. The Berkeley campus achieved the latter through summer session, self-supporting degree programs, monetizing real estate and intellectual property, increasing contracts and grants, and philanthropy. Like other campuses at the start of the pandemic, UC Berkeley faced insufficient State support and a lack of tuition increases. The campus had not yet rebuilt central reserves, and new

revenue sources were reduced by the pandemic. A $200 million deficit in auxiliaries and $140 million deficit in core funding by the end of fiscal year 2020–21 was projected. Mitigations would include short-term borrowing, CARES funding, and human resources action. The current situation was distinct from financial pressures that UC Berkeley had faced in the past. First, multiple revenue streams were affected. Second, increased spending was needed for remote instruction, the cleaning of buildings, and a testing program. Third, the length and severity of the pandemic was unknown. Fourth, the pandemic's impact on student choices, higher education, and the economy was also unknown. While the campus incurred immediate losses in revenue from some functions like housing and dining, the long-term financial prospect for these services was excellent once the campus restarts operations. A longer-term impact was expected on UCB's core budget due to less State support, less out-of-state tuition revenue, and ongoing investments in remote learning and working. The campus was highly dependent on tuition and State support, but its State appropriation had declined by $100 million from its funding level in 2008 while it was serving 8,200 more students. Caps on undergraduate nonresident enrollment limited growth in nonresident tuition. Critical expenses, such as faculty and staff salaries, deferred maintenance, and systemwide assessments continued to rise. Most gifts were designated for a specific endowment or project, so philanthropy played a limited role in budget relief. Many units' cash reserves were restricted. UC Berkeley was considering additional measures to reduce expenses for FY 2020–21, reevaluating mid-year and each subsequent year of the recovery period. The campus aimed to save $65 million, enough to cover COVID-19–related expenses, through enhanced incentives for faculty retirement, a voluntary separation plan for staff, voluntary deductions in time or salary, reassignment, or temporary layoffs. Campuses needed more tools to achieve salary savings while minimizing layoffs. UC Berkeley anticipated that financial challenges would persist for at least three years. Decisions were guided by a commitment to UCB's education and research missions, protecting the health of the campus community, and preserving as many jobs as possible. The campus needed a sustained partnership with the State and federal government, and it remained committed to transparency and listening to concerns that the campus community raises. UC Berkeley has sustained its mission in the last few months and would demonstrate its resilience in the challenging times to come.

Chancellor Hawgood stated that, due to the public order to decrease non-emergent medical care, the UCSF census dropped by 40 percent. In April, revenue decreased by $5 million per day. After public health orders were lifted, UCSF volume was at 90 percent of its pre–COVID-19 volume, and revenue has returned. Currently, UCSF was operating at base-case budget levels and anticipated being about $300 million off its planned budget in FY 2020–2021 but still having positive earnings. The campus lost approximately $100 million in revenue and would be absorbing a reduction in State support in FY 2020–21. Chancellor Hawgood had asked that five, seven, and ten percent reduction plans in core funding be developed for each budget point. Central units, such as finance, were given a larger portion of State funding in order to protect education activities. The pandemic had no significant effect on UCSF's research funding or the number of proposals submitted or awarded. UCSF sent 320 COVID-19 research proposals for a potential of $330 million in funding and was awarded $100 million in the last four months. The campus was able to accommodate State fund reductions, and the hospitals were building back patient volume.

Having to reduce non–COVID-19 volume in response to a surge of the pandemic in the fall or winter would have a significant impact. The clinical program in dentistry experienced the greatest impact from the pandemic because of the nature of the work and the risks associated with COVID-19. Recovery has been slower than that of general medical programs; UCSF would need to take special steps to help the dentistry program survive.

Vice President for Research and Innovation Maldonado stated that, in response to the pandemic, leadership from the campuses, the National Laboratories, and Agriculture and Natural Resources reduced UC's $7 billion annual research enterprise by almost 90 percent. To ensure safety, most research personnel were required to work offsite without access to infrastructure. Grant-funded researchers, without access to their tools, were at risk of not completing their projects as proposed, a particularly acute problem with State grants and contracts, as well as industry projects. With use of shared facilities reduced, user fees meant to pay staff, as well as maintenance operations costs, were lost and major overhead costs were incurred. Graduate students' studies were disrupted, and their graduations and career prospects were delayed. Some feared termination. Postdoctoral researchers faced shortened terms, termination concerns, and career delays. There were also delays to early career faculty's promotions and tenure. International graduate students, who made up 24 percent of total graduate student enrollment, were vulnerable to federal policy changes. The loss of junior faculty productivity could have a catastrophic effect on the future success and diversity of the professoriate. Female faculty experienced extra setbacks as they tended to be the primary family caregivers. The continued disruption of research progress for UC Merced assistant professors, who comprised 47 percent of the campus' ladder-rank faculty, would have a negative impact on their careers and on the trajectory of UC Merced. Faculty tended to do more research during the summer, but most had not returned to campus. Campuses were taking a phased approach to the resumption of research in coordination with local, County, and State public health departments, but a safe return to campus depended on testing and contact tracing capacity, as well as guidelines for expected behavior. Ms. Maldonado was working with Executive Vice President Byington and UC Health to address unanticipated costs. Research leadership had partnered with Federal Governmental Relations to advocate for support for basic research, cost extensions, personnel, infrastructure, and funding to launch COVID-19 projects, with some success. A new bill in Congress proposed $26 billion for the national research enterprise. UCSD and UCLA received a combined $3 billion in new research awards. UC was likely reach $10 billion in awards, but researchers must have access to laboratories to complete their projects. Without research expenditures, there would be no indirect cost recovery. UC was a top research engine and innovation ecosystem in the world. Research leadership was trying to determine how to resume research operations and recover while working to build resilience and focusing on diversity and inclusion.

Chancellor Block stated that UCLA typically housed about 18,700 students, with about 13,600 in on-campus housing and using the dining program. By May, occupancy of "the Hill," where most students living on campus were housed, had dropped to 600 students, and meal production dropped from 35,000 meals to 1,000 meals per day. UCLA expected $320 million in housing revenues for FY 2019–20 but lost $74 million. In the next six

months of FY 2020–21, a loss of $76 million to as much as $152 million was expected as housing density changed. However, UCLA expected a v-shaped recovery for housing and was building 5,800 more beds. The business model remained good; students still wished to attend and live at UC.

Mr. Brostrom stated that, aside from federal assistance, UC also had nearly $10 billion in the Short Term Investment Pool (STIP) at the end of FY 2019–20. UC entered into the largest bond deal in its history that included $1.5 billion in taxable bonds for working capital. Salary and benefits made up 70 percent of the University's costs. A systemwide furlough or salary reduction program, like the one in FY 2009–10, required Regental action to preserve retirement and health benefits. UC would be closely monitoring the fall census, housing occupancy, federal stimulus, and the length and trajectory of the pandemic.

Regent Makarechian asked for clarification on the State allocation to UC. Mr. Brostrom replied that if the State receives $14 billion, then it would restore the $300 million cut to UC and allocate an additional $170 million. Regent Makarechian asked whether UC would still have a $500 million shortfall, even with that funding. Mr. Brostrom stated that the shortfall could be worse, depending on fall occupancy, but it was a one-time deficit that could be fixed with working capital. State and federal funding were of greater concern.

Regent Makarechian asked if there was any chance of UC returning to its previous financial state in the coming year. Mr. Brostrom replied that the medical centers and campus housing would rebound very quickly, and reserves and other liquidity could make up for the cash loss. State funding, enrollment management, and nonresident students were longer-term issues. Chair Pérez stated that, by the September meeting, Congress would have acted and UC would know about the State allocation. Regent Makarechian stated that UC would not know the pandemic's effect on research, student occupancy, and auxiliaries. He suggested that the Office of the President (UCOP) present the Regents with a program for the worst-case scenario at the September meeting so that campuses are not acting independently and service workers are not laid off first. For example, there could be a salary reduction program for higher-level salaries.

Regent Makarechian asked who decides how the $1.5 billion in bonds and $17 billion from STIP and the Total Return Investment Pool (TRIP) would be distributed. Debt capacity differed among the campuses. Mr. Brostrom replied that UCOP would allocate the bonds to campuses based on their requests and would serve as a backstop for campuses with less liquidity. UC Merced had more days' cash on hand than other campuses but also did not have the same extent of operations. UCOP had already begun a consultation process on a systemwide furlough or salary action program that could be introduced to the Regents in September and be ready for action in November. Regent Makarechian stated that a condition of the Regents authorizing the $1.5 billion in debt was that UCOP would present the Regents with the allocations. Mr. Brostrom stated that he could share this information.

Regent Sherman asked about the thought process for choosing layoffs or to draw from reserves. Mr. Brostrom stated that this was not decided centrally. Chancellors generally preferred to implement reductions in time, voluntary separations, and attrition rather than

layoffs. For instance, Chancellor Block was developing an innovative model for redeploying employees for other work. A systemwide progressive salary reduction or furlough would enable employees to keep their pension, retirement, and health benefits regardless of what would happen to their salary. Campus action would not carry the same impact on retirement benefits. Each campus was affected differently and taking a different approach. A systemwide program would be needed if an overall crisis was anticipated.

Regent Sherman asked what percentage of campus foundation funds were unrestricted and could be used. Mr. Brostrom replied that most of UC's philanthropy and endowments were heavily restricted and would require approval by the State Attorney General. Chief Investment Officer Bachher had liquidated the Blue and Gold Pool, which was unrestricted. Campuses had many deferred maintenance and capital needs, and there was a large decline in the pension. UC had sufficient liquidity in the near term. Regent Sherman asked whether UC could pause the pension contributions to ease the burden on campuses. Mr. Brostrom responded that the State Treasury allowed UC to defer its Federal Insurance Contributions Act payments, 6.6 percent of payroll, for all 2020 and 2021, and then repay them in two increments. UC could also amortize its commercial paper and pay it off slowly.

Regent Sherman asked for housing revenue projections. Mr. Brostrom stated that, since occupancy requirements were constantly changing according to County and State guidance, UC was at 35 to 40 percent of revenues, with most campuses moving to single occupancy. In some campuses, bathroom capacity was more of an issue. UC's bond covenants were satisfactory, and UC was able to use housing reserves as a form of revenue, which would carry the University through to the spring. If problems associated with the pandemic lasted longer than the spring, UC would have some financing issues. Regent Sherman asked what rate a student would pay if their room was changed to single occupancy. Mr. Brostrom replied that UCOP advised campuses to charge the lowest rate because this was not the student's choice. Regent Sherman remarked that UC should plan for the worst and hope for the best. Mr. Brostrom noted that UC sold its taxable bonds with an open bond issue. UC could borrow more using taxable bonds on a short-term basis in November.

Regent Zettel asked whether staff with salary reductions could receive any government assistance. Mr. Brostrom responded in the negative. UC tended to choose furloughs, but salary reductions would not qualify for federal or State assistance. This would be done progressively; students would be exempted, and salaries of lower-income employees would be reduced at a much lower percentage than that of higher-income employees.
Chancellor Gillman shared that some campuses had different budget realities and reserve capacities and that UC Irvine did not plan any furloughs or layoffs this year, using reserves instead. A budget committee was developing a plan for FY 2021–22. Because of some aggregated statistics, it might appear that every campus was considering job actions. He expressed his hope for campus flexibility, cautioning against systemwide furloughs or layoffs if some campuses could manage without them.

Regent Butler asked what principles UCOP was providing to campuses and whether "first, do no harm" was being communicated internally and externally. She was grateful that

Chair Pérez was building a relationship with the labor community but was concerned that UC was not equipping him with the right tools. Mr. Brostrom replied that President Napolitano has laid out a plan for attrition, voluntary separation, and protecting the most vulnerable. The overall goal was to give flexibility to campuses primarily by maximizing liquidity. A systemwide approach should be considered if the situation for housing and the medical centers continued to worsen into November. Regent Butler suggested reconsidering these principles as the situation changes. Mr. Alcocer added that, up until now, voluntary separation for represented staff must be negotiated with bargaining units in a two-step process that has already been negotiated. The previous week, UC notified unions that represented employees could be included in this policy and was waiting for their response. Bargaining would occur at the campus level. Compared with policy-covered staff, a higher percentage of represented staff were from underrepresented minority groups. Gender, ethnicity, and age were also key in UCOP's analysis.

Chancellor Wilcox shared that UC Riverside was forced to temporarily lay off some staff. The pandemic was highlighting inequities across society and the UC system, with historical funding levels becoming a factor. Most of UCR's layoffs were in housing and dining. There were State and Regental strictures on subsidizing housing and dining so that UC did not unfairly compete with the public. Therefore, any housing and dining debt must be covered by housing and dining. The campus already had a $30 million to $40 million housing and dining deficit, and any further deficit would be addressed using future students' room and board rates. Collectively adjusting salaries would be appealing to all of the chancellors, because those laid off at UCR were generally lower-paid and now had no job, and he had no way to cross-subsidize this.

Regent Makarechian stated that the salary reduction policy should not distinguish between "poor" and "wealthy" campuses. Layoffs should not happen at one campus when there were no layoffs at other campuses. Campuses that did not need their reserves should share them. The University must consider its lowest-paid employees, whose lives would be devastated if they were laid off or had their salaries cut. The highest-paid employees would not be greatly affected by salary cuts. Everyone must come together and help each other.

Chair Pérez associated himself with Regent Makarechian's comments. UC must take advantage of its strengths as a system while being mindful of the most vulnerable within the campus community and amongst UC employees. As one of largest employers in the state, UC must act as responsibly as possible. Policy change might be needed to release chancellors from constraints that were driving certain decisions. Legislative fixes were perhaps needed. UC's humanity cannot be limited by bad policy decisions. UC needed to know what those policy constraints were in order to appropriately respond to them.

9. FISCAL YEAR 2020–21 BUDGET FOR THE UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT

The President of the University recommended that the Regents approve the Fiscal Year 2020–21 Budget for the University of California Office of the President (UCOP), as shown in Attachment 1.

[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.]

Associate Vice President Zoanne Nelson stated that the proposed budget for the Office of the President (UCOP) for fiscal year 2020–21 was $862 million, an 8.5 percent reduction from the FY 2019–20 budget. Thirty-six percent of this budget would pass through the UCOP for other programs. Thirty-three percent of the budget would be fees for services that UCOP provides. UCOP reduced its budget by $115 million, which was a net reduction of $80 million, through targeted reductions, no merit increases, a hiring freeze, and a six-month travel freeze. The strategic priorities fund was reduced by 33 percent. Overall, the objectives were to reduce the budget, balance the budget, and mitigate impact on campuses.

Chair Pérez stated that the University was transitioning to a new president, who he expected would wish to make revisions to the proposed budget. He moved to adopt this budget with the expectation that President-designate Drake would present the Regents with modifications within his first quarter in office. Chair Pérez remarked that a travel freeze when people have been sheltering in place easily demonstrated cost savings but did not provide an ongoing solution when UC returns to normal circumstances.

Upon motion of Regent Kieffer, duly seconded, the recommendation of the President as amended was approved, Regents Anguiano, Butler, Cohen, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Mart, Muwwakkil, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Zettel voting "aye."

Board recessed at 3:30 p.m.

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The Board reconvened at 4:00 p.m. with Chair Pérez presiding.

Members present: Regents Anguiano, Butler, Cohen, Elliott, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Mart, Muwwakkil, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Zettel

In attendance: Regents-designate Lott, Torres, and Zaragoza, Faculty Representatives Bhavnani and Gauvain, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Brown, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President Byington, Executive Vice President and Chief Operating Officer Nava, Vice President Maldonado, Chancellors Block, Christ, Gillman, Hawgood, Khosla, May, Muñoz, and Wilcox, and Recording Secretary Li

10. COMMITTEE REPORTS INCLUDING APPROVAL OF RECOMMENDATIONS FROM COMMITTEES

Chair Pérez stated that Chairs of Committees and Special Committees 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 July 30, 2020:

A. ***Establishment of a School of Pharmacy and Pharmaceutical Sciences, Irvine 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

* * *

15. Professional Schools Pharmacy

* * *

Pharmacy

- School of Pharmacy and Pharmaceutical Sciences, at Irvine, with curricula leading to the degrees of Bachelor of Science, Master of Science, Doctor of Pharmacy, Doctor of Philosophy

B. ***Accountability Sub-Report on Diversity: Staff Diversity Outcomes***

This item was not summarized.

C. ***University of California Student Academic Preparation Strategies***

This item was deferred in Committee.

Upon motion of Regent Anguiano, duly seconded, the recommendation of the Academic and Student Affairs Committee was approved, Regents Anguiano, Butler, Cohen, Elliott, Estolano, Kieffer, Lansing, Leib, Makarechian, Mart, Muwwakkil, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Zettel voting "aye."

Report of the Compliance and Audit Committee

The Committee presented the following from its meeting of July 29, 2020:

A. ***Approval of Internal Audit Plan for 2020–21***

The Committee reported its approval of the Internal Audit Plan for 2020–21.

B. ***University of California Community Safety***

Regent Elliott reported that the Committee discussed transparency and accountability to the Regents and other stakeholders with regard to campus policing practices and reform efforts. Topics included campus culture, use of force, how police were armed, mutual aid agreements, police hiring, and training and accreditation. The Committee considered a suggestion to form a working group on policing practices. Regent Elliott anticipated more discussion to come.

Upon motion of Regent Elliott, duly seconded, the report of the Compliance and Audit Committee was accepted, Regents Anguiano, Butler, Cohen, Elliott, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Mart, Muwwakkil, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Zettel voting "aye."

Report of the Finance and Capital Strategies Committee

The Committee presented the following from its meeting of July 30, 2020:

A. ***Consent Agenda:***

(1) ***Continuation of Life-Safety Fee, Berkeley Campus***

The Committee recommended that the life-safety portion of the Berkeley Campus Fee (Life-Safety Fee) continue at its current level for four years, from fall 2020 through summer 2024, with the following specifications:

a. All students enrolled at the Berkeley campus during the regular academic year be assessed a mandatory life-safety portion of the Berkeley Campus Fee of $46 per student per term from fall 2020 through spring 2024.

b. Students enrolled in summer sessions be assessed a mandatory life-safety portion of the Berkeley Campus Fee of $23 per student from summer 2021 through summer 2024.

Regent Makarechian reported that this fee would provide $15 million, $5 million of which would go toward financial aid. The remaining $10 million would go toward renovations and seismic retrofits.

(2) ***Preliminary Plans Funding, Academic Seismic Replacement Building (Evans Hall Seismic Replacement), Berkeley Campus***

The Committee recommended that:

a. The 2020–21 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Berkeley: Evans Hall – study – $1.1 million to be funded from external financing supported by State appropriations.

To: Berkeley: Academic Seismic Replacement Building (Evans Hall Seismic Replacement) – study and preliminary plans – $7.1 million to be funded from external financing supported by State appropriations.

b. The President of the University shall be authorized to obtain external financing not to exceed $6 million, plus additional related financing costs, to finance the Academic Seismic Replacement Building. The President shall require that the Berkeley campus satisfy the following requirements:

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

(ii) The primary source of repayment of $6 million plus related interest expense and financing costs shall be from State appropriations, pursuant to the Education Code Section 92493 et seq. Should State appropriation funds not be available, the President shall have the authority to use any legally available funds to make debt service payments.

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

(3) ***Approval of Design Following Action Pursuant to the California Environmental Quality Act, Orchard Park Graduate Student Housing and Family Housing Project, Davis Campus***

The Committee recommended that, following review and consideration of the environmental consequences of the Orchard Park Graduate Student Housing and Family 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 no less than 24 hours in advance of the beginning of this Regents meeting, testimony, or written materials presented to the Regents during the scheduled public comment period and the item presentation, the Regents:

a. Adopt the CEQA Findings for the Project, having considered both the 2018 Long Range Development Plan (LRDP) Environmental Impact Report (EIR) for the Davis campus and the July 2020 Addendum.

b. Make a condition of approval the implementation of applicable

mitigation measures within the responsibility and jurisdiction of UC Davis as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2018 LRDP EIR.

c. Approve the design of the Orchard Park Graduate Student Housing and Family Housing project, Davis campus.

d. Authorize the President of the University, or designee, in consultation with the Office of the General Counsel, to execute all documents necessary in connection with the above.

Regent Makarechian reported that this project would add 1,549 beds. The Committee discussed the design. Some floor plans were revised per Regent Makarechian's suggestions, and the campus agreed to revise the remaining two floor plans that were not revised. This project would be presented to the Regents again when the campus approves a developer partner and compiles a financing proposal.

B. ***Preliminary Plans Funding, Hospital Bed Replacement Tower, Davis Health Campus***

The Committee recommended that the 2020–21 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Davis: Hospital Bed Replacement Tower – preliminary plans – $101,618,000 to be funded with hospital reserves.

Regent Makarechian reported that this was a ten-year project for a 220-room hospital. The requested amount would take the project to the final design, prior to the actual cost of construction. The campus would present this project again to the Regents after final designs are done. The Committee suggested that the campus be mindful of potential changes in hospital design and the California Building Standards Code due to COVID-19.

C. ***Comprehensive Parnassus Heights Plan, Long Range Development Plan Amendment and Physical Design Framework Amendment, San Francisco Campus***

Regent Makarechian reported that this project would be presented to the Regents again at a future meeting.

D. ***Health and Behavioral Sciences Building (Medical Education Project), Merced Campus***

This item was not summarized

E. ***2021–22 State Capital Budget***

This item was not summarized.

F. ***Welcome Center Building on Lawrence Berkeley National Laboratory's Main Campus in Berkeley***

This item was not summarized.

Upon motion of Regent Makarechian, duly seconded, the recommendations of the Finance and Capital Strategies Committee, with the exception of item A(1) above, *Continuation of Life-Safety Fee, Berkeley Campus*, and item G below, *Approval of Services Agreements with Bear River Holdings LLC and Certain Other Affiliated Entities, Davis Campus*, were approved, Regents Anguiano, Butler, Cohen, Elliott, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Mart, Muwwakkil, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Zettel voting "aye."

Chair Pérez invited Regent Kounalakis to state her objection to item A(1). Regent Kounalakis stated that this was a continuation of a student fee, and she could not support student fees for lifestyle when students were not on campus.

Upon motion of Regent Makarechian, duly seconded, the recommendation in item A(1) was approved, Regents Anguiano, Butler, Cohen, Elliott, Estolano, Kieffer, Lansing, Leib, Makarechian, Mart, Muwwakkil, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Zettel voting "aye" and Regent Kounalakis voting "no."

[At this point Regent Kounalakis left the meeting.]

G. ***Approval of Services Agreements with Bear River Land Holdings LLC and Certain Other Affiliated Entities, Davis Campus***

The Committee recommended that the Regents:

(1) Authorize the University of California, through its UC Davis Health (UCDH) campus, to enter into a services agreement (LUP Services Agreement) with Bear River Land Holdings, LLC (Bear River), a related party with respect to the University, consistent with the terms presented below:

a. UCDH will provide consulting support to Bear River in the development of a Land Use Plan (LUP). The LUP will be shared by Bear River with non-University third party entities in support of Bear River's requests for requisite permits and zoning permissions, as well as Bear River's satisfaction of other applicable regulatory requirements to proceed with the planned development of the

Community for Health and Independence (CHI), in the Sacramento area.

b. The Regents shall be compensated in cash for the services provided in accordance with UCDH's standard rate determination process for similar services to third parties (i.e., where no committee-approved standard rate applies), which includes: (i) reimbursement of all costs and expenses incurred, (ii) payment of salary and benefits of all staff involved, pro-rated via time commitment to the services, and (iii) application of the appropriate indirect cost rate to the overall total direct cost amount pursuant to guidance from the Office of the President (at present, the indirect cost rate is 39 percent). The anticipated total cost for the services under the LUP Services Agreement is approximately $285,000.

c. UCDH shall provide a comprehensive, detailed report that will include information, recommendations, and guidance that are within its areas of expertise, which may include, among other things:

(i) The overarching features, planning, and design components that should be included in the LUP to optimize healthy aging and independence in the community setting.

(ii) Ways to promote the expansion, replication, and sustainability of this community model.

(iii) Ways to enhance the research related to healthy aging and provide improved access and delivery of healthcare for older adults, individuals with disabilities, and other vulnerable populations.

(iv) Strategies to align with the University's mission, including providing excellent, accessible, and affordable healthcare; pursuing state-of-the-art research; delivering superb medical/healthcare education; and engaging in meaningful ways with the community.

(2) Authorize the University of California, through its UC Davis Health campus, to enter into future services agreements with Bear River (Additional Services Agreements) in connection with the CHI, on substantially the same terms as the LUP Services Agreement, though for different services to be determined by UCDH and Bear River from time to time. Bear River has expressed interest in working with UCDH on similar service agreements in the future. For example, Bear River has expressed interest in utilizing UCDH's expertise regarding: (i) the design and operation of technology-enabled health and wellness centers; (ii)

appropriate commercial partners to operate health kiosks that could be placed within a residential community and/or within homes; and (iii) on tools to help underserved populations access care.

(3) Authorize the President of the University, which authority is expected to be further delegated by the President to the Chancellor of the Davis campus, in consultation with the General Counsel, to execute all documents, amendments, and modifications thereto, as may be necessary or appropriate in connection with the above.

Regent Makarechian reported that item G was a consulting agreement that was presented to the Regents because of a conflict of interest issue. Angelo Tsakopoulos, Regent Kounalakis' father, wished to hire UC Davis as a consultant at its typical rate in the development of a master plan. Regent Makarechian supported the approval of this item, stating that the consulting agreement was for a project that would explore the needs of the elderly.

Chair Pérez clarified that University money was not going to Regent Kounalakis' family. Rather, this was a question of whether Mr. Tsakopoulos would be hiring UC at its normal rate, creating revenue for UC. Regent Makarechian responded in the affirmative.

Upon motion of Regent Makarechian, duly seconded, the recommendation in item G, *Approval of Services Agreements with Bear River Land Holdings LLC and Certain Other Affiliated Entities, Davis Campus*, was approved, Regents Anguiano, Butler, Cohen, Elliott, Estolano, Kieffer, Lansing, Leib, Makarechian, Mart, Muwwakkil, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Zettel voting "aye."

Governance Committee

The Committee presented the following from its meeting of July 29–30, 2020:

A. ***Suspension of Bylaw 21.7 for the Limited Purpose of Enabling Regents Blum and Kounalakis to Serve in Uncompensated Positions on an Advisory Board on the Berkeley Campus***

The Committee recommended that Bylaw 21.7 be suspended for the limited purpose of enabling Regents Blum and Kounalakis to continue to serve in uncompensated positions on the Board of the Haas School of Business at the University of California, Berkeley.

Chair Pérez noted that this item required the recusal of Regents Blum and Kounalakis. He reported that Committee's vote on this item was unanimous.

Upon motion of Chair Pérez, duly seconded, the recommendation in item A above, *Suspension of Bylaw 21.7 for the Limited Purpose of Enabling Regents Blum and*

Kounalakis to Serve in Uncompensated Positions on an Advisory Board on the Berkeley Campus, was approved, Regents Anguiano, Butler, Cohen, Elliott, Estolano, Kieffer, Lansing, Leib, Makarechian, Mart, Muwwakkil, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Zettel voting "aye."

[At this point Regent Kounalakis joined the meeting.]

B. ***Approval of Conferral of the Emeritus Title Suffix for Larry Rinder as Director of the Berkeley Art Museum and Pacific Film Archive, Berkeley Campus as Discussed in Closed Session***

The Committee recommended approval as an exception to policy of the conferral of the title of Director of the Berkeley Art Museum and Pacific Film Archive Emeritus, Berkeley campus, upon Larry Rinder, effective upon approval.

C. ***Approval of Extension of Appointment of and Compensation for Peggy Arrivas as Interim Associate Vice President – Capital Asset Strategies and Finance, in Addition to Her Existing Appointment as Associate Vice President – Systemwide Controller, Office of the President as Discussed in Closed Session***

The Committee recommended approval of the following items in connection with the extension of the appointment of and compensation for Peggy Arrivas as Interim Associate Vice President – Capital Asset Strategies and Finance, in addition to her existing appointment as Associate Vice President – Systemwide Controller, Office of the President:

(1) Appointment of Peggy Arrivas as Interim Associate Vice President – Capital Asset Strategies and Finance, Office of the President, effective June 15, 2020 through June 14, 2021 or until the appointment of a new Associate Vice President – Capital Asset Strategies and Finance, whichever occurs first.

(2) Per policy, continued appointment as Associate Vice President – Systemwide Controller, Office of the President.

(3) Per policy, an annual base salary of $384,252 during the appointment as Interim Associate Vice President – Capital Asset Strategies and Finance, Office of the President. At the conclusion of the interim appointment, Ms. Arrivas' annual base salary will revert to her annual base salary in effect as of June 5, 2018, plus any adjustments made under the Office of the President salary program since that date.

(4) 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.

(5) Per policy, continued eligibility to participate in the UC Employee Housing Assistance Program, subject to all applicable program requirements.

(6) Per policy, continuation of monthly contribution to the Senior Management Supplemental Benefit Program.

(7) Ms. Arrivas will continue to comply with the Senior Management Group Outside Professional Activities (OPA) policy and reporting requirements.

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

D. ***Report of the Regents Working Group on Chancellor Search and Selection***

This item was not summarized.

E. ***Acceptance of the Report of the Regents Working Group on Chancellor Search and Selection***

This item was not acted upon by the Committee.

F. ***Amendment of Regents Policy 7102 – Policy on Appointment of Chancellors, the Charters of the Governance Committee and Health Services Committee, and the Schedule of Reports to the Regents***

The Committee recommended:

(1) Amendment of Regents Policy 7102 – Policy on Appointment of Chancellors, the Charter of the Governance Committee, and the Schedule of Reports to the Regents, related to the recommendations of the Regents Working Group on Chancellor Search and Selection, as shown in Attachments 2to 4.

(2) Amendment of the Charter of the Health Services Committee and the Schedule of Reports to the Regents as shown in Attachments 4 and 5.

G. ***Annual Report on Compensated Outside Professional Activities for the Senior Management Group for Calendar Year 2019***

This item was not summarized.

Faculty Representative Bhavnani expressed the Academic Senate's severe and deep disappointment with item F above, *Amendment of Regents Policy 7102 – Policy on Appointment of Chancellors, the Charters of the Governance Committee and Health*

Services Committee, and the Schedule of Reports to the Regents. A letter from Robert May, the previous Academic Senate Chair, and a letter from the Academic Council conveyed the Academic Senate's belief that this was not the best strategy for UC and that faculty had a key role to play in such appointments. The Academic Senate felt deep sadness that here was no desire to postpone a decision so that there could be discussion with faculty. There was no discussion with faculty prior to the production of this report.

Upon motion of Chair Pérez, duly seconded, the recommendations of the Governance Committee, with the exception of item A above, were approved, Regents Anguiano, Butler, Cohen, Elliott, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Mart, Muwwakkil, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Zettel voting "aye," and Regent Zettel abstaining on item F above.

Report of the Health Services Committee

The Committee presented the following from its meetings of June 17 and July 29, 2020:

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

This item was not summarized.

B. ***Hospital Bed Tower Replacement, UC Davis Health, Davis Campus***

This item was not summarized.

C. ***Proposed Request for Approval of the Health and Behavioral Sciences Building (HBS-ME Building), Merced Campus***

This item was not summarized.

D. ***California's Medical Education Landscape***

Regent Lansing reported that the Committee discussed the shortage of physicians in California, as well as the shortage of diverse physicians. The Committee also discussed ways to attract people to medical school and practice in California.

E. ***Speaker Series – Clinical Care in the Wake of COVID-19: UC San Francisco Delegations to New York Presbyterian Hospitals and the Navajo Nation***

Regent Lansing reported that this was an extraordinarily moving presentation that made the Committee extremely proud of UC Health.

F. ***UC Health Fiscal Update and COVID-19 Recovery Strategies***

This item was not summarized.

G. ***Oversight Expectations Unique to Health Care Boards***

The Committee had deferred this item.

H. ***Approval of Extension of Appointment of and Compensation for Bradley Simmons as Interim Chief Executive Officer, UC Davis Medical Center, Davis Campus, in Addition to His Existing Appointment as Chief Operating Officer, UC Davis Medical Center, Davis Campus as Discussed in Closed Session***

This item was not summarized.

I. ***Update of COVID-19 Impact on the University of California: UC Health Issues***

This item from the Committee's July 29 meeting was not summarized.

Report of the Investments Committee

The Committee presented the following from its meeting of July 28, 2020:

A. ***Fiscal Year 2019–20 Update from the Chief Investment Officer***

Regent Sherman reported that Chief Investment Officer Bachher and his team provided a preliminary update on performance for the fiscal year ending June 30, 2020. Final investment returns would be provided at the September meeting.

B. ***Amendment of Investment Policy Statements and Guidelines (Regent Policies 6102, 6108, and 6109) and Rescission of Asset and Risk Allocation Policies (Regent Policies 6402, 6403, and 6404)***

The Committee recommended that the Regents , effective as of July 1, 2020:

(1) Amend and rename Regents Policy 6108 – UC Total Return Investment Pool Investment Policy Statement, as shown in Attachment 6.

(2) Amend and rename Regents Policy 6109 – Short Term Investment Pool Investment Policy Statement, as shown in Attachment 7.

(3) Amend and rename Regents Policy 6102 – UC General Endowment Pool Investment Policy Statement, as shown in Attachment 8.

(4) Rescind Regents Policy 6402: University of California General Endowment Pool Asset and Risk Allocation Policy, as shown in Attachment 9.

(5) Rescind Regents Policy 6403: University of California Total Return Investment Pool Asset and Risk Allocation Policy, as shown in Attachment 10.

(6) Rescind Regents Policy 6404: University of California Short Term Investment Pool Asset and Risk Allocation Policy, as shown in Attachment 11.

It is recommended that the Regents confirm, ratify, and approve all actions heretofore taken on or after July 1, 2020 by the Office of the Chief Investment Officer consistent with the investment policies and guidelines included in the foregoing recommendations.

Regent Sherman reported that these changes would apply to the General Endowment Pool, Total Return Investment Pool, and Short Term Investment Pool. The pension would be addressed at the September meeting. This action would change the asset allocations for these three pools in order to increase projected returns without significantly increasing risk as measured by volatility. Changes would be required in the actual policy statements.

C. ***Amendment of the University of California Retirement Savings Program Plan Documents to Allow Plan Distributions for a Deferred Annuity Purchase***

The Committee recommended approval of the following items in connection with the UC Retirement Savings Program plan:

(1) Amendment of the 403(b), 457 (b), 401 (a) Defined Contribution Plan (DCP) plan documents to allow a plan distribution for current employees and retirees to purchase a deferred annuity beginning at age 62.

(2) The President of the University be authorized to implement these approved changes, and the Plan Administrator be delegated authority to subsequently amend the Retirement Savings Program (RSP) plan documents as necessary to implement the approved changes.

Regent Sherman reported that this action would give participants the ability to choose to have a lifetime annuity begin at age 78. Participants would be able to purchase the annuity with 25 percent of the balance of their fund.

D. ***Update on Diversity, Equity, Inclusion and Sustainable Investing***

Regent Sherman reported that the Office of the Chief Investment Officer (CIO) would present data on this topic using a dashboard every quarter and that the Office had moved a significant amount of money into this area, increasing the diversity of managers. The Office of the CIO planned to be intentional and accountable, and it planned to be a national leader in this effort.

Upon motion of Regent Sherman, duly seconded, the recommendations of the Investments Committee were approved, Regents Anguiano, Butler, Cohen, Elliott, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Mart, Muwwakkil, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Zettel voting "aye."

Report of the National Laboratories Committee

The Committee presented the following from its meeting of July 29, 2020:

A. ***Allocation of LLC Fee Income to be Expended in Fiscal Year 2020-21***

The Committee recommended that the President of the University be authorized to expend an estimated $23.7 million from the University's net share of Triad National Security, LLC (Triad) and Lawrence Livermore National Security, LLC (LLNS) income earned in the respective LLC 2020 fiscal years (FY), as projected by the LLCs, for the purposes and in the amounts described below:

(1) The University's contractually-required share of compensation-related costs for LLC employees that are not reimbursed by the federal government under the prime contracts. Compensation for LLC employees in key personnel positions is paid by the LLCs as approved by the LLC governing board. A portion of these compensation-related expenses are deemed non-reimbursable by the federal government. Moreover, Triad LLC pays labor-related costs associated with the UC/LANL Entrepreneurial Postdoctoral Fellowship Program up to $400,000 per year. The amount of UC's contractual share of unreimbursed compensation for UC-designated key personnel positions, in addition to the costs associated with the UC/LANL Entrepreneurial Postdoctoral Fellowship Program, for FY 2020–21 is estimated at $1.8 million.

(2) An appropriation to the Office of the President's budget for federally unreimbursed costs of University oversight of its interests at LANL and LLNL, paid or accrued July 1, 2020 through June 30, 2021, including, but not limited to, an allocable share of the costs of the President's Executive Office, the Provost, the Academic Senate, Human Resources, Compliance and Audit, Financial Accounting, UC National Laboratories (UCNL), Federal Government Relations, Office of Research and Graduate Studies, Office of the General Counsel, Office of the Secretary and Chief of Staff to The Regents, Office of the President facility charges, and the University-appointed Governors on the Boards of the LLCs, in the amount of $5.9 million for FY 2020–21. Any unspent funds allocated for this purpose will be transferred, at the President's discretion, to the UC Laboratory Fees Research Program (paragraph 5 below), to one or more of the UCNL reserve funds identified herein, or for extraordinary expenses related to COVID-19 (paragraph 11 below).

(3) No appropriation to the LLNS/LANS Post-Contract Contingency Fund (PCCF) for FY 2020-21. The balance in the LANS/LLNS PCCF as of May 31, 2020 is $18.0 million. The target balance for the LLNS/LANS PCCF approved by the Regents in 2013 is $27 million, which includes about $7 million held as equity in the LANS and LLNS LLC accounts. No appropriation is proposed due to anticipated extraordinary expenses related to COVID-19 (paragraph 11). Any income generated by the PCCF reserve fund under the University's Short Term Investment Pool (STIP) shall be reserved exclusively for the LLNS/LANS PCCF.

(4) The Regents previously approved a target balance for the LLC Fee Contingency Fund of $7 million. This reserve fund is currently fully funded with a balance of $7 million as of May 31, 2020. No allocation to the Fund is required for FY 2020–21. Any income generated by the LLC Fee Contingency Fund under the University's STIP shall be reserved exclusively for the LLC Fee Contingency Fund.

(5) An appropriation in the amount of $10 million for FY 2020–21 for the UC Laboratory Fees Research Program and other research relevant to the missions of the National Laboratories and the University, including the UC-National Laboratory Graduate Student Fellowship Program, subject to any reallocation up or down required after the end of LLC 2020 fiscal years as a result of reporting by the LLCs of actual net fee income earned by the University in order to meet the ongoing appropriations under paragraphs (1) through (4) above and (6) through (11) below. In the event all or part of this funding for the UC Laboratory Fees Research Program is not needed in FY 2020–21, the funding will be carried over to FY 2021–22 for the same purpose.

(6) The Regents previously approved appropriations in the amount of $300,000 per year for FYs 2016–17 through 2018–19, with unspent funds carried forward for the same purpose, to fund an affiliation agreement between the University and the Livermore Lab Foundation. Of the $900,000 appropriated for this purpose, $331,000 remains unspent as of May 31, 2020. No new appropriation is requested for FY 2020–21 but the unspent funds from prior appropriations may be used in FY 2020–21 to continue funding the affiliation agreement. If the remaining funds are not spent in FY 2020–21, the funding will be carried over to FY 2021–22 for the same purpose.

(7) An appropriation in the amount of $1 million for FY 2020–21 for the Accelerating Therapeutic Opportunities for Medicine (ATOM) collaboration. The Regents previously approved three appropriations for ATOM in the amounts of $1 million per year for FYs 2016–17 through 2018–19.

(8) An appropriation in the amount of $2.7 million for FY 2020–21 for the Capital and Campus Opportunity Fund (CCOF). Previous allocations to the CCOF total $4.8 million. The target allocation to this Fund is $10 million for the three-year period ending in FY 2021–22. Use of CCOF funds on specific projects would be subject to further Regental approval. Any income generated by this fund under the University's STIP shall be reserved exclusively for this fund.

(9) No appropriation in FY 2020–21 for the Triad Reserve Fund. Previous allocations to this fund total $2.15 million. The target balance for the Triad Reserve Fund is $10 million by 2028, at the end of the ten-year anticipated length of the Triad contract. Any income generated by this fund under the University's STIP shall be reserved exclusively for this fund. No appropriation is proposed due to anticipated extraordinary expenses related to COVID-19 (paragraph 11).

(10) An appropriation in the amount of $1 million for FY 2020-21 for the purpose of business development. This funding would support the University's efforts to explore and develop opportunities to participate in the management of one or more DOE National Laboratories and other Federally Funded Research and Development Centers (FFRDCs) beyond the current three UC-affiliated National Laboratories. Formal bids on specific Laboratory or FFRDC contracts would be subject to further Regental approval. In the event all or part of this funding for business development is not spent in FY 2020–21, the funding will be carried over to FY 2021–22 for the same purpose.

(11) An appropriation in the amount of $1.3 million for FY 2020–21 for the purpose of extraordinary expenses at UC's affiliated National Laboratories related to COVID-19. It is anticipated that one or more of UC's three affiliated National Laboratories may incur expenses related to the COVID-19 pandemic that are not reimbursed by the federal government. Any portion of this $1.3 million unspent in FY 2020–21 will be transferred, at the President's discretion, to the UC Laboratory Fees Research Program (paragraph 5 above) or one or more of the UCNL reserve funds (paragraphs 3, 8, and 9 above).

Regent Zettel reported that this proposal was similar to that of the previous year, with the exception of a $1.3 million COVID-19 expenditure. She noted that one Committee member voted "no" on this item.

Regent Cohen explained that, while this was not a large amount of money, it was money over which the Regents had discretion. Given the financial concerns that the Regents discussed at this meeting, this money should have been considered as a means to avoid layoffs, provide financial aid, or provide other services to students. He was not opposed to the programs that would be funded by this proposal.

B. ***Approval of Use of Capital and Campus Opportunity Fund for Revitalization of Hertz Hall Complex at Lawrence Livermore National Laboratory***

The Committee recommended that the President of the University be authorized to expend up to $5 million of Capital and Campus Opportunity Fund monies for the Hertz Hall Complex revitalization project.

Regent Zettel reported that the expenditure was approved in February 2020. The Hertz Hall Complex was a set of three UC-owned buildings on a site administered through a ground lease between the U.S. Department of Energy, the National Nuclear Security Administration, and the Regents. The two older buildings faced challenges due to deferred maintenance and incomplete repairs. The Committee approved this item unanimously.

Upon motion of Regent Zettel, duly seconded, the recommendation in item B above, *Approval of Use of Capital and Campus Opportunity Fund for Revitalization of Hertz Hall Complex at Lawrence Livermore National Laboratory*, was approved, Regents Anguiano, Butler, Cohen, Elliott, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Mart, Muwwakkil, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Zettel voting "aye."

Upon motion of Regent Zettel, duly seconded, the recommendation in item A above, *Allocation of LLC Fee Income to be Expended in Fiscal Year 2020-21*, was approved, Regents Anguiano, Butler, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Mart, Muwwakkil, Napolitano, Ortiz Oakley, Pérez, Reilly, Sherman, Stegura, and Zettel voting "aye" and Regents Cohen, Elliott, and Park voting "no."

Report of the Public Engagement and Development Committee

The Committee presented the following from its meeting of July 22, 2020:

A. ***Legal Guidelines for Participation in Ballot Campaigns: California 2020 Ballot Initiatives – Propositions 14 and 16***

Regent Leib reported that he and Regent Stegura had formed a working group to analyze Proposition 16's potential impact on the University's activities. Regent Butler would be chairing this working group, and other members would include Chair Pérez and Regents Leib, Stegura, and Muwwakkil.

B. ***Student Voter Registration Efforts***

Regent Leib reported that there was robust discussion on student efforts on campus.

C. ***State and Federal Government Update***

This item was not summarized.

D. ***Update on Plans for the University of California Center in Sacramento***

Regent Leib reported that he and Regents Kieffer and Reilly were participating in fundraising efforts for the Center.

E. ***Future Committee Topics for the Upcoming Year***

Regent Leib reported that outreach to the University's various constituencies that was meant to be done in person would now be done via video conference meetings.

Report of the Special Committee on Basic Needs

The Special Committee presented the following from its meeting of July 28, 2020:

Financial Aid Offer Letters

Regent Muwwakkil reported that the Committee reviewed elements of financial aid offer letters, best practices for delivering financial aid information, how campuses implemented those practices, and avenues for improvement. He thanked Regent Stegura for bringing this topic to the Committee's attention and advocating for its discussion. The Committee suggested sending the offer letters in multiple languages, which was not currently done.

Report of the Special Committee on Nominations

The Special Committee presented the following from its meeting of July 29, 2020:

Appointment of Regents-Designate, Faculty Representatives, and Chancellor as Advisory Members to Standing Committees for 2020–21

The Special Committee recommended that:

A. Regents-designate be appointed as advisory members of Standing Committees, effective immediately through June 30, 2021, as follows:

(1) Regent-designate Lott be appointed as an advisory member of the Finance and Capital Strategies Committee, the Investments Committee, and the Public Engagement and Development Committee.

(2) Regent-designate Torres be appointed as an advisory member of the Academic and Student Affairs Committee, the Investments Committee, and the Public Engagement and Development Committee.

(3) Contingent upon her appointment as student Regent for 2021–22, Regent-designate Zaragoza be appointed as an advisory member of the Academic and Student Affairs Committee and the Compliance and Audit Committee.

B. Faculty Representatives be appointed as advisory members of Standing Committees, effective September 1, 2020 through August 30, 2021 as follows:

(1) Faculty Representative Gauvain be appointed as an advisory member of the Compliance and Audit Committee, the Finance and Capital Strategies Committee, and the National Laboratories Committee.

(2) Faculty Representative Horwitz be appointed as an advisory member of the Academic and Student Affairs Committee, the Investments Committee, and the Public Engagement and Development Committee.

C. Chancellor Muñoz be appointed as an advisory member of the Finance and Capital Strategies Committee, the Investments Committee, and the Public Engagement and Development Committee.

Upon motion of Regent Sherman, duly seconded, the recommendation of the Special Committee on Nominations was approved, Regents Anguiano, Butler, Cohen, Elliott, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Mart, Muwwakkil, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Zettel voting "aye."

11. UNFINISHED BUSINESS

Amendment of Bylaw 21.7 – Regent Compensation

At the May 2020 meeting of the Board of Regents, notice was served that at the next regular meeting of the Regents, Bylaw 21.7 – Regent Compensation be amended as shown below.

Addition shown by underscoring

21.7 Regent Compensation.

No Regent shall receive salary or other compensation for service as a Regent, nor shall any Regent, other than the President of the University, be eligible for employment or appointment in any University-affiliated position. Notwithstanding the foregoing, the student Regent shall be eligible for part-time compensated University employment <u>and a scholarship per Regents Policy 1202: Policy on Appointment of Student Regent</u>. Within limits pursuant to University policy, Regents may be reimbursed for actual expenses incurred by reason of attendance at any Board or Committee meeting or in the performance of other official business of the University.

Chair Pérez stated that this amendment would allow the Student Regent to receive a stipend in addition to fee and tuition waivers.

Regent-designate Zaragoza asked how the amendment would affect financial aid. Typically, financial aid would be subtracted when scholarships are awarded. Mr. Robinson stated that he would respond to this question separately.

Chair Pérez asked whether there was any recusal requirement. Mr. Robinson stated that Regent Muwwakkil was required to recuse himself.

[At this point Regent Muwwakkil left the meeting.]

Upon motion of Chair Pérez, duly seconded, the recommendation of the Chair of the Board was approved, Regents Anguiano, Butler, Cohen, Elliott, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Mart, Napolitano, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Zettel voting "aye."

[At this point Regent Muwwakkil joined the meeting.]

12. **RESOLUTION IN APPRECIATION – JANET NAPOLITANO**

Upon motion of Chair Pérez, duly seconded, the following resolution was adopted, Regents Anguiano, Butler, Cohen, Elliott, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Zettel voting "aye" and President Napolitano abstaining.

WHEREAS, it is with great pleasure, mixed with regret, that the Regents of the University of California express their sincere appreciation to the 20th President of the University, Janet Napolitano, for her leadership in guiding the University through the latest chapter in its rich history, a period of great growth and great challenges; and

WHEREAS, her seven years as President have been the apex of a long and illustrious career of public service at the highest level, having been a federal prosecutor, Governor of Arizona, and the first woman to serve as Attorney General of Arizona, as Secretary of Homeland Security, and as President of the University of California, and over the course of this career she distinguished herself as a respected and a tireless administrator; and

WHEREAS, she brought to the presidency an audacious vision that UC should be a leader in innovating solutions to the major global challenges of our time, launching several presidential initiatives that benefit society, including the Global Food Initiative and the Carbon Neutrality Initiative, which commits UC to becoming carbon neutral by 2025, and establishing the National Center for Free Speech and Civic Engagement to ensure that the University of California, long regarded as a bastion of free speech, remains a safe and welcoming educational environment, as well as a national leader in restoring trust in the First Amendment; and

WHEREAS, she expanded student success and accessibility to a UC education for students from every walk of life, increasing undergraduate, underrepresented minority and transfer student enrollment, improving graduation rates, providing services for undocumented students, and addressing student basic needs, while maintaining the excellence for which UC is renowned, and;

WHEREAS, in recognition of her devoted service to the University of California, and taking solace in the fact that that she will continue as an active and vital participant in the life of the University as a professor at the Goldman School of Public Policy, bringing her vast experience to benefit the students at UC Berkeley, the Regents do hereby confer upon Janet Napolitano the title, President Emerita;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California wish to express to Janet Napolitano their heartfelt appreciation for her commanding and visionary leadership and indomitable spirit;

AND BE IT FUTHER RESOLVED that the Regents extend to Janet Napolitano their very best wishes as she transitions to the life of a faculty member, where she will be just a BART ride away, and the Regents further direct that a suitably inscribed copy of this resolution be presented to Janet as an expression of their deep and affectionate regard.

Regent Lansing expressed gratitude to President Napolitano on behalf of the Board. President Napolitano demonstrated unflappable and fearless leadership, as well as balancing strength with empathy and authenticity. She would leave behind an extraordinary legacy. She advocated for Deferred Action for Childhood Arrivals (DACA) students and would continue to advocate for them. She fought for diversity and access, and she increased financial aid. She addressed the SAT, food insecurity, and climate change. Under President Napolitano's tenure, the University developed a sexual violence and sexual harassment policy that has become a national model. UC's Principles Against Intolerance have also become a model for other universities. Regent Lansing thanked her for being such a strong advocate for UC Health, revitalizing it within the first six months of her leadership.

President Napolitano stated that leading the University had been a great opportunity, and it was an honor and privilege to work with the Regents. She encouraged all to keep building the University, which would certainly experience the near-term and long-term effects of the COVID-19 pandemic. With the Regents' strategic guidance and leadership, she believed that UC was in great hands. She thanked the Regents for their friendship and support during the past seven years.

13. 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 of Regents, the Chair of the Finance and Capital Strategies Committee, and the President of the University approved the following recommendation:

Authorization for Approval of External Financing

That the Regents authorize the President of the University to approve until July 1, 2021, one or more external finance transactions in an aggregate amount not to exceed $1,500 million, plus financing costs and refinancing amounts, for working capital and working capital related purposes.

Approvals by Committee Action

B. At its June 17 meeting, the Health Services Committee approved the following recommendations:

(1) ***Hospital Bed Replacement Tower, UC Davis Health, Davis Campus***

UC Davis Health's proposed presentation of the Hospital Bed Replacement Tower Project and subsequent requests to the Finance and Capital Strategies Committee at its future meetings to (1) approve preliminary plans funding and (2) approve the budget, external funding, and design pursuant to the California Environmental Quality Act (CEQA) for the Project.

(2) ***Proposed Request for Approval of the Health and Behavioral Sciences Building (HBS-ME Building), Merced Campus***

UC Merced's proposed discussion of the Health and Behavioral Sciences building (HBS-ME Building) with the Finance and Capital Strategies Committee, and, at subsequent Regents meetings, UC Merced's proposed requests to the Finance and Capital Strategies Committee for: (1) approval of preliminary plans funding, (2) approval of design pursuant to the California Environmental Quality Act (CEQA), and (3) approval of budget and construction financing.

14. **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 Executive Vice President of UC Health, a Coronavirus Update dated May 8, 2020, and a Novel Coronavirus (COVID-19) Situation Report dated May 7, 2020. May 8, 2020.

B. From the Chair of the Board, a recording of an interview with the Chair on KQED radio's "Political Breakdown," about lessons learned during the state's last economic crisis. May 13, 2020.

C. From the President of the University, a letter regarding the State budget situation and the impact on the University. May 14, 2020.

D. From the Chief Investment Officer, information regarding the University's Economic Advisory Group meeting of May 15, 2020. May 18, 2020.

E. From the President of the University, a letter to State Assemblymembers McCarty and Arambula, regarding the fiscal impact to the University of the COVID-19 pandemic and the University's efforts to address these impacts while maintaining student support, instruction, research, and patient care. May 18, 2020.

F. From the President of the University, a message to the University community regarding the fiscal challenges facing the institution and the actions that the President and chancellors are taking to address the situation. May 18, 2020.

G. From the President of the University, a press release announcing the selection of a Director of Intercollegiate Athletics at UCLA. May 19, 2020.

H. From the Chief Investment Officer, the newsletter of the National Association of Investment Companies, with an article regarding the effect of the University's diversity and inclusion report on other universities. May 22, 2020.

I. From the Executive Vice President of UC Health, a Coronavirus Update dated May 22, 2020. May 22, 2020.

J. From the President of the University, a letter to the Chairs of the State Senate Budget Subcommittee regarding the fiscal impact to the University of the COVID-19 pandemic and the University's efforts to address these impacts while maintaining student support, instruction, research, and patient care. May 22, 2020.

K. From the President of the University, the University Consensus Standards for Operation of Campus and ANR Locations in Light of the SARS-CoV-2 Pandemic. May 22, 2020.

L. From the Chief Investment Officer, news media reports about a letter from the Reverend Al Sharpton to universities on diversity among endowment managers. May 26, 2020.

M. From the Executive Vice President of UC Health, a Coronavirus Update for May 29, 2020. May 29, 2020.

N. From the Chair of the Board and the President of the University, a statement on protests and violence following the death of George Floyd. May 31, 2020.

O. From the Vice President and General Counsel, the *Bi-monthly Report of New Litigation* for reporting period of February 1 to March 31, 2020. June 1, 2020.

P. From the Secretary and Chief of Staff to the Regents, an email regarding the new Alumni and Student Regents-designates. June 4, 2020.

Q. From the Chair of the Board and the President of the University, a letter regarding the State Senate and Assembly's proposal for a 2020-21 budget plan that aligns with the Governor's January budget for the University. June 4, 2020.

R. From the Secretary and Chief of Staff to the Regents, the Summary of Communications Received for May 2020. June 5, 2020.

S. From the Executive Vice President of UC Health, a Coronavirus Update for June 5, 2020, and a statement from the UC Systemwide Testing and Tracing Task Force. June 5, 2020.

T. From the President of the University, the *2020-21 Annual Report on Self-Supporting Graduate Professional Degree Programs*. June 5, 2020.

U. From the Executive Vice President of UC Health, a Coronavirus Update for June 12, 2020. June 12, 2020.

V. From the President of the University, a letter regarding the substantial completion of the UC Merced 2020 Project. June 15, 2020.

W. From the President of the University, a letter regarding Senate Bill 74 (Mitchell), the *Budget Act of 2020*. June 16, 2020.

X. From the Associate Vice President of State Government Relations, an email announcing that the State Senate Rules Committee voted unanimously to approve the Governor's appointment of Regent Reilly to the UC Board of Regents. June 17, 2020.

Y. From the Chair of the Board and the President of the University, a press release and a message announcing the U.S. Supreme Court's ruling striking down an Executive Branch attempt to end the Deferred Action on Childhood Arrivals (DACA) program. June 18, 2020.

Z. From the Systemwide Human Resources Office, an analysis of the benefits of the CARES Act Relief Provisions adopted in the UC Retirement Savings Program. June 18, 2020.

AA. From the Executive Vice President of UC Health, a Coronavirus Update for June 19, 2020. June 19, 2020.

BB. From the Chair of the Board, a link to the Chair's appearance on the show "Political Breakdown," on KQED radio: "John Pérez on a Historic Week at the Supreme Court and the Push to Bring Back Affirmative Action in California." June 19, 2020.

CC. From the President of the University, a letter regarding the conclusion of the Legislature's budget committee process to finalize the State's budget plan for 2020–21. June 24, 2020.

DD. From the Chief Investment Officer, a press release announcing that the University has invested in The SpringHill Company, a diverse global consumer and entertainment brand dedicated to empowerment. June 24, 2020.

EE. From the Provost and Executive Vice President, a letter announcing that Yvette Gullatt has been appointed to the dual roles of Vice President for Graduate and Undergraduate Affairs and Vice Provost for Equity, Diversity and Inclusion at the UC Office of the President. June 25, 2020.

FF. From the Chair of the Board and the President of the University, an email announcing that UC San Francisco was the victim of a recent ransomware attack and a statement by Chancellor Hawgood announcing that a limited part of the UC San Francisco School of Medicine's IT environment had suffered a malware attack. June 26, 2020.

GG. From the Secretary and Chief of Staff, a letter announcing the appointments to the Regents Special Committee on Basic Needs. July 2, 2020.

HH. From Regent Zettel, a letter and press release announcing the retirement of the Director of Lawrence Livermore National Laboratory. July 7, 2020.

II. From the President of the University, an email forwarding a letter written by the Chair of the Academic Senate regarding the Senate's support of Assembly Constitutional Amendment 5 (ACA-5) and the repeal of Proposition 209. July 7, 2020.

JJ. From the Chair of the Board, an email with a link to a press release announcing that the University is poised to sue the federal government over a new visa policy for international students. July 9, 2020.

KK. From the Executive Vice President of UC Health, a Coronavirus Update for July 10, 2020. July 10, 2020.

LL. From the Vice President and General Counsel, an email regarding U.S. Immigration and Customs Enforcement's (ICE's) rescinding the July 6 Directive limiting the ability of international students to receive instruction online. July 14, 2020.

MM. From the Chair of the Board and the President of the University, a statement on the Department of Homeland Security's reversal of the international student visa order. July 14, 2020.

NN. From Regent Park, the Report of the Regents Working Group on Chancellor Search and Selection. July 14, 2020.

To the Members of the Finance and Capital Strategies Committee:

OO. From the President of the University, the *Significant Information Technology Projects Report* for January 1 through April 30, 2020. July 2, 2020.

To the Members of the Governance Committee:

PP. From the President of the University, the *Annual Report on Executive Compensation* for calendar years 2015, 2016, 2017, and 2018. June 17, 2020.

To the Members of the Investments Committee:

QQ. From the Chief Investment Officer, an email regarding the diversified returns program, goals, and initiatives. May 22, 2020.

To the Members of the Public Engagement and Development Committee:

RR. From the Associate Vice President, External Relations and Communications, the Federal Update, 2020, Issue 5. May 29, 2020.

Chair Pérez asked to adjourn the meeting in memory of the late U.S. Representative John Lewis. In reflecting on Congressman Lewis' passing, Chair Pérez quoted the metaphysical poet, John Donne, who in "Meditation 17" wrote, "Any man's death diminishes me, because I am involved in mankind." Congressman Lewis' death has affected many people, especially those who have fought for equality and justice. He arranged for his last words to be printed on the day of his funeral in *The Atlanta Journal-Constitution*. Chair Pérez shared the following excerpt from Congressman Lewis' last words: "While my time here has now come to an end, I want you to know that in the last days and hours of my life you inspired me. You filled me with hope about the next chapter of the great American story when you used your power to make a difference in our society… Though I may not be here with you, I urge you to answer the highest calling of your heart and stand up for what you truly believe… Now it is your turn to let freedom ring."

The meeting adjourned at 5:05 p.m.

Attest:

Secretary and Chief of Staff

Attachment 1

UNIVERSITY
OF
CALIFORNIA

Fiscal Year 2020-21 Budget for UC Office of the President

July 30, 2020

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA:

FISCAL YEAR 2020-21 BUDGET FOR THE UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT (UCOP)

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FY20-21 SITUATION ASSESSMENT

The FY20-21 University of California Office of the President (UCOP) budget reflects an annual operating plan developed during an extended period of economic uncertainty. The COVID-19 pandemic was not well understood when planning for the FY20-21 budget kicked off, and the full impact still remains unknown.

The budget presented in this item reflects contributions from the Executive Budget Committee (EBC) which is comprised of senior academic and financial leaders from all the campuses as well as leadership from the Academic Senate and UCOP. The EBC collaborates with UCOP leadership to deploy resources in ways that best serve the mission and the campuses. Throughout the UC system, UCOP and campuses are concerned about revenue, operational disruption, and impacts to teaching, research and public service.

UCOP has prepared a fiscally conservative, balanced FY 20-21 budget based on the anticipated 12.7% reduction in State direct appropriation communicated in the June State of California budget. Overall, UCOP's proposed budget is reduced by 8.5% compared to FY19-20, while continuing critical support for valued programs and services, absorbing unavoidable annual cost increases, and advancing important projects that show return on investment, or long-term savings to the system.

EXECUTIVE SUMMARY

UCOP started the FY20-21 budget cycle in December 2019 at a time of economic growth and stability. Through March 2020, the budget process proceeded normally with UCOP divisions identifying priorities for the coming fiscal year, but with the assumption that the State's direct appropriation would continue to be held flat for the fourth consecutive year with no campus assessment to augment unrestricted funding permitted. Having redirected $166.3M in unrestricted funds from UCOP to the campuses over the past three years, this budget planning cycle began with the goal of closing the unrestricted funding gap created by the transition from an assessment to direct appropriations.

On March 19, 2020 Governor Newsom issued a shelter-in-place order, and an unprecedented level of uncertainty was introduced for the University, California, and the nation. The COVID-19 pandemic has and will continue to have profound consequences, and conservative, disciplined financial planning is required now more than ever. UCOP originally prepared a budget for the May meeting that would close the unrestricted funding gap and reduce the UCOP budget overall by 5%. Just prior to the meeting, the Governor's May revised budget was published with a 10% reduction to UCOP's appropriation. The UCOP budget was appropriately withdrawn and replaced with a continuing resolution.

The June State budget agreement states that, in the absence of federal funding, the UCOP appropriation will be reduced from FY19-20 by $43.2M to $297.0M, or 12.7%. To achieve this goal in the short time available, UCOP substantially slowed the rate of expenditures through a hiring freeze, travel restrictions, limited funding for the President to respond to emergent priorities, contract renegotiations and delayed investments. Many of these reductions are not repeatable or sustainable in future years, and some are not without consequence to the campuses. In response to the University's rapidly-changing circumstances, the proposed July budget, reduced 8.5% in total from FY19-20, satisfies three objectives:

- ***Reduce the budget*** by 8.5% in total, including a 12.7% reduction from State appropriations
- ***Balance the budget*** by fund type and align to available financial resources
- ***Mitigate the financial impact to campuses*** from budget changes in FY20-21

The FY20-21 UCOP Budget

UCOP organizes its budget according to three different categories defined below.

Sources of Funds	Uses of Funds	Special Expense Classifications

• Unrestricted
• Designated
• Restricted
	• Programs and Initiatives
	• Central and Administrative Services
	• UCPath
	• Strategic Priorities Funds
	  o Unrestricted
	  o Designated/Restricted
		• Pass-through
		• Fee-for-Service

In addition to the Sources and Uses of Funds, UCOP shows **pass-through** dollars which flow through the UCOP budget to campuses, researchers, and the public for systemwide programs. The largest programs are Agriculture and Natural Resources, and the statewide Tobacco-Related Disease Research Program, managed by Academic Affairs. Systemwide **fee-for-service** activities are provided by UCOP to campuses on a fee basis. The largest fee-for-service activities include UCPath, legal services, and management of investment assets and employee/retiree benefits. The three budget categories are displayed in Figure 1.

Figure 1: FY20-21 Budget Summary by Category

$ millions

	FY20-21 Budget	% of Total
Sources of Funds		
Unrestricted	$ 238.6	27.5%
Designated	$ 421.5	48.5%
Restricted	$ 208.5	24.0%
Total Sources	**$ 868.6**	**100.0%**
Uses of Funds		
Programs and Initiatives	$ 357.1	41.4%
Central/Admin Services	$ 381.3	44.2%
UCPath	$ 90.1	10.5%
Strategic Priorities Fund, Unrestricted	$ 20.0	2.3%
Strategic Priorities Fund, Desig. & Restricted	$ 13.5	1.6%
Total Uses	**$ 862.0**	**100.0%**
Special Expense Classification		
Pass-Throughs	$ 310.9	36.1%
Fee-For-Service	$ 281.0	32.6%
Total Special Expense Classification	**$ 591.9**	**68.7%**
Budget Net of Expense Classification	**$ 270.1**	**31.3%**

***73%** of the sources of funds are designated for specific programs and services or restricted for use by a third party.*

***41%** 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.*

***31%** is the remaining UCOP budget net of dollars passed through UCOP to recipients across the State and fee-for-service activities.*

Key Budget Drivers

The proposed FY20-21 budget reflects a total reduction of $79.7M or 8.5% from FY19-20. Reductions come primarily from cuts to unrestricted expenditures and reduced revenues from restricted revenue programs. Designated funds show a slight reduction with lower expenditures for UCPath and other fee-for-service and administrative programs.

UCOP implemented significant cost reduction measures in light of the current environment. The budget includes $114M in reductions offsetting $34M in strategic investments for a net reduction of $80M. UCOP has:

- Directed divisions to identify 9% in operating expense reductions on unrestricted funds
- Eliminated the annual merit program for non-represented staff
- Implemented a hiring freeze for the full fiscal year
- Eliminated travel budgets through December 2020
- Reduced the unrestricted Strategic Priorities Fund by 33%, from $30M to $20M
- Adjusted revenue projections for tobacco-related diseases research
- Retained revenues from UC applications to support the ApplyUC system; and
- Redirected CENIC (a systemwide high-capacity computing internet service) and UCOP's contribution to systemwide library content purchases to campus fee-based services. To mitigate the FY20-21 campus impact of these and ApplyUC, UCOP will take a one-time distribution from the President's Endowment Fund of $19.6M.

Each year, UCOP typically faces inflationary cost increases, including compensation and benefit changes, escalations to service contracts such as audit fees, technology licenses, and other costs primarily associated with the critical administrative services UCOP manages. For FY20-21, UCOP included only critical and essential budgeted increase including:

- Business development opportunities for the national labs, approved by the Regents committee
- Prior commitments to faculty diversity, California Digital Library (CDL) and research programs
- Required improvements to the retirement benefits administration system
- Required UCPath efforts to update general ledger integrations and transition to a new hosting service which will generate future savings
- Required transition to Oracle finance and budget systems and contractual increases to multiple systemwide technology licenses
- Support for Title IX administration
- Risk mitigation areas that prevent potential exposures

The initial review of the UCOP-wide and divisional augmentation needs, many of which came from divisional strategic plan goals, resulted in several requests being denied or reduced. To achieve the final proposed budget, most proposed augmentations were denied, for example:

- Expanded academic programs, library collections, and academic personnel management
- Increased funding for outside legal fees on campus matters per trend analysis; and several in-house positions to offset outside counsel expenses
- Delayed support for new UC Health collaborative initiatives to preserve medical center funding
- Enhanced global investments compliance and development of a real estate management practice
- Expanded systemwide sourcing capabilities and funding for campus building assessments
- Additional systems vulnerability testing
- An annual review of SMG market reference zones
- Building and marketing the UC brand

These items reflected both service delivery opportunities and enhanced risk mitigation strategies. While the President, Executive Budget Committee, and division leaders acknowledge the potential of many of these investments to maintain effectiveness and/or serve the mission, the final budget eliminated them.

Budget Risks

The proposed UCOP budget carries greater risk than in a typical year. Systemwide decisions and other impacts related to COVID-19 may yet further impact the UCOP budget. The hiring freeze will place additional workload on the existing workforce which, exacerbated by the eliminated merit program, could increase workforce disruption and year-end retirements. Some FY20-21 projects will be deferred, and service levels may need to be adjusted. Eliminating travel for the first half of the year could become an issue if COVID-19 restrictions subside sooner than anticipated. Perhaps most significant, the unrestricted Strategic Priorities Fund, reduced to $20M, will have little funding to respond to COVID-19 or other urgent/emergent issues that arise during the year, or priorities the incoming president may set.

FY19-20 to FY20-21 Budget Summary

Figure 2 summarizes and compares the proposed FY20-21 budget with the current budget, including fund balances and reserves. This format is adapted from a California State Auditor recommendation.

Figure 2: FY19-20 to FY20-21 Budget Summary[1]

UCOP Proposed Budget Summary (Adapted from CSA Figure 11[1])
Overall UCOP

$ in millions

	FY19-20 Budget	FY19-20 Forecast	Variance: Inc/(Dec) FY19-20 Forecast vs FY19-20 Budget	FY20-21 Budget	Variance: Increase/(Decrease) FY19-20 Forecast vs FY20-21 Budget	Variance: Increase/(Decrease) FY19-20 Budget vs FY2021 Budget
UCOP USES[2]						
Programs and Initiatives[3]	$ 408.2	$ 406.5	($1.7)	$ 357.1	($49.4)	($51.1)
Central and Administrative Services (excl UCPath)[4]	409.8	408.9	(0.9)	381.3	(27.6)	(28.5)
Strategic Priorities Fund[5], Unrestricted	30.0	27.3	(2.7)	20.0	(7.3)	(10.0)
Strategic Priorities Fund[5], Desig. & Restricted	-	-	-	13.5	13.5	13.5
SUBTOTAL USES	**$ 848.0**	**$ 842.8**	**($5.3)**	**$ 771.9**	**($70.8)**	**($76.1)**
UCPath	93.7	91.8	(1.9)	90.1	(1.7)	(3.6)
TOTAL USES	**$ 941.7**	**$ 934.6**	**($7.2)**	**$ 862.0**	**($72.5)**	**($79.7)**
		% Spent:	99.2%		% Change:	-8.5%
					% Change Unrestricted:	-16.6%
INCLUDED IN USES ABOVE						
Fee-For-Service[6]	$ 276.9	$ 274.7	$ (2.2)	$ 281.0	$ 6.3	$ 4.1
Pass-Throughs[7]	364.5	372.7	8.2	310.9	(61.8)	(53.6)
Total Fee-For-Service and Pass-Throughs	**$ 641.4**	**$ 647.4**	**$ 6.0**	**$ 591.9**	**$ (55.5)**	**$ (49.5)**

CENTRAL OPERATING RESERVE[8,9]	**$ 15.0**
NON-OPERATING AND PROGRAM RESERVES[8]	**$ 97.9**

	6/30/20 Balance	Commitments	Remaining Balance
FORECASTED FUND BALANCES NET OF RESERVES[10]			
Undesignated - UCOP	$ 2.6	$ 1.5	**$ 1.1**
Undesignated - Systemwide	5.4	5.4	**-**
Designated[11]	92.6	22.4	**70.2**
Restricted[11]	3.6	-	**3.6**
Total Forecasted Fund Balances Net of Reserves	**$ 104.1**	**$ 29.3**	**$ 74.8**

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 F1
6 Additional details on pg 12.
7 Additional details on pg 11.
8 Additional details in Schedule G.
9 Held in President's Endowment Fund.
10 Additional details in Schedule H.
11 Designated and Restricted fund balances are intended for their original purpose

FY20-21 Budget: Key Takeaways

Budget Summary

1. The UCOP proposed **$862M** budget is an **$80M (8.5%) reduction** compared to FY19-20.
2. Net of pass-through and fee-for-service activities, the budget is **$270M** (**10%**) lower than FY19-20.
3. UCOP **took aggressive measures to lower costs** across programs and initiatives, central and administrative services, UCPath operations, and the Strategic Priorities Fund.
4. Significant cuts do not come without **notable risks** including limited funding for COVID-19 related costs or other urgent needs related to the many academic and administrative programs UCOP manages.
5. To **mitigate the campus impact** for CENIC, ApplyUC and systemwide library purchases in FY20-21, UCOP will take a one-time, $19.6M distribution from the President's Endowment Fund for the campuses.
6. UCOP and the EBC will continue to monitor the UCOP budget throughout FY20-21, including managing the impact of systemwide and other COVID-19-related decisions.

Programs and Initiatives (P&I) (Schedule C)

7. The FY20-21 budget for Programs and Initiatives is **$357M** (**41%**) of the UCOP total budget.
8. State and federal programs make up **$256M** of the P&I budget; Agriculture and Natural Resources (ANR) and the Tobacco-related Disease Research Program (TRDRP) comprise **$220M** of that total.
9. Expense projections are **$51M** (**12%**) lower due to less revenues for TRDRP, UC National Laboratories research funds, and a refinanced loan for the UC Observatories.
10. **Pass-through** funding makes up **$311M** (**36%**) of the total budget; these funds are distributed to campuses, and researchers, K-12 programs, and other recipients throughout California in support of the University's teaching, research and public service mission.

Central and Administrative Services (CAS) and UCPath (Schedule D)

11. The FY20-21 budget for Central and Administrative Services is **$381M** (**44%**) of the UCOP total budget.
12. The CAS budget supports critical **systemwide services** in finance, human resources, compliance, legal, health, communications, government relations and others.
13. The CAS budget is **$29M** (**7%**) lower than FY19-20; reductions are driven primarily by hiring and travel freezes, targeted cuts to unrestricted division budgets, and the transition of CENIC and systemwide library collections to campus fee-based service models (supported in FY20-21 by a one-time PEF distribution).
14. The **UCPath operations budget** of $90.1M is down from $93.7M in FY19-20 or 3.8% despite significant service growth now that all campuses are live with UCPath.
15. **Fee-for-Service** activities, primarily in the CAS budget, make up **$281M** (**33%**) of the total budget

Strategic Priorities Funds (SPF) (Schedules F1 and F2)

16. The Unrestricted Strategic Priorities Fund is reduced from **$30M** to **$20M**, a **33%** cut. The fund is almost entirely committed at the time of this budget proposal.
17. A new **Designated/Restricted Strategic Priorities Fund** is included to recognize that other major projects and one-time needs have designated or restricted funds to support them and should not be part of a department's operating budget.

Fund Balances and Reserves (Schedules G, H)

18. Unrestricted fund balances are forecasted to be **$1.1M**, a **97%** reduction from the current year.
19. Designated fund balances are primarily held by UCNL from lab fees collected from the management of multi-billion-dollar federal lab contracts. Fund balances are reviewed by the Regents Labs Committee each July. **UCNL balances are 76% of total fund balances.**
20. Total reserve balances are $112.9M, forecasted as of June 30, 2020. The majority of the reserves support multi-billion-dollar systemwide national lab contracts and the housing loan programs.

BACKGROUND

About the University of California (UC)

As the largest university system in the nation, UC serves more than 285,000 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, UC 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 committed to access, affordability, and excellence with five of the ten campuses designated as Hispanic Serving Institutions (HSIs) for maintaining undergraduate Hispanic enrollment at or above 25%.

UC is a $5 billion research enterprise that receives roughly 10% of total federal research dollars awarded annually. A network of libraries house nearly 40 million print volumes, second only to the Library of Congress. Seven UC campuses are members of the prestigious Association of American Universities (AAU), and UC is the only university to manage more than two national laboratories. Approximately 4.7 million outpatient visits take place across the UC health centers each year.

About the University of California Office of the President (UCOP)

UCOP is the systemwide headquarters of the University of California. UCOP employees manage academic programs and business operations supporting the university's research, teaching and public service mission. UCOP's FY20-21 budget of $862.0M is approximately 2.2% of total UC expenditures (over $40 billion per the FY2019 financial statement). The budget primarily supports two areas described below:

1. **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 promote access and diversity through its outreach programs. Approximately 36% of the UCOP budget passes through these UCOP programs. Examples include:

   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

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

   - ✓ UCPath
   - ✓ Retirement Center
   - ✓ Risk services/insurance
   - ✓ Capital financing and bonding
   - ✓ Corporate accounting
   - ✓ Employee benefit programs
   - ✓ HR/Career Tracks
   - ✓ Labor negotiations
   - ✓ Information technology
   - ✓ Student Aid
   - ✓ UG/Transfer Admissions
   - ✓ General Counsel
   - ✓ Government Relations
   - ✓ Compliance and audit
   - ✓ Energy purchases

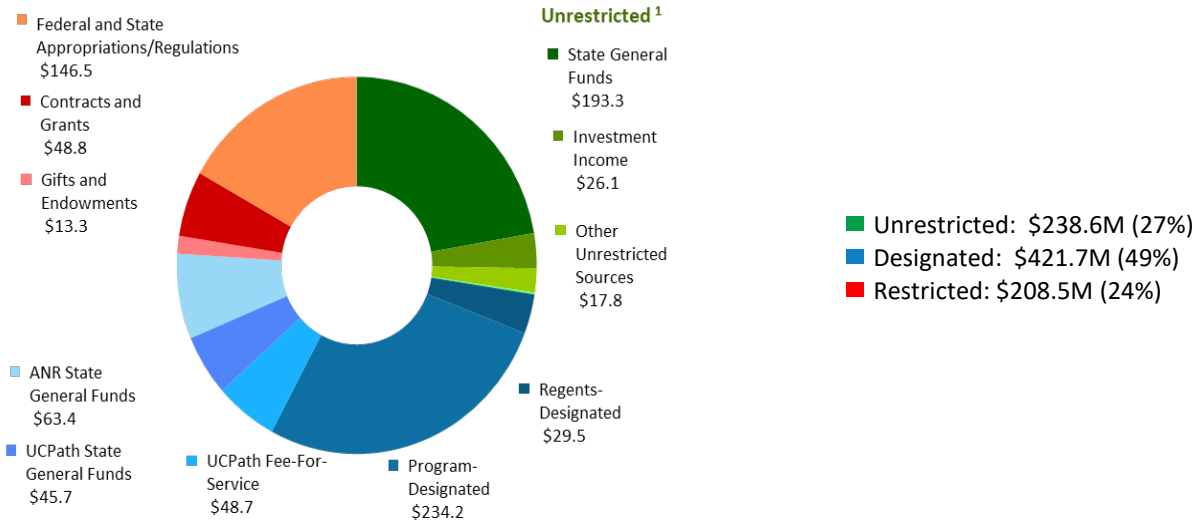
FY20-21 UCOP BUDGET

UCOP's total proposed budget for FY20-21 is $862.0M. UCOP budgets sources and uses of funds. The following sections describe the sources and uses, which are also detailed in **Schedules A-E**.

Sources of Funds

In FY20-21, UCOP's budget provides sources totaling $868.8M which are detailed in the attached **Schedule A.** As shown in Figure 3 below, **73% of fund sources are either restricted or designated**. The June State budget agreement states that, in the absence of federal funding, the three UCOP appropriations (for UCOP, UCPath, and ANR) will be reduced from FY19-20 by $43.2M to $297.0M, or 12.7%. For UCPath, the State budget appropriation reduces State funds by 12.7%, but allows for an increase in the fee-for-service to a level of not to exceed the FY19-20 budget. The three State General Funds appropriations comprise 34% of UCOP budgeted sources of funds.

Figure 3: Sources of Funds
$ in millions



[1] Unrestricted State General funds include $187.9M in direct appropriation, as well as State funds appropriated for faculty diversity and UC's capital program. $1.5M in Undesignated fund balances are also included in the Unrestricted sources.

Due to timing of sources and uses, the net margin reflects a surplus of $6.7M in designated and restricted funds for FY20-21. Surplus funds, primarily from UCNL and the mortgage program, will be used in subsequent years and/or added to the fund balances for future expenditures. The implementation of a new UCOP budgeting system in FY19-20 enabled the capability of separately budgeting sources and uses and reporting net margin. Additional information can be found in Schedule B. Figure 4 below shows the source changes between FY19-20 and FY20-21 by fund type.

Figure 4: Change in Sources of Funds

$ millions

Fund Type	FY19-20 Budget	FY20-21 Budget	$ Incr/(Decr)	% Incr/(Decr)
Unrestricted	$ 286.0	$ 238.6	($47.4)	(16.6%)
Designated	$ 427.7	$ 421.5	(6.2)	(1.4%)
Restricted	$ 228.0	$ 208.5	(19.5)	(8.6%)
Total	**$ 941.7**	**$ 868.6**	**($73.1)**	**-7.8%**

- *Significant reduction on Unrestricted funds to balance the budget and reflect the reduced State appropriation*
- *Reduction on Designated funds driven by ANR and UCPath State appropriation reductions*
- *Restricted funds reduction primarily from State tobacco revenues*

Uses of Funds

The FY20-21 budgeted use of funds budget is $862.0M. Programs and Initiatives and Central and Administrative Services combined make up 86% of the budget. UCPath represents 10.5% of the budget, and the Strategic Priorities Funds comprise approximately 4% of the budget. Figure 5 provides an overview of UCOP uses by functional area.

Figure 5: Uses of Funds
$ in millions

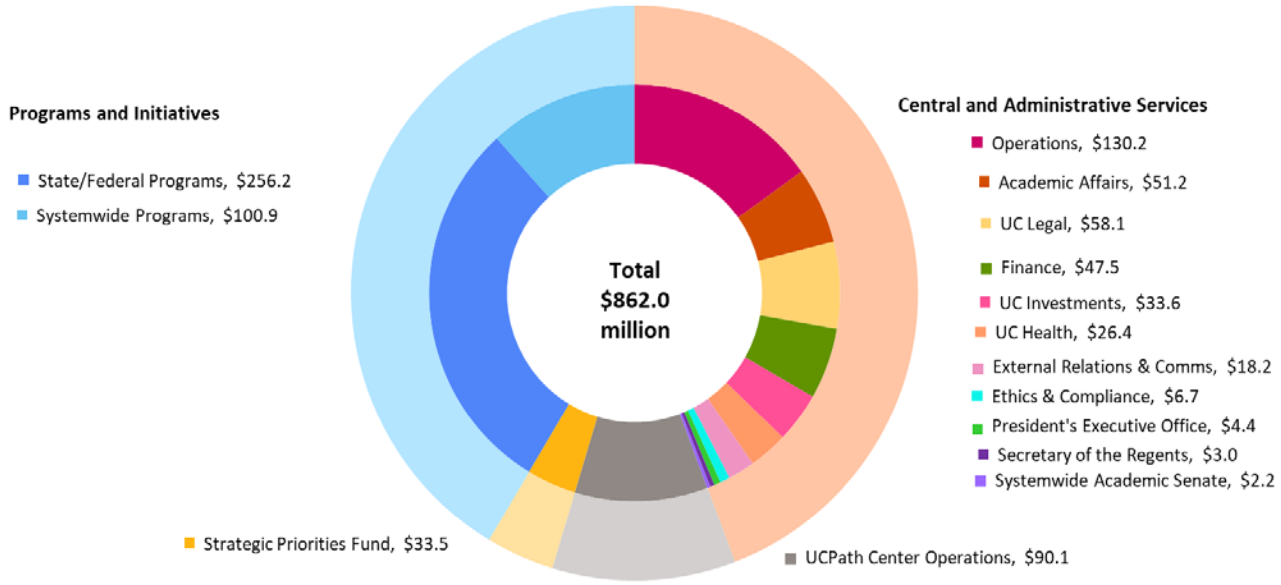


Figure 6 below outlines the changes in the budget by functional area. Additional detail on the Uses of Funds, including budgets, forecasts and variances are included in the section below and **Schedules A-E**.

Figure 6: Change in Uses of Funds

$ millions

Functional Area	FY19-20 Budget	FY20-21 Budget	$ Incr/(Decr)	% Incr/(Decr)
Programs and Initiatives	$ 408.2	$ 357.1	($51.1)	(12.5%)
Central/Admin Services	409.8	381.3	(28.5)	(7.0%)
UCPath	93.7	90.1	(3.6)	(3.8%)
Strategic Priorities Fund, Unrestricted	30.0	20.0	(10.0)	(33.3%)
Strategic Priorities Fund, Desig. & Restricted	-	13.5	13.5	0.0%
Total	**$ 941.7**	**$ 862.0**	**($79.7)**	**(8.5%)**
excl. UCPath	**$ 848.0**	**$ 771.9**	**($76.1)**	**(9.0%)**

The total budget has decreased by 8.5% , or 9% excluding UCPath

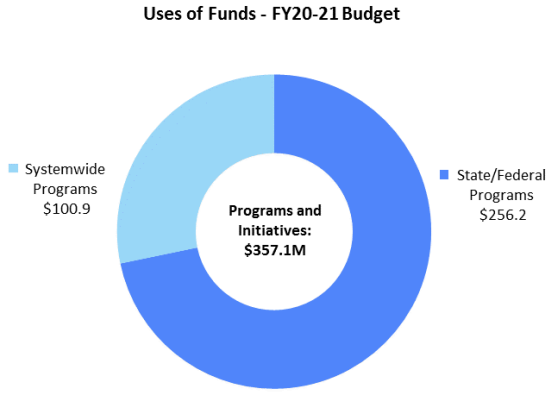
The unrestricted Strategic Priorities Fund has been cut by 33%, from $30M to $20M

Programs and Initiatives

The proposed FY20-21 Programs and Initiatives budget is $357.1M, or 41.4% of the uses of funds. Figure 7 below shows the distribution between approximately 30 State/Federal and systemwide programs. Most programs are managed by Academic Affairs as part of the research and public service the university provides on behalf of the state and federal governments such as oversight of the Tobacco-Related Disease Research Program (TRDRP). The majority of these dollars are pass-throughs to campuses and other research groups where the money is spent. The complete list of programs, budgets, forecasts and comparisons, can be found in **Schedule C**.

Figure 7: Programs and Initiatives

$ in millions



72% - 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.*

28% - Systemwide Programs *benefit the UC campuses and many other statewide recipients, e.g., SAPEP, UCPress, UC research and astronomy programs.*

UCOP forecasts quarterly, and reviews variances accordingly. The Q3 Programs and Initiatives forecast totals $406.3M or $1.9M (-0.5%) lower than budget. Lower forecasted spend for TRDRP and the California Breast Cancer Research programs are offset by increases to UC Mexico and the Lab Funds Research programs. Variances for the current year and comparison to the FY20-21 budget are in **Schedule C**.

Pass-through funds flow through the UCOP budget directly to campuses or other California institutions, individuals or researchers. The largest pass-through program is Agriculture and Natural Resources (ANR) which UC operates as the land-grant University for the State of California (see **Schedule E**). The majority of pass-through funds are distributed by the Academic Affairs division for research, diversity programs, online learning initiatives, undocumented students and more.

Figure 8: Pass-through Funds Programs

$ in millions

	FY19-20 Budget	FY19-20 Forecast	FY20-21 Budget
Pass-Throughs			
Agriculture & Natural Resources	$ 173.2	$ 172.4	$ 162.3
Research Grant Programs	$ 93.2	$ 86.3	$ 70.6
UC Observatories	$ 22.2	$ 21.8	$ 16.1
Public Service Programs	$ 11.6	$ 10.9	$ 9.3
National Laboratory Programs	$ 14.0	$ 20.7	$ 9.8
UC Research Initiative	$ 9.7	$ 8.9	$ 7.4
Diversity Initiatives	$ 5.0	$ 8.2	$ 6.2
Online Education Initiatives	$ 4.0	$ 4.6	$ 4.3
Public Service & Law Fellowship	$ 5.2	$ 5.3	$ 4.2
iCAMP	$ -	$ 2.2	$ 3.5
Other Academic Pass-Throughs	$ 2.5	$ 3.8	$ 4.2
UC Health Initiatives	$ 1.9	$ 1.9	$ 2.0
UC-Mexico Programs	$ -	$ 5.0	$ 2.0
Undocumented Students	$ 2.2	$ 2.2	$ 2.2
UC Libraries	$ 11.8	$ 11.7	$ 0.3
All Others	$ 8.1	$ 7.0	$ 6.7
Total Pass-Throughs	**$ 364.5**	**$ 372.7**	**$ 310.9**
	Year-Over-Year Decrease $		$ (53.6)
	Year-Over-Year Decrease %		-14.7%

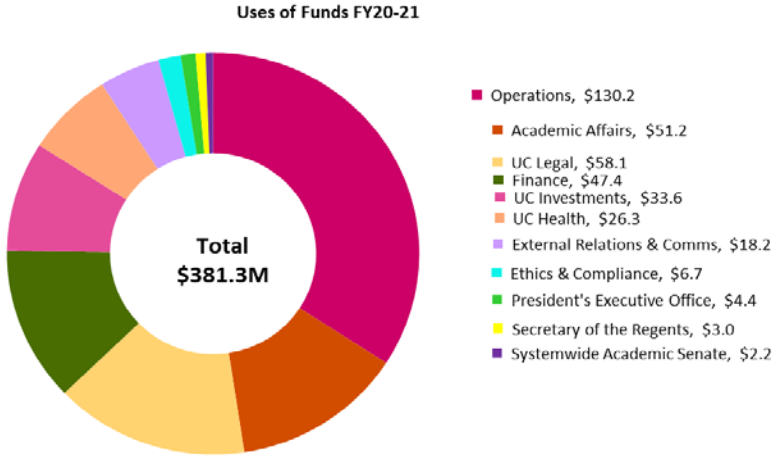
- *The top three pass-through programs account for **80%** of the total*
- *ANR decrease is driven by a 12.7% lower appropriation of State funds*
- *Research Grant Programs are lower due to timing of available grant funds compared to prior year*

For FY20-21, the pass-through funds decreased $53.6M, or 14.7%. Of the total, $23M is a reduction in projected revenues for the Tobacco Disease research program due to timing of tax receipts. Approximately $11M is due to the reduction in the State appropriation for the Agriculture and Natural Resources program, and $6M is related to restructuring an internal loan for the UC Observatories. Systemwide library collection funds are primarily funded by campus transfers directly to UCSD for purchasing on behalf of all the campuses. After FY20-21, the portion that UCOP used to fund will also be transferred by the campuses directly to UCSD rather than passing through the UCOP budget.

Central and Administrative Services

Central and Administrative Services make up $381.3M or 44.2% of the total budget. Figure 9 below and **Schedule D** provide a budget overview by division. The Central and Administrative Services budget supports critical systemwide services and UCOP internal operations. The Operations division, which makes up a third of this budget, provides systemwide HR, benefits and retirement management, technology services, energy programs, strategic planning, and internal UCOP operations.

Figure 9: Central and Administrative Services
$ in millions



UCOP forecasts quarterly and reviews variances accordingly. The Q3 forecast for Central and Administrative Services totals $408.9M or $0.9M (-0.2%) lower than the budget. Primary drivers include lower spend for the UC Health collaborative and CFO (procurement, capital assets), offset by higher costs in UC Legal, COO, UC Investments and Academic Personnel and Programs. Projected variances for the current year and a comparison to the FY20-21 budget are shown on **Schedule D**. The majority of UCOP Fee-for-Service activities, shown in Figure 10 below, are contained within the CAS budget.

Figure 10: Fee-for-Service Activities

$ in millions	FY19-20 Budget	FY19-20 Forecast	FY20-21 Budget
Fee-for-Service			
UCPath Operations	$ 93.7	$ 91.8	$ 90.1
Office of the General Counsel	45.4	51.5	44.7
Investments & Asset Management	37.6	39.7	39.7
UC Retirement System	29.4	25.4	34.9
Employee Benefits Administration	27.7	28.3	27.2
UC Health Collaborative	20.2	14.4	17.8
Risk Management	6.9	6.1	6.7
Information Technology Services	6.2	7.3	4.6
UCPath Projects	-	-	4.4
Bond Management	3.4	2.8	3.0
Patent Royalty Administration	2.7	2.6	2.4
UC Mortgage Origination Plan	2.1	2.0	2.2
Other Services	1.6	2.7	3.3
Total Fee-for-Service	**$ 276.9**	**$ 274.7**	**$ 281.0**
	Year over Year Increase $		***4.1***
	Year over Year Increase %		***1.5%***

- *The top five fee-for-service activities account for **84% of the total.***
- *The overall increase in Fee-for-Service activities is driven mainly by work on the pension administration system*

Fee-for-Service activities are centrally performed functions that UCOP operates on behalf of the UC system to avoid redundancy on campuses and to save costs. UCPath is the single largest fee-for-service operation. UC Legal fees fund third-party legal costs that UC Legal coordinates on behalf of the campuses. Centrally UCOP manages investment, systemwide retirement and employee benefit programs.

UCPath

UCPath provides HR and payroll services to all UC locations and over 230,000 employees. The final campus deployments at UC San Diego and UC San Francisco were recently completed. Lawrence Berkeley National Laboratory with just over 3,600 employees, is scheduled to go live in August 2020.

For FY20-21, the UCPath operating budget is $90.1M, down 3.8% from $93.7M in FY19-20. The budget includes $45.7M in direct State appropriations, which reflects a 12.7% reduction from the State's previous $52.4M level. Consistent with past practice, UCPath will fund $46.9M from a W-2 fee-for-service campus allocation model and $1.8M fee-for-service for LBNL. Reductions in the UC Path budget will put a strain on the center's ability to meet its service level commitments to the locations.

Two critical one-time projects, shown in the Designated SPF (see **Schedule F-2**) include:

- A $1.9M project to migrate system hosting to Amazon Web Services, yielding significant cost savings beginning in FY21-22
- A $1.8M project on behalf of the UC National Laboratories to bring LBNL onto the platform

UCPath has a rigorous governance process in place to oversee the budget, expenditures, and service levels. UCOP and the campuses will continue to advocate restoring the fee-for-service model for the entire UCPath budget, as this model allocates the costs appropriately across all locations. The current hybrid funding model is complex.

Unrestricted Strategic Priorities Fund (SPF)

The SPF was created in FY17-18 to fund short-term programmatic needs, administrative projects, emergent or urgent priorities, and presidential initiatives. While some funds would be committed by the time of the budget presentation, there would also be an uncommitted allocation, recognizing that the president needs some funding available throughout the year to fund urgent project and priorities. The unrestricted SPF allows for more stability in planning divisional budgets as they no longer need to increase or decrease their budgets for one-time projects.

To achieve the budget reduction target this year, SPF funding has been reduced from $30M to $20M, or 33%. **Schedule F-1** details the projected FY19-20 forecast and FY20-21 known commitments of approximately $19.9M, which include:

- On-going support for undocumented students
- Programs that support the academic mission, students, and researchers
- Several IT projects to improve technology and software systems (HR, finance, and others)
- Searches, audit responses, and legal fees
- Presidential initiatives, described in further detail in Appendix 2

Notably, the FY20-21 SPF has low uncommitted availability. Historically, events do occur during the year such as this year's COVID-19 pandemic that are unforeseen and require resources. In FY20-21, the budget will have few funds immediately available to support emergent needs or internal priorities.

Designated and Restricted Strategic Priorities Fund (SPF)

In addition to the unrestricted SPF, a new SPF for one-time designated and restricted projects has been added. This Designated and Restricted SPF provides the transparency of short-term projects funded on designated or restricted funds so they may be accounted for separately from annual departmental operating budgets.

Schedule F-2 shows the planned projects to be funded by this SPF. These projects appropriately utilize designated and restricted funds and although they increase the overall size of the UCOP budget, they do not have the same flexibility as unrestricted funds. This year, major projects include improving the retirement administration system and processes, completing a high ROI project to move UCPath hosting to Amazon Web Services and configuring the UCPath system to meet the needs of LBNL. All requests were reviewed by the Executive Budget Committee, UCOP leadership, and the President; only critical projects are budgeted.

RESERVES

UCOP reserves are funds intentionally allocated and accrued from fund sources for use in the event of revenue disruption, maintenance of assets including buildings and infrastructure, or in anticipation of a large expense. UCOP completed a comprehensive review of best practices and peer benchmarking and established target funding levels for all reserves. The largest UCOP reserves, for the National Labs and UC Housing Loan programs, are reserves against **multi-billion-dollar portfolios** that are managed by UCOP and overseen by the Regents.

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. Reserve funds are 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 FY20-21.

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 11 **below** projects a total reserve balance of $112.9M as of June 30, 2020. Details are in **Schedule G**.

Figure 11 – UCOP Reserve Balances

$ in millions

UCOP RESERVES	Reserve Target Minimum	Reserve Target Maximum	6/30/20 Forecasted Reserve	Variance: 6/30/20 Reserve Over Max / (Under Min)
Building and Capital Assets Reserves	$ 3.0	$ 8.5	$ 3.2	$ -
Program Reserves[1]	65.9	83.3	56.8	(9.1)
Other Required Reserves	27.3	37.6	38.0	0.4
Sub-Total Program and Non-Operating Reserves	**$ 96.2**	**$ 129.4**	**$ 97.9**	
Central Operating Reserve	15.0	15.0	15.0	-
TOTAL UCOP RESERVES[2]	**$ 111.2**	**$ 144.4**	**$ 112.9**	

[1] Program Reserves are currently under the minimum due to two new UCNL reserves, increasing over the next 3 to 10 years to the target amount. FY19-20 approved spend plan here: https://regents.universityofcalifornia.edu/regmeet/july19/n1.pdf
[2] See Schedule G for additional details. Total reserve balances are under the target maximum, however some reserves may be slightly over the target maximum.

Total reserves of $112.9M are within the established target funding range minimum of $111.2M and maximum of $144.4M. New reserves are being established for new contracts in the Office of National Labs. The Housing Loan program reserve was identified as having a forecasted $.4M balances in excess

of its maximum target, and was therefore reviewed. This reserve requirement has been increased due to growth in the overall size of the loan portfolio from $1.58 to $1.65 billion, and an increase in UC-owned loans. The Regents determined in January 2012 that the program is required to maintain a 3.5% maximum reserve target. Given the current financial crisis, and need to accommodate requests for loan forbearance, the Office of Loan Programs recommended to management increasing the maximum target to 4.5%, with a resulting target maximum of to $37.6M. The forecasted reserve is $.4M greater than the maximum.

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 must not be relied upon to fund recurring operations. **Schedule H, 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 Forecasted Balances

To develop the FY20-21 budget, UCOP analyzed actual fund balances as of March 31, 2020 and then forecasted fund balances for June 30, 2020. UCOP also reviewed known commitments identified for next year. Restricted or designated fund balances are used for their intended purpose.

Per the California State Auditor (CSA) recommendation to reallocate fund balances to the campuses, UCOP has undertaken an extensive review of its balances over the last three years, and has reallocated $166.3M to the campuses, of which $148.4M was from fund balances. The details of this reallocation were covered here, in the November 2019 budget report to the Regents. Similar to last year, and because balances are forecasted to be much lower this year, UCOP will review final year-end balances before identifying any further reallocation opportunities. Figure 12 shows a breakdown of fund balance by fund type, forecasted as of June 30, 2020. Overall, fund balances are projected to decrease by $74.4M or 50% compared to last year, the largest reduction (97%) taking place in the unrestricted funds.

Figure 12: UCOP Fund Balances

$ millions		6/30/20				
	6/30/19 Balance	**Forecasted Balance**	**Commitments**	**Remaining Balance**	**Change in Fund Balance**	**% Change**
Unrestricted	$ 40.5	$ 8.0	$ 6.9	$ 1.1	$ (39.4)	-97.4%
Designated	90.4	92.6	22.4	70.2	(20.2)	-22.3%
Restricted	18.4	3.6	-	3.6	(14.8)	-80.6%
Total Fund Balance	**$ 149.3**	**$ 104.1**	**$ 29.3**	**$ 74.8**	**$ (74.4)**	**-49.9%**

Unrestricted Fund Balances afford the most flexibility for use. Unrestricted balances total $1.1M or 1.5% of the total remaining fund balance. Historically, UCOP relied on these balances to address emergent priorities, but this practice was replaced in FY18-19 with the establishment of the Strategic Priorities Fund. Some of the key causes of the change in unrestricted fund balances include:

- $27.3M committed for the FY19-20 UCOP Strategic Priorities Fund
- $10.2M committed to campus-specific seismic work, interest on commercial loans and systems replacements

At this time, given that only $1.1M remains in the forecasted balance, and the uncertain State funding for the FY20-21 year, UCOP is not recommending a reallocation of this fund balance. Balances will be reviewed by UCOP after the June 30, 2020 fiscal close and reported in the FY19-20 Budget-to-Actuals item presented at the November 2020 Regents Meeting.

Designated Funds Balances total $70.2M or 94% of the forecasted remaining fund balance. A designated balance is considered committed by the regents or administration for an intended purpose. The largest balance, $58.3M, or 78% of total fund balances, is regents-designated for the management of the UC National Laboratories and the Lab Fees Research Program. The Office of National Labs provides a spending and reserves plan to the Regents' Labs Committee each July for approval.

Designated fund balances also include balances for self-funded programs. The causes of change are due to:

- $13.4M increase in the Lab LLC program due to timing of receipt of fee income
- $17.6M decrease in the Lab Fees Research program to fund campus research opportunities
- $7.7M decrease in UC Health funds for the health collaborative strategic initiatives
- $6.6M decrease in endowment cost recovery funds planned for campus development work
- $5.6M decrease in iCAMP capital asset planning funding for work to be done through FY20-21

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 5% of the forecasted remaining fund balance.

EXECUTIVE BUDGET COMMITTEE RECOMMENDATIONS

The Executive Budget Committee (EBC) issued its annual budget letter to President Napolitano in mid-April. Despite the pandemic crisis and many competing priorities, the EBC actively engaged with UCOP throughout the budget development process and provided thoughtful guidance. The EBC recommended that UCOP plan the FY20-21 year with caution and slow spending growth given today's very uncertain environment. The Committee's feedback, recommendations and guiding principles include support for:

- A return to the campus assessment funding model to enable more integrated planning between UCOP, the campuses and the system
- UCOP's 5% savings target on all unrestricted funds (the president subsequently increased the target to 9% for the July budget proposal)
- Modest and managed growth on designated funds that (1) show return on investment, or (2) provide net new revenue or savings

- Implementing campus fee-based-service models for services such as the University's high-speed internet connectivity (CENIC) and cybersecurity (FireEye), the California Digital Library (CDL) content purchases, and the ApplyUC student application support, and phasing them in
- Funds to stabilize and enhance the UCPath system, however at a reduced level than requested
- Deferring the FY20-21 UCOP budget presentation to allow more time to better understand the current financial uncertainty facing the university

The president considered the Committee's recommendations and made adjustments to the budget proposal accordingly. Specifically, the president:

- Directed divisions to identify a 9% reduction target of $25.7M on all unrestricted funds
- Managed and limited growth and investment in key areas such that in total the UCOP budget was balanced, incorporated State budget appropriation reductions, reduced the unrestricted budget by 16.6%, and the total UCOP budget by 8.5%
- Reduced funding for UCPath operations and enhancement projects
- Implemented campus fee-based service models for CENIC, CDL and ApplyUC, which in total represent $19.6M. Recognizing the challenging financial circumstances facing the campuses, the president is phasing these in over the next year by providing a one-time distribution of $19.6M from the President's Endowment Fund and allowing time for UCOP and the campuses to review the level of service in future years.
- Deferred the May budget item until July after the Governor's May revised budget was published.

PRESIDENT'S RECOMMENDATION

UCOP has developed a conservative plan for FY20-21 that delivers a substantial expenditure reduction, complies with available State fund allocations and allows time to assess longer-range objectives during the coming year. The proposed budget is comprehensive, transparent and demonstrates UCOP's contributions to the University's teaching, research, and public service mission.

Pursuant to Regents Policy 5101, the President of the University recommends approval of the UCOP FY20-21 Budget by the Board of Regents.

Appendices

UNIVERSITY OF CALIFORNIA

APPENDIX 1: UCOP SCHEDULES

Schedule A

Sources and Uses by Year

Overall UCOP

$ in millions

	Budget FY19-20	Forecast FY19-20	Budget FY20-21	Variance Increase/(Decrease) FY19-20 Forecast vs FY19-20 Budget	FY20-21 Budget vs FY19-20 Forecast	FY20-21 Budget vs FY19-20 Budget
SOURCES						
Unrestricted Sources						
Undesignated						
State General Funds	209.8	218.0	193.3	8.2	(24.7)	(16.5)
Investment Income	25.2	38.2	26.1	13.0	(12.1)	0.9
Other Unrestricted Sources	17.0	29.5	17.8	12.5	(11.7)	0.8
Undesignated Fund Balance	34.1	2.2	1.5	(31.9)	(0.7)	(32.6)
Subtotal - Undesignated	**$286.0**	**$287.9**	**$238.6**	**$1.9**	**($49.3)**	**($47.4)**
Designated						
Regents-Designated	24.5	30.5	29.5	6.0	(1.0)	5.0
Program-Designated	236.9	236.9	234.2	0.0	(2.7)	(2.7)
UCPath Fee-For-Service	41.3	39.4	48.7	(1.9)	9.3	7.4
UCPath State General Funds	52.4	52.4	45.7	0.0	(6.7)	(6.7)
UC ANR State General Funds	72.6	71.8	63.4	(0.8)	(8.4)	(9.2)
Subtotal - Designated	**$427.7**	**$431.0**	**$421.5**	**$3.3**	**($9.5)**	**($6.2)**
Subtotal - Unrestricted	**$713.7**	**$718.9**	**$660.2**	**$5.2**	**($58.7)**	**($53.5)**
Restricted Sources						
Gifts and Endowments	12.5	12.7	13.3	0.2	0.6	0.8
Contracts and Grants	51.6	50.8	48.8	(0.8)	(2.0)	(2.8)
Federal and State Appropriations/Regulations	164.0	152.0	146.5	(12.0)	(5.5)	(17.5)
Subtotal - Restricted	**$228.0**	**$215.5**	**$208.5**	**($12.5)**	**($7.0)**	**($19.5)**
Total Sources	**$941.7**	**$934.4**	**$868.7**	**($7.3)**	**($65.7)**	**($73.0)**
Programs and Initiatives						
Campus Programs	0.0	0.9	0.0	0.9	(0.9)	0.0
State/Federal Programs	290.1	281.1	256.2	(9.0)	(24.9)	(33.9)
Systemwide Programs	118.2	124.6	100.9	6.4	(23.7)	(17.3)
Subtotal - Programs and Initiatives	**$408.2**	**$406.5**	**$357.1**	**($1.7)**	**($49.4)**	**($51.1)**
Central and Administrative Services						
Academic Affairs	61.2	61.6	51.2	0.4	(10.4)	(10.0)
Ethics & Compliance	7.3	6.4	6.7	(0.9)	0.3	(0.6)
External Relations & Communications	17.8	16.9	18.2	(0.9)	1.3	0.4
Finance	45.7	39.7	47.4	(6.0)	7.7	1.7
Operations	145.8	150.3	130.2	4.5	(20.1)	(15.6)
President's Executive Office	4.6	4.1	4.4	(0.5)	0.3	(0.2)
Secretary of the Regents	3.6	3.7	3.0	0.1	(0.7)	(0.6)
Systemwide Academic Senate	2.4	2.2	2.2	(0.2)	0.0	(0.2)
UC Health	29.1	23.4	26.3	(5.7)	2.9	(2.8)
UC Investments	34.3	36.6	33.6	2.3	(3.0)	(0.7)
UC Legal	58.0	64.0	58.1	6.0	(5.9)	0.1
Subtotal - Cent / Admin Svcs	**$409.8**	**$408.9**	**$381.3**	**($0.9)**	**($27.6)**	**($28.5)**
Strategic Priorities Fund - Unrestricted	**30.0**	**27.3**	**20.0**	**(2.7)**	**(7.3)**	**(10.0)**
Strategic Priorities Fund - Designated / Restricted	**0.0**	**0.0**	**13.5**	**0.0**	**13.5**	**13.5**
UCPath Center Operations	**93.7**	**91.8**	**90.1**	**(1.9)**	**(1.7)**	**(3.6)**
TOTAL USES	**$941.7**	**$934.6**	**$862.0**	**($7.2)**	**($72.5)**	**($79.7)**
NET MARGIN SURPLUS (DEFICIT)	**0.0**	**0.0**	**6.7**	**0.0**	**6.7**	**6.7**
Included in Sources and Uses Above						
Pass-Throughs	364.5	372.7	310.9	8.2	(61.8)	(53.6)
Fee-For-Service	276.9	274.7	281.0	(2.2)	6.3	4.1
Total Fee-For-Service and Pass-Throughs	**$641.4**	**$647.4**	**$591.9**	**$6.0**	**($55.5)**	**($49.5)**

Notes to Schedule A:

Sources

Unrestricted Sources

1. State General Funds: $193.3M per the State budget appropriation.
2. Investment Income: $26.1M estimate based on historical returns; approximately flat to FY19-20.
3. Other Unrestricted: $17.8M estimate based on historical returns; approximately flat to FY19-20.
4. Undesignated Fund Balance: $1.5M estimate based on Q3 Forecast.

Designated Sources

5. Regents Designated: $29.5M increased by $5.0M (20.4%) for UCNL for expansion opportunities.
6. Program-Designated: $234.2M decreased by $2.7M (-1.1%) primarily in the UC Health Collaborative based on slower growth projections.
7. UCPath Fee-For-Service: $48.7M increased by $7.4M (17.9%), offsetting the reduction in state funds (as approved by the State).
8. UCPath State General Funds: $45.7M per the State budget appropriation; decreased by $6.7M (-12.7%).
9. UC ANR State General Funds: $63.4M per the State budget appropriation; reduced by $9.2M (-12.7%).

Restricted Sources

10. Gifts and Endowments: $13.3M increased by $0.8M (6.4%) due to greater anticipated endowment payout and program fundraising.
11. Contracts and Grants: $48.8M decreased by $2.8M (-5.4%) driven by reductions to ANR's extramural funding.
12. Federal and State Appropriations: $146.5M decreased by $17.5M (-10.7%) due to the timing of Prop 56 funds for tobacco disease research.

Notes regarding Uses are appended to Schedules, C, D and F

Schedule B

Expenditure by Fund

Overall UCOP

$ in millions

	Undesignated	Designated	Restricted	FY20-21 Budget
TOTAL SOURCES	**238.6**	**421.5**	**208.5**	**868.7**
USES				
Programs and Initiatives				
State/Federal Programs	0.9	107.2	148.1	256.2
Systemwide Programs	39.0	60.4	1.5	100.9
Subtotal - Programs and Initiatives	**$40.0**	**$167.6**	**$149.6**	**$357.1**
Central and Administrative Services				
Academic Affairs	39.5	10.7	1.0	51.2
Ethics & Compliance	6.7	0.0	0.0	6.7
External Relations & Communications	11.8	5.5	0.9	18.2
Finance	23.7	21.4	2.4	47.4
Operations	74.1	10.5	45.6	130.2
President's Executive Office	4.0	0.3	0.1	4.4
Secretary of the Regents	3.0	0.0	0.0	3.0
Systemwide Academic Senate	2.1	0.0	0.1	2.2
UC Health	3.4	21.6	1.4	26.3
UC Investments	0.0	33.6	0.0	33.6
UC Legal	10.4	46.8	0.9	58.1
Subtotal - Central and Admin. Services (excl UCPath)	**$178.6**	**$150.3**	**$52.3**	**$381.3**
Strategic Priorities Funds	**20.0**	**7.2**	**6.3**	**33.5**
SUBTOTAL USES	**$238.6**	**$325.1**	**$208.2**	**$771.9**
UCPath Operations	**0.0**	**90.1**	**0.0**	**90.1**
TOTAL USES	**$238.6**	**$415.2**	**$208.2**	**$862.0**
NET MARGIN: SURPLUS (DEFICIT)[1]	**$0.0**	**$6.3**	**$0.3**	**$6.7**

[1]Due to timing of sources and uses, the net margin reflects a surplus for FY20-21. Surplus funds will be used in subsequent years and/or added to the fund balances for future expenditures. The implementation of a new UCOP budgeting system in FY19-20 enabled the capability of separately budgeting sources and uses. Unrestricted funds are budgeted centrally by UCOP's budget team. UCOP divisions budget designated and restricted sources based on anticipated revenues such as UC Office of National Laboratories' (UCNL) lab management fees or restricted revenues as in the case for Tobacco-related Disease Research (Proposition 56) funds. Revenues and expenses may differ due to timing differences. Of the $6.5M budget surplus. $6.2M is from designated funds, mainly attributed to anticipated UCNL fee income ($4.3M) which will be allocated through the annual spend plan approved by the Regents, and the mortgage origination program fees ($1.7M).

Schedule C

Budget by Programs and Initiatives

Programs and Initiatives

$ in millions

	Budget FY19-20	Forecast FY19-20	Budget FY20-21	Variance Increase/(Decrease) FY19-20 Forecast vs FY19-20 Budget	FY20-21 Budget vs FY19-20 Forecast	FY20-21 Budget vs FY19-20 Budget
PROGRAMS AND INITIATIVES						
Campus Programs	0.0	0.9	0.0	0.9	(0.9)	0.0
State/Federal Programs						
Agriculture and Natural Resources (ANR)	178.7	177.7	167.2	(1.0)	(10.5)	(11.5)
California Breast Cancer Research Program	12.8	8.1	12.9	(4.7)	4.8	0.1
California Subject Matter Project (CSMP)	8.6	7.7	8.1	(0.9)	0.4	(0.5)
Gaining Early Awareness and Readiness for Undergraduate Programs	3.5	4.2	3.2	0.7	(1.0)	(0.3)
Graduate Medical Education	2.0	2.1	2.1	0.1	0.0	0.1
Office of the National Laboratories (UCNL)	5.4	5.4	6.8	0.0	1.4	1.4
Other State/Federal Programs	0.5	0.8	0.4	0.3	(0.4)	(0.1)
Tobacco-Related Disease Research Program (TRDRP)	76.2	72.6	53.0	(3.6)	(19.6)	(23.2)
UC Research Initiatives: Cancer Research Coordinating Committee (CRCC)	2.3	2.3	2.4	0.0	0.1	0.1
Subtotal - State/Federal Programs	**$290.1**	**$280.9**	**$256.2**	**($9.2)**	**($24.7)**	**($33.9)**
Systemwide Programs						
California HIV/AIDS Research Program (CHRP)	8.8	8.7	8.6	(0.1)	(0.1)	(0.2)
Eligibility in the Local Context (ELC)	1.0	0.8	0.9	(0.2)	0.1	(0.1)
Historically Black Colleges and Universities (HBCU) Fellowship Initiative	1.8	2.0	1.7	0.2	(0.3)	(0.1)
Historically Black Colleges and Universities (HBCU) Summer Research Initiative	1.8	2.0	1.9	0.2	(0.1)	0.1
Innovative Learning Technology Initiative (Online Education)	9.0	9.0	8.1	0.0	(0.9)	(0.9)
Natural Reserve System (NRS)	3.0	2.2	2.5	(0.8)	0.3	(0.5)
Other Systemwide Programs	2.4	3.4	2.3	1.0	(1.1)	(0.1)
President's Postdoctoral Fellowship Program (PPFP)	0.0	0.8	0.0	0.8	(0.8)	0.0
San Joaquin Valley PRIME program	1.9	1.9	1.9	0.0	0.0	0.0
SAPEP	8.4	8.5	6.6	0.1	(1.9)	(1.8)
UC Astronomy Programs: University of California Observatories (UCO)	7.5	7.5	7.5	0.0	0.0	0.0
University of California Astronomy Programs: W.M. Keck Observatory (Keck)	14.6	14.6	8.8	0.0	(5.8)	(5.8)
University of California Institute for Mexico and the United States (UC MEXUS)	0.0	3.0	0.0	3.0	(3.0)	0.0
University of California Press	23.9	22.6	23.4	(1.3)	0.8	(0.5)
UC Research Initiatives: Laboratory Fees Research Program (LFRP)	14.9	21.2	10.6	6.3	(10.6)	(4.3)
UC Research Initiatives: Multi-Campus Research Programs and Initiatives (MRPI)	8.0	7.6	8.6	(0.4)	1.0	0.6
University of California Washington Center (UCDC)	8.2	6.6	7.4	(1.6)	0.8	(0.8)
Valley Fever Research	2.9	2.0	0.0	(0.9)	(2.0)	(2.9)
Subtotal - Systemwide Programs	**$118.2**	**$124.6**	**$100.9**	**$6.4**	**($23.7)**	**($17.3)**
TOTAL USES	**$408.2**	**$406.3**	**$357.1**	**($1.9)**	**($49.2)**	**($51.1)**

Notes to Schedule C: Budget by Programs and Initiatives
FY20-21 Budget Increased/Decreased Compared to FY19-20 Budget > $.5M

State / Federal Programs

1. Agriculture and Natural Resources (ANR): $167.2M decreased by $11.5M (-6.4%) due to State general and extramural funds reductions.
2. California Subject Matter Project (CSMP): $8.1M decreased by $0.5M (-5.8%) due to timing of fund transfers.
3. Office of the National Laboratories (UCNL): $6.8M increased by $1.4M (25.9%) due to business development and the SoCal Hub project, offset by hiring/travel freeze.
4. Tobacco-Related Disease Research Program (TRDRP): $53.0M decreased by $23.2M (-30.4%) due to the timing of Prop 56 tax revenues.

Systemwide Programs

5. Innovative Learning Technology Initiative (Online Education): $8.1M decreased by $0.9M (-10.0%) due to the anticipated reduction in the State's UC appropriation.
6. Natural Reserve System (NRS): $2.5M decreased by $0.5M (-16.7%) due to reduction in grant expenses.
7. SAPEP: $6.6M decreased by $1.8M due to a redirection of funds directly to campuses; total funding will remain unchanged.
8. University of California Astronomy Programs: W.M. Keck Observatory (Keck): $8.8M decreased by $5.8M (-39.7%) due to the restructuring of an internal loan to a longer term; no operational impact.
9. UC Press: $23.4M decreased by $0.5M (-2.1%) from hiring/travel freeze.
10. UC Research Initiatives: Laboratory Fees Research Program (LFRP): $10.6M decrease of $4.3M (-28.9%) due to a one-time, timing decrease in grant awards for the UCNL Fees Research Program.
11. UC Research Initiatives: Multi-Campus Research Programs and Initiatives (MRPI): $8.6M increased $0.6M (7.5%) due to a strategic augmentation to provide grant funds for campuses.
12. University of California Washington Center (UCDC): $7.4M decreased $0.8M (-9.8%) due to reduced utility expenses and hiring/travel freeze.
13. Valley Fever Research: $0.0M; this was a one-time $2.9M State appropriation in FY19-20.

Schedule C-1

Programs and Initiatives by Fund

$ in millions

	Unrestricted			FY20-21
	Undesignated	Designated	Restricted Funds	Budget
PROGRAMS AND INITIATIVES				
State/Federal Programs				
Agriculture and Natural Resources (ANR)	0.2	96.0	71.0	167.2
California Breast Cancer Research Program	0.0	0.0	12.9	12.9
California Subject Matter Project (CSMP)	0.2	4.5	3.4	8.1
Gaining Early Awareness and Readiness for Undergraduate Programs	0.0	0.0	3.2	3.2
Graduate Medical Education	0.0	0.0	2.1	2.1
Office of the National Laboratories (UCNL)	0.0	6.8	0.0	6.8
Other State/Federal Programs	0.5	(0.1)	0.0	0.4
Tobacco-Related Disease Research Program (TRDRP)	0.0	0.0	53.0	53
UC Research: Cancer Research Coordinating Committee (CRCC)	0.0	0.0	2.4	2.4
Subtotal - State/Federal Programs	**0.9**	**107.2**	**148.1**	**256.2**
Systemwide Program				
California HIV/AIDS Research Program (CHRP)	0.0	8.6	0.0	8.6
Eligibility in the Local Context (ELC)	0.9	0.0	0.0	0.9
Historically Black Colleges and Universities (HBCU) Fellowship Initiative	1.7	0.0	0.0	1.7
Historically Black Colleges and Universities (HBCU) Summer Research Initiative	1.9	0.0	0.0	1.9
Innovative Learning Technology Initiative (Online Education)	0.0	8.1	0.0	8.1
Natural Reserve System (NRS)	1.8	0.0	0.7	2.5
Other Systemwide Programs	2.2	0.1	0.1	2.3
San Joaquin Valley PRIME program	0.0	1.9	0.0	1.9
SAPEP	4.9	1.0	0.7	2.0
UC Astronomy: University of California Observatories (UCO)	7.5	0.0	0.0	7.5
UC Astronomy: W.M. Keck Observatory (Keck)	8.8	0.0	0.0	8.8
University of California Press	1.0	22.4	0.0	23.4
UC Research: Laboratory Fees Research Program (LFRP)	0.0	10.6	0.0	10.6
UC Research: Multi-Campus Research Programs and Initiatives (MRPI)	6.8	1.9	0.0	8.6
University of California Washington Center (UCDC)	1.5	5.9	0.0	7.4
Subtotal - Systemwide Programs	**39.0**	**60.4**	**1.5**	**100.9**
TOTAL USES	$40.0	$167.6	$149.6	$357.1

Schedule D

Budget by Division and Sub-Division

Central and Administrative Services

$ in millions

	FY19-20 Budget	FY19-20 Forecast	FY20-21 Budget	Variance Increase/(Decrease) FY19-20 Forecast vs FY19-20 Budget	FY20-21 Budget vs FY19-20 Forecast	FY20-21 Budget vs FY19-20 Budget
CENTRAL AND ADMINISTRATIVE SERVICES USES						
Academic Affairs						
Academic Personnel and Programs	29.4	31.7	19.2	2.3	(12.5)	(10.2)
Diversity and Engagement	0.8	1.9	1.1	1.1	(0.8)	0.3
Immediate Office	6.5	5.6	6.2	(0.9)	0.6	(0.3)
Institutional Research and Academic Planning	4.1	4.8	5.1	0.7	0.3	1.0
Research and Innovation	10.6	7.9	8.7	(2.7)	0.8	(1.9)
Student Affairs	9.7	9.8	10.8	0.1	1.0	1.1
Subtotal - Academic Affairs	**61.2**	**61.6**	**51.2**	**$0.4**	**($10.4)**	**($10.0)**
Ethics & Compliance	**7.3**	**6.4**	**6.7**	**($0.9)**	**$0.3**	**($0.6)**
External Relations & Communications						
Alumni and Constituent Affairs	0.7	0.6	0.5	(0.1)	(0.1)	(0.2)
Executive Communications & Engagement	0.8	0.7	0.8	(0.1)	0.1	0.0
Federal Government Relations	2.8	2.7	2.9	(0.1)	0.2	0.1
Institutional Advancement	2.0	1.9	2.3	(0.1)	0.4	0.3
Legislative Analysis	0.8	0.8	0.8	0.0	0.0	0.0
Marketing and Communications	6.3	4.9	5.4	(1.4)	0.5	(0.9)
Media Relations	0.9	0.8	0.8	(0.1)	0.0	(0.1)
State Government Relations	2.9	2.8	2.8	(0.1)	0.0	(0.1)
Immediate Office	0.6	1.7	1.9	1.1	0.2	1.3
Subtotal - ER&C	**17.8**	**16.9**	**18.2**	**($0.9)**	**$1.3**	**$0.4**
Finance						
Budget Analysis and Planning	2.3	1.9	2.0	(0.4)	0.1	(0.3)
Capital Asset Strategies & Finance	12.4	10.0	13.3	(2.4)	3.3	0.9
Financial Accounting	10.5	9.7	11.1	(0.8)	1.4	0.6
Risk Services	8.3	7.6	8.0	(0.7)	0.4	(0.3)
Strategic Sourcing/Procurement	10.9	9.9	11.8	(1.0)	1.9	0.9
Immediate Office	1.3	0.5	1.2	(0.8)	0.7	(0.1)
Subtotal - Finance	**45.7**	**39.7**	**47.4**	**($6.0)**	**$7.7**	**$1.7**
Operations						
Energy and Sustainability	4.4	5.0	4.4	0.6	(0.6)	0.0
Information Technology Services	51.5	51.5	44.3	0.0	(7.2)	(7.2)
Operational Expenses	8.0	7.5	1.8	(0.5)	(5.7)	(6.2)
Strategic Program Management Office	1.8	1.5	1.7	(0.3)	0.2	(0.1)
Systemwide Human Resources	48.2	45.8	46.3	(2.4)	0.5	(1.9)
UCOP Operations	30.8	38.0	30.3	7.2	(7.7)	(0.5)
Immediate Office	1.1	1.1	1.3	0.0	0.2	0.2
Subtotal - Operations	**145.8**	**150.3**	**130.2**	**$4.5**	**($20.1)**	**($15.6)**
President's Executive Office	**4.6**	**4.1**	**4.4**	**($0.5)**	**$0.3**	**($0.2)**
Secretary of the Regents	**3.6**	**3.7**	**3.0**	**$0.1**	**($0.7)**	**($0.6)**
Systemwide Academic Senate	**2.4**	**2.2**	**2.2**	**($0.2)**	**$0.0**	**($0.2)**
UC Health						
Self-Funded Health Plans	4.6	4.9	4.8	0.3	(0.1)	0.2
UC Health Core	4.3	4.1	3.8	(0.2)	(0.3)	(0.5)
UC Healthcare Collaborative	20.2	14.4	17.8	(5.8)	3.4	(2.4)
Subtotal - UC Health	**29.1**	**23.4**	**26.3**	**($5.7)**	**$2.9**	**($2.8)**
UC Investments	**34.3**	**36.6**	**33.6**	**$2.3**	**($3.0)**	**($0.7)**
UC Legal	**58.0**	**64.0**	**58.1**	**$6.0**	**($5.9)**	**$0.1**
SUBTOTAL USES	**$409.8**	**$408.9**	**$381.3**	**($0.9)**	**($27.6)**	**($28.5)**
UCPath Center Operations	**93.7**	**91.8**	**90.1**	**($1.9)**	**($1.7)**	**($3.6)**
TOTAL USES	**$503.5**	**$500.7**	**$471.5**	**($2.8)**	**($29.2)**	**($32.0)**

Notes to Schedule D: Central and Administrative Services
FY20-21 Budget Increased/Decreased Compared to FY19-20 Budget > $.5M

Academic Affairs

1. Academic Personnel and Programs: $19.2M decreased by $10.2M (-34.7%) due to a net $9.6M transition to direct campus funding of library content purchases managed at UCSD, 10.4% set-aside program budget reductions, hiring/travel reductions, plus other departmental budget reductions.
2. Institutional Research and Academic Planning: $5.1M increased by $1M (24.4%) due to staff transition from ITS.
3. Research and Innovation: $8.7M decreased by $1.9M (-17.9%) due to reduced positions, hiring/travel freeze.
4. Student Affairs: $10.8M decreased by $1.1M due to reduction to UC's systemwide appropriation and hiring/travel freeze.

External Relations & Communications

5. Institutional Advancement: $2.3M increased by $0.3M (15%) due to additional fundraising work for the LBNL Foundation.
6. Marketing and Communications: $5.4M decreased by $0.9M (-14.3%) due to reduced salary costs on FTEs.
7. Immediate Office: $1.9M increased by $1.3M (216.7%) due to the vacancy factor in the FY19-20 budget which was budgeted in the immediate office whereas the hiring freeze was budgeted within each department.

Finance

5 Capital Asset Strategies & Finance $13.3M increased by $0.9M (7.3%) due to the transition of the Treasury group from OCIO, offset by hiring/travel freeze.
6 Financial Accounting: $11.1M increased by $0.6M (5.7%) due to licenses for the new financial system (Oracle Cloud ERP).
7 Strategic Sourcing/Procurement: $11.8M increased by $0.9M (8.3%) due to software licensing and professional services.

Operations

8 Information Technology Services: $44.3M decreased by $7.2M (-14.0%) due to headcount reductions, hiring/travel freeze, and transition to one-time PEF distribution for CENIC (campus high-speed internet) services.
9 Operational Expenses: $1.8M decreased by $6.2M (-77.5%) due to salary savings and other cost reduction programs.
10 Systemwide Human Resources: $46.3M decreased by $1.9M (-3.9%) due to hiring/travel freeze and professional services.
11 UCOP Operations: $30.3M decreased by $0.5M (-1.6%) due to the hiring/travel freeze.

UC Health

12 UC Health Core: $3.8M decreased by $0.5M (-11.6%) due to the hiring/travel freeze.
13 UC Healthcare Collaborative: $17.8M decreased by $2.4M (-11.9%) due to slower-than anticipated growth; alignment to forecast.

Other Divisions

14 Ethics & Compliance: $6.7M decreased by $0.6M (- 8.2%) in professional services, training, hiring/travel freeze.
15 Secretary of the Regents: $3.0M decreased by $0.6M (-16.7%) due to remote meetings including facilities and security.
16 UC Investments: $33.6M decreased by $0.7M (-2.0%) due to Treasury group transition, hiring/travel freeze, offset by contract increases/targeted investments.
17 UCPath Center Operations: $90.1M decreased by $3.6M (-3.8%) by adjusting staffing/service levels and hiring/travel freeze.

Schedule D-1

Central and Administrative Services by Fund

$ in millions

	Unrestricted			FY20-21
	Undesignated	Designated	Restricted	Budget
CENTRAL AND ADMINISTRATIVE SERVICES USES				
Academic Affairs				
Academic Personnel and Programs	16.7	1.8	0.7	19.2
Diversity and Engagement	0.9	0.0	0.2	1.1
Immediate Office	6.2	0.1	0.0	6.2
Institutional Research and Academic Planning	5.1	0.0	0.0	5.1
Research and Innovation	6.2	2.4	0.0	8.7
Student Affairs	4.5	6.4	0.0	10.8
Subtotal - Academic Affairs	**39.6**	**10.7**	**1.0**	**51.2**
Ethics & Compliance	**6.7**	**0.0**	**0.0**	**6.7**
External Relations & Communications				
Alumni and Constituent Affairs	0.1	0.5	0.0	0.5
Executive Communications & Engagement	0.8	0.0	0.0	0.8
Federal Government Relations	2.2	0.7	0.0	2.9
Institutional Advancement	0.0	2.3	0.0	2.3
Legislative Analysis	0.8	0.0	0.0	0.8
Marketing and Communications	3.0	1.7	0.8	5.4
Media Relations	0.7	0.0	0.1	0.8
State Government Relations	2.8	0.0	0.0	2.8
Immediate Office	1.4	0.5	0.0	1.9
Subtotal - ER&C	**11.8**	**5.5**	**0.9**	**18.2**
Finance				
Budget Analysis and Planning	2.0	0.0	0.0	2.0
Capital Asset Strategies & Finance	4.4	8.9	0.0	13.3
Financial Accounting	6.6	2.4	2.2	11.1
Risk Services	0.0	8.0	0.0	8.0
Strategic Sourcing/Procurement	10.2	1.6	0.0	11.8
Immediate Office	0.4	0.5	0.2	1.2
Subtotal - Finance	**23.7**	**21.4**	**2.4**	**47.4**
Operations				
Energy and Sustainability	3.3	1.1	0.0	4.4
Information Technology Services	33.3	7.7	3.4	44.3
Operational Expenses	1.8	0.0	0.0	1.8
Strategic Program Management Office	1.7	0.0	0.0	1.7
Systemwide Human Resources	6.5	0.0	39.8	46.3
UCOP Operations	26.7	1.7	2.0	30.3
Immediate Office	0.9	0.0	0.5	1.3
Subtotal - Operations	**74.1**	**10.5**	**45.6**	**130.2**
President's Executive Office	**4.0**	**0.3**	**0.1**	**4.4**
Secretary of the Regents	**3.0**	**0.0**	**0.0**	**3.0**
Systemwide Academic Senate	**2.1**	**0.0**	**0.1**	**2.2**
UC Health				
Self-Funded Health Plans	0.0	3.5	1.3	4.8
UC Health Core	3.4	0.3	0.1	3.8
UC Healthcare Collaborative	0.0	17.8	0.0	17.8
Subtotal - UC Health	**3.4**	**21.6**	**1.4**	**26.3**
UC Investments	**0.0**	**33.6**	**0.0**	**33.6**
UC Legal	**10.4**	**46.8**	**0.9**	**58.1**
SUBTOTAL USES	178.7	150.4	52.3	381.3
UCPath Center Operations	**0.0**	**90.1**	**0.0**	**90.1**
TOTAL USES	$178.7	$240.5	$52.3	$471.5

Schedule E

UC ANR Budget within UCOP

Budget by Program and Unit - All Funds

$ in millions

	Budget FY19-20	Forecast FY19-20	Budget FY20-21	Variances: (Increase/ Decrease) FY19-20 Forecast vs FY19-20 Budget	FY20-21 Budget vs FY19-20 Forecast	FY20-21 Budget vs FY19-20 Budget
SOURCES						
Federal AES	7.5	7.3	8.2	(0.2)	0.9	0.7
State UCCE	72.6	72.6	63.4	0.0	(9.2)	(9.2)
Federal UCCE	11.9	12.1	12.2	0.2	0.1	0.3
Endowment Payout	9.9	9.9	10.4	0.0	0.5	0.5
Extramural Funding	42.1	42.1	40.2	0.0	(1.9)	(1.9)
Other Sources	34.7	33.7	32.8	(1.0)	(0.9)	(1.9)
TOTAL UC ANR Budget within UCOP	**$178.7**	**$177.7**	**$167.2**	**($1.0)**	**($10.5)**	**($11.5)**
USES						
Unrestricted Sources						
AES Campuses						
Other Campus-Based Academics	0.2	0.2	0.3	0.0	0.1	0.1
UC Berkeley	7.3	7.3	7.2	0.0	(0.1)	(0.1)
UC Davis	24.1	24.1	21.0	0.0	(3.1)	(3.1)
UC Riverside	6.6	6.6	5.6	0.0	(1.0)	(1.0)
Subtotal - AES Campuses	**38.2**	**38.2**	**34.0**	**$0.0**	**($4.2)**	**($4.2)**
Statewide Programs & Institutes						
Agriculture Issues Center	0.3	0.3	0.2	0.0	(0.1)	(0.1)
California Institute for Water Resources	0.7	0.7	1.1	0.0	0.4	0.4
Elkus Ranch Youth Development Center	0.8	0.8	0.4	0.0	(0.4)	(0.4)
Informatics & Geographic Information Systems	0.7	0.7	1.0	0.0	0.3	0.3
Integrated Pest Management	4.6	4.5	5.8	(0.1)	1.3	1.2
Nutrition Policy Institute	9.1	9.2	4.7	0.1	(4.5)	(4.4)
Statewide Programs & Initiatives	4.1	4.1	3.2	0.0	(0.9)	(0.9)
Sustainable Agriculture Research & Education	0.8	0.8	0.8	0.0	0.0	0.0
Volunteer Based Programs (MFP, MG, Naturalist)	1.5	1.5	1.6	0.0	0.1	0.1
Youth, Family & Communities	3.9	3.9	6.6	0.0	2.7	2.7
Subtotal - Statewide Programs & Institutes	**26.6**	**26.6**	**25.3**	**$0.0**	**($1.3)**	**($1.3)**
Research and Extension Centers (RECs)	16.0	16.0	16.4	0.0	0.4	0.4
County-Based Research and Extension	72.0	72.0	67.9	0.0	(4.1)	(4.1)
General Administration	18.4	17.4	18.3	(1.0)	0.9	(0.1)
UCPath	1.6	1.6	0.4	0.0	(1.2)	(1.2)
Subtotal - Administration	**20.0**	**19.0**	**18.6**	**($1.0)**	**($0.4)**	**($1.4)**
Institutional Support	**5.9**	**5.9**	**4.9**	**$0.0**	**($1.0)**	**($1.0)**
TOTAL UC ANR Budget within UCOP	**$178.7**	**$177.7**	**$167.2**	**($1.0)**	**($10.5)**	**($11.5)**
NET MARGIN SURPLUS (DEFICIT)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0

Schedule F-1

Strategic Priorities Fund
Unrestricted Funds
Overall UCOP

$ in millions

		FY 2019-20 Budget	FY 2019-20 Forecast	FY 2020-21 Budget	Variances:Increase/(Decrease) FY19-20 Forecast vs FY19-20 Budget	FY20-21 Budget vs FY19-20 Forecast	FY20-21 Budget vs FY19-20 Budget
UNRESTRICTED-UNDESIGNATED FUNDS							
Campus Program							
1	Clean Energy Research Center on Energy and Water	0.2	0.2	-	-	(0.2)	(0.2)
	Subtotal - Campus Program	**0.2**	**0.2**	-	**$0.0**	**($0.2)**	**($0.2)**
Central & Administrative Services							
2	Corporate Financial System Replacement Project: Phase 2 (FCCS)	0.6	2.6	1.6	2.0	(0.9)	1.1
3	FIS Accounting System Project	2.1	-	-	(2.1)	-	(2.1)
4	Mainframe Services Migration	-	0.2	0.2	0.2	(0.0)	0.2
5	Mainframe Services Retirement	-	0.2	2.3	0.2	2.1	2.3
6	Supply Chain 500, Phase 1	0.3	0.0	-	(0.2)	(0.0)	(0.3)
7	eBilling Matters Management Software Implementation	0.1	0.2	-	0.1	(0.2)	(0.1)
8	Lease Accounting System - GASB 87	-	0.4	0.3	0.4	(0.0)	0.3
9	UCPath Hosting Co-Location (AWS)	-	0.8	-	0.8	(0.8)	-
10	Audit Response - Workforce Planning	0.3	0.2	0.2	(0.1)	(0.0)	(0.1)
11	Audit Response - Finance Resources	0.3	0.3	0.1	(0.0)	(0.1)	(0.1)
12	UCM Chancellor Search	-	0.3	0.0	0.3	(0.2)	0.0
13	UCOP Presidential Search	-	0.2	0.2	0.2	(0.0)	0.2
14	President Transition	-	0.0	0.2	0.0	0.1	0.2
15	Procurement Attorney -2 year contract position	0.4	0.4	-	-	(0.4)	(0.4)
16	UCOP HR TAMS & ePerformance Project Resources	-	0.5	0.0	0.5	(0.5)	0.0
17	HR TAMS and ePerformance Project Resources	-	0.2	0.0	0.2	(0.2)	0.0
18	OP Operations Change Management Resources	-	0.3	0.6	0.3	0.3	0.6
19	Student Pay Project Manager	-	0.3	0.0	0.3	(0.2)	0.0
20	Systemwide Compliance & Audit Symposium	0.1	0.1	-	-	(0.1)	(0.1)
21	Transfer Guarantee Implementation Project	0.3	0.3	0.3	-	(0.1)	(0.1)
22	Transfer Guarantee Implementation: Communications & Advising	-	0.3	-	0.3	(0.3)	-
23	Case Management System for UC Title IX Offices	-	0.3	0.1	0.3	(0.1)	0.1
24	DACA Program Communications Support	-	0.2	0.1	0.2	(0.1)	0.1
25	Cybersecuity Audit	-	0.2	0.1	0.2	(0.1)	0.1
26	Litigation Cost & Whistle Blower Allegations	-	1.3	0.1	1.3	(1.2)	0.1
27	COVID-19 Communications	-	0.3	0.1	0.3	(0.2)	0.1
28	iCamp	3.0	2.2	-	(0.8)	(2.2)	(3.0)
	Subtotal - Central & Administrative	**7.4**	**12.1**	**6.6**	**$4.7**	**($5.5)**	**($0.8)**
Presidential Initiatives							
29	Carbon Neutrality Initiative (CNI)	1.4	1.4	1.3	-	(0.1)	(0.1)
30	Public Law Service Fellowship	5.1	5.1	4.1	-	(1.0)	(1.0)
31	Global Food Initiative (GFI)	0.5	0.5	0.4	-	(0.1)	(0.1)
32	Presidential Public Service Fellowship	0.2	0.2	0.1	-	(0.0)	(0.0)
33	UC National Center for Free Speech & Civic Engagement	0.6	0.6	1.0	-	0.4	0.4
	Subtotal - Presidential Initiatives	**7.7**	**7.7**	**6.9**	**$0.0**	**($0.8)**	**($0.8)**
Systemwide Programs							
34	Undocumented Students - Campus Services & Financial Aid	2.2	2.2	2.2	-	0.0	0.0
35	CDL - UC Open Access Policy Support	0.2	0.2	-	-	(0.2)	(0.2)
36	MRPI Critical Mission Studies @ CA Crossroads	0.5	0.5	-	-	(0.5)	(0.5)
37	UC-Mexico Program	0.8	0.8	0.8	-	-	-
38	Presidential Postdoc Fellowship Program - Supplemental Funding	0.3	0.3	0.2	-	(0.1)	(0.1)
39	ASSIST Project	0.6	0.6	1.3	-	0.7	0.7
40	UC Mexico Program Consolidation	-	1.2	1.2	1.2	-	1.2
	Subtotal - Systemwide Programs	**4.6**	**5.8**	**5.7**	**$1.2**	**($0.1)**	**$1.1**
Systemwide Initiatives							
41	Diversity Pipeline Initiative	0.7	0.7	-	-	(0.7)	(0.7)
42	Systemwide Intergrated Library System Initiative	-	0.5	0.6	0.5	0.2	0.6
	Subtotal - Systemwide Initiatives	**0.7**	**1.2**	**0.6**	**$0.5**	**($0.5)**	**($0.1)**
	Committed Funds	**20.5**	**26.8**	**19.8**	**$6.3**	**($7.1)**	**($0.7)**
	Uncommitted Funds	**9.5**	**0.5**	**0.2**	**($9.0)**	**($0.3)**	**($9.3)**
	Total Strategic Priorities Fund	**$30.0**	**$27.3**	**$20.0**	**($2.7)**	**($7.3)**	**($10.0)**

Notes to Schedule F-1: Unrestricted Strategic Priorities Fund
FY20-21 Budget Increased/Decreased Compared to FY19-20 Budget

Campus Programs

1. Clean Energy Research Center on Energy and Water: A five year commitment to this campus program ended in FY19-20.

Central & Administrative Services

2. Corporate Financial System Replacement Project: Phase 2): $1.6M increased $1.0M to complete the project in June 2021.
3. FIS Accounting System Project: $0.0M; UCOP successfully implemented the Oracle Cloud ERP system effective July 1.
4. Mainframe Services Migration: $0.2M required to complete migration of UC applications from UCSD to UCLA.
5. Mainframe Services Retirement: $2.3M to migrate UC applications from mainframe to cloud solutions which will generate future savings and reduce dependence on outdated hardware investments.
6. Supply Chain 500, Phase 1: $0.0M; Phase 1 completed.
7. eBilling Matters Management Software Implementation: $0.0M; implementation successfully completed.
8. Lease Accounting System - GASB 87: $0.3M to implement a system required by GASB regulations.
9. UCPath Hosting Co-Location (AWS): Launched with SPF funding; transitioned to the Designated SPF. See Schedule F-2.
10. Audit Response - Workforce Planning: $0.2M to complete workforce plan implementation.
11. Audit Response - Finance Resources: $0.1M to complete budget implementation.
12. UCM Chancellor Search: $0.0; this search was successfully completed.
13. UCOP Presidential Search: $0.2M; final invoicing for this search which has been successfully completed.
14. President Transition: $0.2M to support the president's transition occurring in FY20-21.
15. Procurement Attorney -2 year contract position: $0.0M; funding has moved to the UC Legal operating budget.
16. OP Operations Change Management Resources: $0.6M to support several complex UCOP Operations projects.
17. Systemwide Compliance & Audit Symposium: $0.0M; symposium was completed in FY19-20.
18. Transfer Guarantee Implementation Project: $0.3M which compares to $0.3M in FY19-20; this program remains flat.
19. Case Management System for UC Title IX Offices: $0.1M to implement a systemwide system for Title IX case management.
20. DACA Program Communications Support: $0.1M to support communications related to DACA.
21. Cybersecurity Audit: $0.1M to complete a cybersecurity audit and risk assessment.
22. Litigation Cost & Whistle Blower Allegations: $0.1M to complete one-time litigation matters.
23. COVID-19 Communications: $0.1M for resources to support systemwide COVID-19 related communications.
24. iCAMP: Transitioned to the Designated SPF in FY20-21. See Schedule F-2.

Presidential Initiatives (See Appendix 2 for details)

25. Carbon Neutrality Initiative (CNI): $1.3M decreased by $0.1M (-7.1%).
26. Public Law Service Fellowship: $4.1M decreased by $1.0M (-19.6%).
27. Global Food Initiative (GFI): $0.4M decreased by $0.1M (-20%).
28. Presidential Public Service Fellowship: $0.1M decreased by $0.1M (-50%).
29. UC National Center for Free Speech & Civic Engagement: $1.0M increased by $0.4M (66.7%); original commitment was $1M/year but less funding was needed in FY19-20 due to a carryforward from FY18-19.

Systemwide Programs

30. Undocumented Students - Campus Services & Financial Aid: $2.2M to maintain funding levels for campuses and Center support.
31. CDL - UC Open Access Policy Support: Transferred funding to the CDL operating budget; no reduction from FY19-20.
32. MRPI Critical Mission Studies @ CA Crossroads: Transferred to the MRPI operating budget; no reduction from FY19-20.
33. UC-Mexico Program: $0.8M to maintain funding commitment.
34. Presidential Postdoc Fellowship Program - Supplemental Funding: $0.2M a planned decrease from targeted savings.
35. ASSIST Project: $1.3M increased $0.7M (116.7%); strategic augmentation for a project that supports transfer students.
36. UC Mexico Program Consolidation: $1.2M; supports bridging a structural deficit for two years while the program implements changes to eliminate the deficit.

Systemwide Initiatives

37. Diversity Pipeline Initiative: $0.0M; Student Affairs plans to institutionalize key components by integrating them into the program activities of the EAOP program on the campuses.
38. Systemwide Integrated Library System Initiative: $0.6M to implement this software solution

Schedule F-2

Strategic Priorities Fund
Designated/Restricted Funds
Overall UCOP

$ in millions

		Designated	Restricted	FY 2020-21 Budget
Central & Administrative Services				
1	Redwood Stablization	-	6.2	6.2
2	RASC Customer Service Support and Reader Boards	-	0.1	0.1
3	UCPath AWS Implementation	1.9	-	1.9
4	UCPath Deployment for LBNL	1.8	-	1.8
5	iCamp	3.5	-	3.5
	Subtotal - Central & Administrative	**7.2**	**6.3**	**13.5**
	Total Strategic Priorities Fund	**$7.2**	**$6.3**	**$13.5**

Notes to Schedule F-2: Designated and Restricted Strategic Priorities Fund FY20-21 Budget Increased/Decreased Compared to FY19-20 Budget

1. Redwood Stabilization: $6.2M funded from restricted retirement investment funding for required system stabilization and enhancements.
2. RASC Customer Service Support and Reader Boards: $0.1M to augment customer support for UC retirees pending system improvements in item 1 above.
3. UCPath AWS Implementation: $1.9M to migrate UCPath from Oracle (OMCS) to Amazon Web Services (AWS) which will significantly lower annual costs. Funded from UCPath designated fee-for-service funds.
4. UCPath Deployment for LBNL: $1.8M to bring LBNL's 3,500 UC employees onto UCPath using LBNL-designated funds.
5. iCAMP: $3.5M to support systemwide assessments of campus infrastructure managed by the CFO division using designated funds.

Schedule G

UCOP Reserves

$ in millions

UCOP RESERVES	Reserve Target Minimum	Reserve Target Maximum	6/30/19 Actual Reserve	6/30/20 Forecasted Reserve	Variance: 6/30/19 Actual vs 6/30/20 Forecast	6/30/20 Reserve Target Over Max / (Under Min)
Building and Capital Assets Reserves						
Capital Maintenance and Renewal	$ 2.6	$ 7.9	$ 3.1	$ 2.6	$ (0.5)	$ -
UCOP IT Infrastructure	0.4	0.6	0.6	0.6	-	-
Sub-Total Building and Capital Assets Reserves	**$ 3.0**	**$ 8.5**	**$ 3.7**	**$ 3.2**	**$ (0.5)**	
Program Reserves						
UC National Laboratories						
LANS and LLNS-LLC Post Contract Contingency[1]	19.0	19.0	17.1	18.0	0.9	(1.0)
LANS and LLNS-LLC Fee Contingency[1]	7.0	7.0	7.8	7.0	(0.8)	-
TRIAD Reserve Fund[1]	10.0	10.0	-	2.2	2.2	(7.9)
Capital and Campus Opportunity Fund[1]	10.0	10.0	-	3.3	3.3	(6.7)
LBNL Post Contract Contingency[2]	4.0	4.0	3.0	4.7	1.7	0.7
LBNL Building Commitment[2]	10.0	23.0	11.1	12.6	1.5	-
LBNL Guest House Renewal & Replacement[2]	1.5	2.5	1.3	1.5	0.2	-
UC National Laboratories SubTotal	***61.5***	***75.5***	***40.3***	***49.3***	***9.0***	
UC Press	1.5	1.5	1.5	1.5	-	-
UC Washington Center (UCDC)[3]	2.9	6.3	6.3	6.0	(0.3)	-
Sub-Total Program Reserves	**$ 65.9**	**$ 83.3**	**$ 48.1**	**$ 56.8**	**$ 8.7**	
Other Required Reserves						
Housing Loan Program[4]	27.3	37.6	31.4	38.0	6.6	0.4
Sub-Total Other Required Reserves	**$ 27.3**	**$ 37.6**	**$ 31.4**	**$ 38.0**	**$ 6.6**	**$ 0.4**
SUB TOTAL NON-OPERATING AND PROGRAM RESERVES	**$ 96.2**	**$ 129.4**	**$ 83.2**	**$ 97.9**	**$ 14.7**	
Central Operating Reserve[5]	15.0	15.0	15.0	15.0	-	-
TOTAL UCOP RESERVES	**$ 111.2**	**$ 144.4**	**$ 98.2**	**$ 112.9**	**$ 14.7**	

[1] UCNL TRIAD (LANL) 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 $0.7M in reserves and $5.3M in TRIP.

[4] $6.3M of reserve balance is set aside for campus supplemental home loans.

[5] 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 H

UCOP Fund Balances by Fund Type [1, 2, 3]

$ in millions

	6/30/19 Balance	6/30/20 Forecasted Balance	Commitments [3]	Remaining Balance	Change in Fund Balance
UNRESTRICTED					
Undesignated - UCOP					
Investment Income	$ 15.0	$ 1.1	$ 1.1	$ 0.0	$ (15.0)
UC General Funds	10.0	0.0	-	0.0	(10.0)
Legal Settlements	5.2	0.9	-	0.9	(4.4)
Other	-	0.6	0.4	0.2	0.2
Sub-Total Undesignated - UCOP	**$ 30.3**	**$ 2.6**	**$ 1.5**	**$ 1.1**	**$ (29.2)**
Undesignated - Systemwide					
General Obligation Bond Income	$ 10.2	$ 5.4	$ 5.4	$ -	$ (10.2)
Sub-Total Undesignated - Systemwide	**$ 10.2**	**$ 5.4**	**$ 5.4**	**$ -**	**$ (10.2)**
Sub-Total Undesignated	**$ 40.5**	**$ 8.0**	**$ 6.9**	**$ 1.1**	**$ (39.4)**
DESIGNATED					
Regents Designated					
DOE Laboratories [4]					
LLC	$ 14.2	$ 28.0	$ -	$ 28.0	$ 13.8
LBNL	14.9	8.9	-	8.9	(6.0)
Triad	-	5.6	-	5.6	5.6
Lab Fees Research	33.4	23.5	7.7	15.8	(17.6)
Programs and Initiatives					
UC Healthcare Collaborative	$ 7.9	$ 0.2	$ -	$ 0.2	$ (7.7)
California Digital Library	2.7	2.2	0.9	1.3	(1.4)
ICAMP	5.6	3.4	3.4	0.0	(5.6)
UC Washington Center	2.5	4.8	-	4.8	2.3
Procurement Initiatives	2.0	3.1	2.1	1.0	(1.0)
Writing Placement Exam	1.1	(0.1)	-	(0.1)	(1.2)
Other	(1.0)	1.5	-	1.5	2.5
Central Services Designated					
Endowment cost recovery	7.9	$ 9.4	8.0	1.4	(6.6)
Energy and sustainability	2.0	$ 1.1	0.3	0.8	(1.2)
Other	(2.9)	$ 1.0	-	1.0	3.9
Sub-Total Designated	**$ 90.4**	**$ 92.6**	**$ 22.4**	**$ 70.2**	**$ (20.2)**
RESTRICTED					
Federal and Special State Appropriations/Regulations	$ 14.8	$ 0.5	$ -	$ 0.5	$ (14.3)
Gifts and Endowments	3.6	$ 3.1	-	3.1	(0.5)
Sub-Total Restricted	**$ 18.4**	**$ 3.6**	**$ -**	**$ 3.6**	**$ (14.8)**
TOTAL BALANCES - before building proceeds	**$ 149.3**	**$ 104.1**	**$ 29.3**	**$ 74.8**	**$ (74.4)**
Capital Projects	$ 35.0	$ 20.8	$ 20.8	-	(35.0)
TOTAL BALANCES	**$ 184.3**	**$ 124.9**	**$ 50.0**	**$ 74.8**	**$ (109.4)**

[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] Commitments include $5.4M for campus seismic work and interest expense; $7.7M for lab fees research grant awards; $3.4M for ICAMP; $2.1M for procurement licensing fees and $8M for campus development efforts.

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

APPENDIX 2: FY20-21 PRESIDENTIAL INITIATIVES

Presidential Initiatives Detail FY19-20 and FY20-21

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

#	Presidential Initiative	FY19-20 Budget	FY20-21 Budget	Increase/ (Decrease)
1	Carbon Neutrality Initiative (CNI)	$ 1,380,383	$ 1,330,000	$ (50,383)
2	Global Food Initiative (GFI)	496,000	421,200	(74,800)
3	Presidential Public Service Fellowship	168,142	145,928	(22,214)
4	Public Service Law Fellowships	5,080,000	4,050,000	(1,030,000)
5	UC National Center for Free Speech and Civic Engagement	565,000	950,000	385,000
	Total	**$ 7,689,525**	**$ 6,897,128**	**$ (792,397)**

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. A community garden project also enables this initiative to provide instruction to elementary school students about ecology and nutrition. 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. Annual UC National Public Service Law Conferences are held 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 furthers the **instruction** and **public service** components of UC's mission.

5. **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. The budget for the Center was established at $1M per year for three years. Because the Center, managed by UC Irvine, had funds remaining after the end of the first year, the level of funding in FY19-20 was reduced. The proposed budget for FY19-20 is 5% less than the original commitment.

APPENDIX 3: KEY TO ACRONYMS

Acronym	Description
ANR	Agriculture and Natural Resources
CAS	Central and Administrative Services
CDL	California Digital Library
CFO	Chief Financial Officer
COO	Chief Operating Officer
CSA	California State Auditor
CSU	California State University
EBC	Executive Budget Committee
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GO Bond	General Obligation Bond
HIS	Hispanic Serving Institutions
HR	Human Resources
Incr/(Decr)	Increase/(Decrease)
IT	Information Technology
LANL	Los Alamos National Laboratory
LBNL	Lawrence Berkeley National Laboratory
LLNL	Lawrence Livermore National Laboratory
SAPEP	Student Academic Preparation and Academic Partnerships
SPF	Strategic Priorities Fund
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

Additions shown by underscoring; deletions shown by strikethrough

Regents Policy 7102 – Policy on Appointment of Chancellors

Approved May 15, 1981
*Amended January 2008 and June 26, 2018**

POLICY SUMMARY/BACKGROUND

The Policy on Appointment of Chancellors facilitates the selection of candidates for Chancellorships by outlining the selection process for search advisory committee membership and the roles and responsibilities of the committee members.

POLICY TEXT

1. The President of the University will ~~conduct a continuous search for promising candidates for Chancellorships~~ ensure that the University has a continuous robust process for identifying promising candidates. This process is included as an important complement to the systematic nationwide search which will be undertaken each time a vacancy occurs.

2. When a vacancy occurs or is imminent, the Board and the President each has a role in the appointment of a new chancellor. A ~~a~~ search advisory committee will be ~~appointed~~ formed to advise the ~~President of the University.~~ appointment.

   The Committee will consist of:

   - The President of the University, who will serve ex-officio;

   - The Chair of the Board, who will serve ex-officio;

   - Five ~~five~~ Regents appointed by the Chair of the Board;

   ~~as well as the Chair of the Board and the President of the University, who serve ex-officio.~~

   ~~Additional committee members will be selected as follows:~~

   - Five ~~five~~ faculty members appointed by the President of the University:

     - one shall be either the Chair or Vice Chair of the Academic Council~~,~~;

     - one shall be a faculty member from a campus other than the one that is the subject of the search, chosen from a panel of no less than three

nominees submitted by the Academic Senate's Universitywide Committee on Committees~~,~~; and

- three shall be campus faculty members chosen from a panel of no less than six nominees submitted by the campus Academic Senate Committee on Committees.

- A ~~a~~ graduate and an undergraduate student appointed by the respective graduate and undergraduate student associations of the campus~~,~~;

- An ~~an~~ alumni representative appointed by the alumni association of the campus~~,~~;

- A ~~a~~ Foundation representative chosen by the President from a panel of no less than three names submitted by the Campus Foundation~~,~~; and

- A ~~a~~ staff employee representative of the campus ~~selected~~ chosen by the President from a panel of no less than three names submitted by the Campus Staff Assembly ~~shall be invited to attend all meetings of the Committee with full participation in discussion and debate. The President of the University will convene the Committee~~.

3. The President of the University will meet with the Regent members of the Committee prior to the retention of the search firm and appointment of other members of the Committee to discuss the search process. The President will convene the Committee and ensure that the Committee has a strong balance of skills, background, and experience, and represents the diversity of the University community.

~~3.~~ 4. ~~The five faculty members on the Committee, working with the President of the University or the President's designee will submit to the Committee for evaluation not fewer than five promising candidates.~~ The Committee shall solicit the opinions of a wide variety of groups in the search for candidates. The Committee shall invite faculty and other university stakeholders to submit any number of promising candidates to the Committee for consideration. The Committee will evaluate these nominations and may consider or suggest other names. It ~~may~~ shall interview candidates. ~~It will solicit the opinions of other interested groups in whatever manner it considers appropriate.~~

~~4.~~ 5. ~~Both the~~ The Committee ~~and the President~~ shall be mindful of the University's firm commitment to diversity in the employment of women and minorities in seeking out the most qualified candidates.

~~5~~. 6. After the Committee has completed its ~~evaluations~~ process, ~~and advised the President of the University,~~ the President shall meet and discuss candidates with the Regent members of the Committee and then propose a candidate for approval by the Regent members of the Committee prior to making the ~~President will make his or her~~ recommendation to

~~T~~the Board of Regents for consideration and approval. The President shall notify all non-Regent members of the Committee of the recommendation at an appropriate time.

NO RIGHT OF ACTION

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.

**Technical Amendments made by the Secretary and Chief of Staff to the Regents per Policy 1000*

Additions shown by double underscoring; deletions shown by strikethrough

Appendix D – 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.

The Chair of the Board may make appointments to any external boards that specify in statute that the Board of Regents shall make such appointments.

The Governance Committee shall periodically approve the Request for Proposals used to qualify search firms for campus chancellors.

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Additions shown by double underscoring; deletions shown by strikethrough

SCHEDULE OF REPORTS TO THE REGENTS
[Pursuant to the Policy on Reports to Regents]

Amended July ~~2019~~ 2020	**Month(s) Provided to Regents**
BOARD	
Annual University of California Accountability Report	July
UC Health Strategic Plan and Budget	May
Health Systems Transactions Approved by Health Services Committee *(mbm)*	July
GOVERNANCE ~~AND COMPENSATION~~ COMMITTEE	
Annual Reports on Executive Compensation for Calendar Year___: (a) Incumbents in Senior Management Positions and (b) Deans and Certain Faculty Administrators (mbm)[1]	July
Annual Report on Compensated Outside Professional Activities for Calendar Year ___: Incumbents in Senior Management Positions (mbm)	July
Semi-Annual Report on Outside Professional Activities Approved in the Preceding Six Month Period: Incumbents in Senior Management Positions (mbm)	January July
Annual Report on Compensated Outside Professional Activities for Calendar Year ___: Deans and Faculty Administrators *(*mbm)	January
Annual Compensation Monitoring Report for Calendar Year ___: Actions for Certain Athletic Positions and Coaches Systemwide (mbm)	July
Annual Report on Diversity in Campus and Systemwide Executive Searches	September
COMPLIANCE AND AUDIT COMMITTEE	
Biennial Report on Risk Management (mbm)	November
Annual Report on Use of Outside Counsel (mbm)	January
Annual Report on Settlements and Separation Agreements (mbm)	January

[1] mbm: Report is sent to all Regents as a mailing between meetings (mbm)

Bi-Monthly Report on New Litigation (mbm)	January March May July September November
Internal Audit Plan	July
Annual Review of External Audit of Hastings College of the Law (mbm)	March
Report on Financial Statements and Expenditures of Federal Awards in Accordance with Uniform Guidance (mbm)	March
Annual Ethics and Compliance Plan	July
Annual Report on Ethics and Compliance	September
Annual Report of External Auditors for the Year Ended June 30, ___	November
Annual Report on Internal Audit Activities	November

ACADEMIC AND STUDENT AFFAIRS COMMITTEE

Annual Report on Student Financial Support (mbm)	March
Annual Report on Undergraduate Admissions Requirements and Comprehensive Review (mbm)	March
Annual Report on Self-Supporting Professional Degree Programs (mbm)	August
Annual Accountability Sub-Report on Diversity at the University of California	May
University of California Technology Commercialization Report (mbm)	May
Annual Report on Implementation of Regents Policy on Student-Athletes and the Guiding Principles to Enhance Student-Athlete Welfare (mbm)	September

FINANCE AND CAPITAL STRATEGIES COMMITTEE

Annual Report on University Housing Assistance Programs (mbm)	January
University of California Financial Reports	November

Annual University of California Retirement Plan-Actuarial Valuation Report	November
Annual Actuarial Valuation of the University of California Retiree Health Benefit Program	November
Annual Report on Debt Capital and External Finance Approvals (mbm)	February
Annual Report on Major Capital Projects Implementation (mbm)	October
Capital Financial Plan	November
Significant Information Technology Projects	March July (mbm) November (mbm)

HEALTH SERVICES COMMITTEE

University of California Medical Centers Reports (mbm)	March June November
Annual Report on Health Sciences Compensation Plan Participants' Compensation that Exceeds the Reporting Threshold (mbm)	November
Annual Report on Student Health and Counseling Centers and UC Student Health Insurance Plan (mbm)	March

INVESTMENTS COMMITTEE

Annual Endowment Investment Report (mbm)	December
Annual Report of the Chief Investment Officer	September

PUBLIC ENGAGEMENT AND DEVELOPMENT COMMITTEE

Annual Report on Private Support, Major Donors, and Namings and Endowed Chairs	November
Annual Report on Sustainable Practices	January

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
- Six other Regents
- The senior executive in the Office of the President charged with overseeing UC Health, serving in an ex officio capacity
- 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 Committee~~ Special Committee on Nominations, 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 Special Committee on Nominations by the President of the University.

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Attachment 6

UNIVERSITY OF CALIFORNIA
TOTAL RETURN INVESTMENT POOL

[UC WORKING CAPITAL]

INVESTMENT POLICY STATEMENT

Effective: July 1, 2020
Replaces the TRIP Investment Policy Statement and TRIP Asset and Risk Allocation Policy effective March 15, 2018

UNIVERSITY OF CALIFORNIA TOTAL RETURN INVESTMENT POOL
INVESTMENT POLICY STATEMENT

PURPOSE

The purpose of this Investment Policy Statement ("Policy" or "IPS") is to define the objectives, policies and guidelines for the management and oversight of the University of California ("UC") Total Return Investment Pool ("TRIP"). The management of TRIP is subject to state and federal regulations and laws, and all other University investment policies, which may not be listed in this document.

The Policy consists of the following sections:

1. Roles and Responsibilities
2. Objectives
3. Investment Guidelines
4. Strategic Allocation
5. Risk Management
6. Benchmarks
7. Rebalancing
8. Monitoring and Reporting
9. Policy Maintenance
10. No Right of Action
11. Disclosures
12. Other Policies

1. ROLES AND RESPONSIBILITIES

Board of Regents

The Board defines the goals and objectives of TRIP and is responsible for establishing and approving changes to this Policy.

The Board of Regents may delegate the implementation of this policy to the Chief Investment Officer and investment advisors.

Chief Investment Officer

The Chief Investment Officer ("CIO", "OCIO", "Office of the Chief Investment Officer" or "UC Investments") is responsible for implementing the approved investment policies and developing investment processes and procedures for asset allocation, risk management, investment manager selection and termination, monitoring and evaluation, and the identification of management strategies that will improve the investment efficiency of TRIP assets.

Investment Managers

The OCIO may delegate to external Investment Managers responsibility for managing all or a portion of the assets. Any external Investment Managers will assume the roles and responsibilities of "investment manager" under Section 3(38) of ERISA, including but not limited to acknowledging in writing that such Investment Manager is a fiduciary with respect to the assets it manages on behalf of TRIP. The Investment Manager will accept assets and invest in compliance with all relevant regulations and laws, the Investment Manager's individual investment management agreement(s), and as applicable, the stated investment guidelines in this Policy.

Trustee/Custodian

The role of the Trustee/Custodian is to provide safekeeping, accounting and valuation of Trust assets.

2. OBJECTIVES

Overall Objective

TRIP is an investment pool established by the Board of Regents with the objective to provide a high-quality liquid investment vehicle for intermediate-term needs. The primary investment objective is to earn an overall rate of return consistent with the expected intermediate-term spending of TRIP. The investment objective shall be subject to risk tolerance and liquidity management practices established with the Office of the President and Campuses. TRIP is available to all University groups and affiliates.

Return Objective

TRIP seeks to generate a rate of return, after all costs and fees, consistent with TRIP's Overall Objectives, including spending objectives and time horizon. Subject to the risk objective below, TRIP's return objective is to earn a return consistent with or greater than a portfolio equally allocated between public equities and high-quality bonds.

Risk Objective

TRIP will seek to 1) have a low probability of a negative return over a three to five year time horizon and 2) limit the portfolio's expected volatility and maximum drawdown to the level of a portfolio equally allocated between public equities and high-quality bonds and consistent with TRIP's objectives and payout expectations.

Sustainability Objectives

TRIP will be managed in a manner that balances meeting the needs of current investors without compromising the needs of future investors. TRIP will consider sustainability in both risk assessment and investment due diligence.

3. INVESTMENT GUIDELINES

Permitted Investments

TRIP will primarily investment in public equity and intermediate fixed income. The following is a list of the asset classes allowed in TRIP:

1. **Public Equity**

   Includes publicly traded common and preferred stock of issuers domiciled in US, Non-US, and Emerging (and Frontier) Markets. The objective of this segment of the portfolio is to generate investment returns with adequate liquidity through a globally diversified portfolio of common and preferred stocks.

2. **Fixed Income**

   Fixed income includes a variety of income related asset types. The portfolio may invest in interest bearing and income-based instruments such as corporate and government bonds, high yield debt, emerging markets debt, inflation linked securities, cash and cash equivalents. Both traditional (benchmark relative) strategies and unconstrained (benchmark agnostic) strategies. The objective of the income portfolio is to provide stability and necessary liquidity for payment obligations, while investing in higher yielding and less liquid income opportunities with attractive return potential.

3. Private Assets

Private asset (equity, debt or other non-publicly traded investments) investments are expected to generate higher long-term real returns versus a portfolio equally allocated between public equities and high-quality bonds by exploiting market inefficiencies, informational advantages and time horizon opportunities. TRIP may invest up to 10% in private assets opportunistically at the discretion of the CIO when the expected return and risk are deemed favorable to TRIP's public market assets. All private asset investments must be approved by the CIO.

4. Derivatives

A derivative is a contract or security whose value is derived from another security or risk factor. There are three fundamental classes of derivatives – futures, options and swaps – each with many variations; in addition, some securities are combinations of derivatives or contain embedded derivatives. Use of derivatives to create economic leverage is prohibited. Permitted applications for derivatives are efficient substitutes for physical securities, managing risk by hedging existing exposures, or other approved active management strategies.

Each asset class is assigned a benchmark that represents the opportunity set and risk and return characteristics associated with the asset class. For some private or more complex asset classes the benchmark serves as a proxy for the expected level and pattern of returns rather than an approximation of the actual investment holdings.

Investment Restrictions

The Regents have established that the purchase of securities issued by tobacco companies and companies with business operations in Sudan are prohibited in separately managed accounts. The Chief Investment Officer will determine what constitutes a tobacco or Sudan company based on standard industry classification of the major index providers and must communicate this list to investment managers annually and whenever changes occur.

4. STRATEGIC ALLOCATION

The Strategic Asset Allocation (SAA) is the primary determinant of the return and risk of the portfolio. The SAA is set by the Board of Regents in consultation with the OCIO and reviewed periodically to reflect current program objectives and capital market expectations. The SAA expresses the target allocation and the allowable minimum and maximum allocations for each asset class. The actual portfolio exposures may deviate from the SAA as a result of price drifts, opportunity set, and value adding activities of the OCIO, but generally should remain within the allowable ranges Tactical asset allocation shifts within and across asset classes are permitted if those decisions are expected to add value to TRIP.

Below are the strategic asset allocation long-term weights and allowable ranges:

Table 1

	Strategic Asset Allocation	Allowable Ranges Minimum	Allowable Ranges Maximum
Public Equity	**50.0**	**35.0**	**55.0**
Fixed Income	**50.0**	**35.0**	**55.0**
Private Assets*	**0.0**	**0.0**	**10.0**
TOTAL	**100.0%**		

*TRIP has the flexibility to invest up to ten percent of the portfolio in private investments.

5. RISK MANAGEMENT

The primary risks to TRIP are the inability to meet planned spending and/or the inability to return capital to the owners of TRIP assets. Total program volatility will be managed to limit these risks. The principal factors that determine TRIP's asset volatility, and the parties responsible for managing them, are as follows:

- Capital market risk is the risk that the investment return associated with the asset allocation policy is not sufficient to provide the required returns to meet the TRIP's investment objectives. Responsibility for determining the overall level of capital market risk lies with the Board and OCIO.

- Total active risk refers to the volatility of the difference between the return of the TRIP policy benchmark and the actual return. It incorporates the aggregate of investment style risk, active management risk, and tactical/strategic risks and is thus the responsibility of the Chief Investment Officer.

Although the management of investment portfolios may be outsourced, investment oversight and risk management are primary fiduciary duties of the Board that are delegated to and performed by the Chief Investment Officer.

Active Risk: Each Manager or asset class segment will have a unique active risk budget, relative to its asset class benchmark, which is appropriate to its individual strategy, and specified in its guidelines.

The OCIO is responsible for managing both total and active risk, as well as other portfolio risks including foreign exchange risk, credit risk, and liquidity risk. The OCIO shall implement procedures and safeguards so that the combined risk exposures of all portfolios taken together are kept within limits appropriate to the TRIP's risk tolerance.

6. BENCHMARKS

TRIP's performance will be evaluated against appropriate benchmarks including a strategic asset allocation benchmark ("Total TRIP Portfolio Benchmark") and specific benchmarks for each asset class and investment manager. The Total TRIP Portfolio Benchmark is a weighted average consisting of the asset class benchmarks listed below weighted by the SAA target weights. The benchmarks for each asset class are shown in **Table 2**:

Table 2

Asset Class	Benchmark
Public Equity	MSCI All Country World Index (ACWI) Investable Market Index (IMI) Tobacco and Fossil Fuel Free - Net Dividends
Fixed Income	Bloomberg Barclays US 1-5 Year Government / Credit Index
Private Assets	Total TRIP Portfolio Benchmark

7. REBALANCING

There will be periodic deviations in actual asset weights from the strategic target weights. Causes for periodic deviations are market movements, cash flows, tactical tilts, and asset selection. Significant movements from the asset class policy weights will alter the intended expected return and risk of TRIP. Accordingly, TRIP may be rebalanced when necessary to ensure adherence to this policy and the Investment Policy.

The OCIO will monitor the actual asset allocation. The Board directs the OCIO to take all actions necessary, within the requirement to act prudently, to manage the asset allocation in a manner that ensures that TRIP achieves its risk and return objectives.

The OCIO shall assess and manage the trade-off between the cost of rebalancing and the active risk associated with the deviation from policy asset weights. The Chief Investment Officer may delay a rebalancing program when the Chief Investment Officer believes the delay is in the best interest of TRIP.

8. MONITORING AND REPORTING

The OCIO is responsible for monitoring the portfolio and investment managers on an ongoing basis. The OCIO should monitor and report to the Investments Committee, Finance and Capital Strategies Committee and Board of Regents on the following items.

1. Asset Allocation and Risk Measures and Exposures

2. Investment Performance and Attribution (against benchmarks identified in this Policy)

3. Material Changes to Organization and Investment Strategy

4. Potential Material Issues and Risks

5. Compliance of TRIP with this Policy

While short-term results will be monitored, it is understood that TRIP's objectives are long-term in nature and progress towards these objectives will be evaluated from a long-term perspective.

On at least an annual basis the CIO will report on the implementation of the UC's Sustainability Framework which will include a discussion on the portfolio's environmental, social, and governance risks considered during the year.

9. POLICY MAINTAINANCE

The Policy should be reviewed at least annually and updated as necessary. Revisions may be recommended by the OCIO, Investments Committee, Finance and Capital Strategies Committee, and approved by the Board of Regents.

10. NO RIGHT OF ACTION

This Policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.

11. DISCLOSURES

The Chief Investment Officer provides investment-related information on TRIP to the Regents' Investments Committee in a manner consistent with the requirements outlined in this policy. Current and historical materials are publicly available on The Regents' website within the section on Meeting Agendas and Schedule. The Chief Investment Officer's Annual Report for the most recent fiscal year is also available on the Chief Investment Officer's website.

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

12. OTHER POLICIES

TRIP will follow the proxy voting and investment valuation policies developed and approved by the Office of the Chief Investment Officer.

Attachment 7

UNIVERSITY OF CALIFORNIA
SHORT TERM INVESTMENT POOL

[UC LIQUIDITY]

INVESTMENT POLICY STATEMENT

Effective: July 1, 2020
Replaces the STIP Investment Policy Statement and STIP Asset and Risk Allocation Policy effective March 15, 2018

UNIVERSITY OF CALIFORNIA SHORT TERM INVESTMENT POOL
INVESTMENT POLICY STATEMENT

PURPOSE

The purpose of this Investment Policy Statement ("Policy" or "IPS") is to define the objectives, policies and guidelines for management and oversight of the University of California ("UC") Short Term Investment Pool ("STIP"). The management of STIP is subject to state and federal regulations and laws, and all other University investment policies, which may not be listed in this document.

The Policy consists of the following sections:

1. Roles and Responsibilities
2. Objectives
3. Investment Guidelines
4. Strategic Allocation
5. Risk Management
6. Benchmarks
7. Monitoring and Reporting
8. Policy Maintenance
9. No Right of Action
10. Disclosures
11. Other Policies

1. ROLES AND RESPONSIBILITIES

Board of Regents

The Board defines the goals and objectives of STIP and is responsible for establishing and approving changes to this Policy. The Board of Regents may delegate the implementation of this policy to sub-committees, the Chief Investment Officer and investment advisors.

Chief Investment Officer

The Chief Investment Officer ("CIO", "Office of the Chief Investment Officer", "OCIO" or "UC Investments") is responsible for implementing the approved investment policies and developing investment processes and procedures for asset allocation, risk management, investment manager selection and termination, monitoring and evaluation, and the identification of management strategies that will improve the investment efficiency of STIP assets.

Investment Managers

The OCIO may delegate to external Investment Managers responsibility for managing all or a portion of the assets. Any external Investment Managers will assume the roles and responsibilities of "investment manager" under Section 3(38) of ERISA, including but not limited to acknowledging in writing that such Investment Manager is a fiduciary with respect to the assets it manages on behalf of STIP. The Investment Manager will accept assets and comply with all relevant laws, the Investment Manager's individual investment management agreement(s), and as applicable, the stated investment guidelines in this Policy.

Trustee/Custodian

The role of the Trustee/Custodian is to provide safekeeping, accounting and valuation of Trust assets.

2. OBJECTIVES

Overall Objective
STIP is a cash investment pool established by the Board of Regents with the objective of providing a high quality liquid investment vehicle for short-term liquidity needs. STIP's primary objective is to preserve capital and to earn investment income consistent with interest available on low-risk investments. The STIP is available to all University groups and affiliates.

Return Objective
STIP seeks to maximize returns consistent with its primary objective of safety of principal and liquidity, and cash flow requirements.

Risk Objective
STIP seeks to preserve capital and avoid negative returns over any one-year time horizon.

Sustainability Objective
STIP will be managed in a manner that balances meeting the needs of current investors without compromising the needs of future investors. STIP will consider sustainability in both risk assessment and investment due diligence.

3. INVESTMENT GUIDELINES

Permitted Investments
STIP will primarily invest in high quality, liquid, short duration US dollar-denominated bills, notes and cash equivalents. The following is a list of the investment classes allowed in STIP:

1. Short term fixed income instruments (having remaining maturity of less than or equal to 12 months)

    a. Obligations issued or guaranteed by the U.S. Federal Government, U.S. Federal Agencies or U.S. government-sponsored corporations and agencies such as US Treasury and Agency bills and notes.
    b. Certificates of deposit (CD)
    c. Time deposit (TD)
    d. Bankers acceptances
    e. Commercial paper
    f. Obligations issued or guaranteed by U.S. local, city and State governments and agencies which are pre-funded by US Treasury Securities in escrow.
    g. Money market funds managed by the custodian

Investment Restrictions
The Regents have established that the purchase of securities issued by tobacco companies and companies with business operations in Sudan are prohibited in separately managed accounts. The Chief Investment Officer will determine what constitutes a tobacco or Sudan company based on standard industry classification of the major index providers and must communicate this list to

investment managers annually and whenever changes occur.

Employing economic leverage in the portfolio through borrowing, derivatives, or forward-settled transactions (beyond regular settlement) is prohibited.

4. STRATEGIC ALLOCATION

The portfolio will be invested in marketable, publicly traded, high quality short term fixed income instruments, notes and debentures denominated in U.S. dollars and cash (or cash equivalent) instruments.

5. RISK MANAGEMENT

The following limitations will apply in order to maintain investment and liquidity risk within acceptable ranges:

1. Credit risk

   a) No more than 40% of the portfolio's investments should be invested in securities other than US Treasury and Agency bills and notes, and US Government money market funds managed by the custodian.

   b) No more than 20% of the portfolio's investments should be invested in US Government money market funds managed by the custodian. Money market funds should have a rating of AAAm/AAAmf or equivalent by the NRSO's.

   c) Commercial Paper must have a rating of at least A-1, P-1, or F-1

   d) Investments should exhibit a credit quality of A (or equivalent) or better, as determined by one of the NRSRO's Split-rated credits are considered to have the lower credit rating. US Treasury and Agency bills and notes are exempt from this requirement.

   e) No more than 5% of the portfolio's allocation to commercial paper may be invested in any single issuer. This guideline may be exceeded on a temporary basis due to unusual cash flows, up to a limit of 10%, for a period not to exceed 30 days.

   f) Except for securities issued by the US Treasury or Agencies of the US Government, no more than 3% of the portfolio's market value may be invested in any single issuer.

2. Liquidity risk

   a) The portfolio's investments in aggregate of any security may not exceed 15% of that security's outstanding par value at time of purchase, without a written exception approved by the Chief Investment Officer.

6. BENCHMARK

The STIP Benchmark will be a 50/50 weighted average of the yield on a constant maturity One Year US Treasury Note and US 30 day Treasury Bills.

7. MONITORING AND REPORTING

The OCIO is responsible for monitoring the portfolio and investment managers on an ongoing basis. The OCIO should monitor and report to the Board of Regents and designated sub-committees on the following items.

1. Asset Allocation and Risk Measures and Exposures
2. Investment Performance and Attribution (against the STIP Benchmark)
3. Material Changes to Investment Strategy
4. Potential Material Issues and Risks
5. Compliance of STIP with this Policy

On at least an annual basis the CIO will report on the implementation of the UC's Sustainability Framework which will include a discussion on the portfolio's environmental, social, and governance risks considered during the year.

8. POLICY MAINTENANCE

The Policy should be reviewed at least annually and updated as necessary. Revisions may be recommended by the OCIO, Investments Subcommittee, Finance and Capital Strategies Committee, and approved by the Board of Regents.

9. NO RIGHT OF ACTION

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.

10. DISCLOSURES

The Chief Investment Officer provides investment-related information on STIP to the Regents' Investments Subcommittee in a manner consistent with the requirements outlined in this policy. Current and historical materials are publicly available on the Regents' website within the section on Meeting Agendas and Schedule. The Chief Investment Officer's Annual Report for the most recent fiscal year is also available on the Chief Investment Officer's website.

11. OTHER POLICIES

STIP will follow the proxy voting and investment valuation policies developed and approved by the Office of the Chief Investment Officer.

UNIVERSITY OF CALIFORNIA
GENERAL ENDOWMENT POOL

[UC ENDOWMENT]

INVESTMENT POLICY STATEMENT

Effective: July 1, 2020
Replaces the GEP Investment Policy Statement and Asset and Risk Allocation Policy effective March 15, 2018

UNIVERSITY OF CALIFORNIA GENERAL ENDOWMENT POOL
INVESTMENT POLICY STATEMENT

POLICY SUMMARY/BACKGROUND

The purpose of this Statement of Investment Policy Statement ("Policy") is to define the objectives, policies and guidelines for the management and oversight of the University of California ("UC") General Endowment Pool ("GEP"). The management of GEP is subject to state and federal regulations and laws, and all other University investment policies, which may not be listed in this document. This policy reflects the Governance Framework outlined in Bylaws 22 and 23 of the University and the Finance and Capital Strategies Committee Charter.

The Policy consists of the following sections:

1. Roles and Responsibilities
2. Objectives
3. Investment Guidelines
4. Strategic Allocation
5. Risk Management
6. Benchmarks
7. Rebalancing
8. Monitoring and Reporting
9. Total Return Expenditure (Spending) Rate
10. Endowment Administration Cost Recovery
11. Policy Maintenance
12. No Right of Action
13. Disclosures

1. ROLES AND RESPONSIBILITIES

Board of Regents

The Board defines the goals and objectives of GEP and is responsible for establishing and approving changes to this Policy. The Board of Regents may delegate the implementation of this policy to sub-committees, the Chief Investment Officer and investment advisors.

Chief Investment Officer

The Chief Investment Officer ("Office of the Chief Investment Officer", "OCIO") is responsible for implementing the approved investment policies and developing investment processes and procedures for asset allocation, risk management, investment manager selection and termination, monitoring and evaluation, and the identification of management strategies that will improve the investment efficiency of the GEP assets.

Investment Managers

The OCIO may delegate to external Investment Managers responsibility for managing all or a portion of the assets. Any external Investment Managers will assume the roles and responsibilities of "investment manager" under Section 3(38) of ERISA, including but not limited to acknowledging in writing that such Investment Manager is a fiduciary with respect to the assets it manages on behalf of GEP. The Investment Manager will accept

assets and invest in compliance with all relevant laws, the Investment Manager's individual investment management agreement(s), and as applicable, the stated investment guidelines in this Policy.

Trustee/Custodian
The role of the Trustee/Custodian is to provide safekeeping, accounting and valuation of Trust assets.

2. OBJECTIVES

Overall Objective

The GEP provides a common investment vehicle, intended to generate a stable and growing income stream, for (most but not all of) the University's endowments and quasi-endowments, for which the University is both trustee and beneficiary.

The overall investment objective of the GEP is to preserve and grow the purchasing power of the future stream of endowment payout for those funds and activities supported by the endowments. GEP also seeks to maintain liquidity needed to support spending in prolonged down market environments without impairing long term growth..

Return Objective

GEP seeks to maximize its return on investment, consistent with levels of investment risk that are prudent and reasonable given long-term capital market expectations and the overall objectives of the GEP. The performance of GEP will be measured relative to its objectives (e.g. spending, inflation growth) and policy benchmarks found in this Policy.

Risk Objective

While the Board recognizes the importance of the preservation of capital, it also recognizes that to achieve the GEP's overall objectives requires prudent risk-taking, and that risk is the prerequisite for generating investment returns GEP seeks a level of risk that is prudent and reasonable to maximize the probability of achieving its overall objective consistent with capital market conditions. GEP should limit the probability of loss of capital and/or a loss of purchasing power over a full market cycle (typically 4-8 years). Another important risk objective is limiting declines in purchasing power over the spending policy's stated rolling period of 60 months.

Sustainability Objective

The Office of the Chief Investment Officer shall incorporate environmental sustainability, social responsibility, and governance (ESG) into the investment evaluation process as part of its overall risk assessment in its investments decision making. ESG factors are considered with the same weight as other material risk factors influencing investment

decision making.

The Office of the Chief Investment Officer uses a proprietary sustainability framework to provide core universal principles that inform the decisions and assist in the process of investment evaluation. The Office of the Chief Investment Officer manages the GEP consistent with these sustainability principles. The Framework can be found on the Office of the Chief Investment Officer website in the sustainability section.

3. INVESTMENT GUIDELINES

Permitted Investments

Below is a list of asset class types in which the GEP may invest so long as they do not conflict with the constraints and restrictions described elsewhere in this document. The criteria used to determine which asset classes may be included are:

- Positive contribution to the investment objective of GEP
- Widely recognized and accepted among institutional investors
- Diversification with some or all of the other accepted asset classes

Based on the criteria above, the types of assets for building the portfolio allocation are:

1. **Public Equity**
   Includes publicly traded common and preferred stock of issuers domiciled in US, Non-US, and Emerging (and Frontier) Markets. The objective of the public equity portfolio is to generate investment growth with adequate liquidity through a globally diversified portfolio of common and preferred stocks.

2. **Fixed Income**
   Fixed Income includes a variety of income related asset types. The portfolio will invest in interest bearing and income based instruments such as corporate and government bonds, high yield debt, emerging markets debt, inflation linked securities, cash and cash equivalents. The portfolio can hold a mix of traditional (benchmark relative) strategies and unconstrained (benchmark agnostic) strategies. The objectives of the fixed income portfolio are to provide diversification relative to other higher risk assets and necessary liquidity for payment obligations and portfolio rebalancing needs, while investing in higher yielding and less liquid fixed income opportunities when appropriate.

3. **Private Equity**
   Private equity includes, but is not limited to, venture capital and buyout funds, direct investments, special situations and co-investments in private companies. This includes investments in privately held companies and private investments in public entities which are illiquid. The objective of the portfolio is to earn higher returns than the

public equity markets over the long term and take advantage of the illiquidity premium.

4. **Private Credit**
   Private credit includes debt issued by and loans made to companies through privately negotiated, non-public transactions, other debt backed private structures, such as consumer or asset backed loans. The objective of the portfolio is to earn higher returns than the public debt markets over the long term and take advantage of preferential yields, terms and other characteristics available through private transactions.

5. **Real Estate**
   Real estate includes private investments in real property and related debt investments. The objectives of the real estate portfolio are to contribute to the diversification of the portfolio, generate returns through income and/or capital appreciation, and provide protection against unanticipated inflation.

6. **Real Assets**
   Real assets includes, but is not limited to, natural resources, timberland royalties, energy, infrastructure, and commodities related equity and related debt investments. The objectives of the real assets portfolio are to contribute to the diversification of the portfolio, generate returns through income and/or capital appreciation, and provide protection against unanticipated inflation.

7. **Absolute Return**
   Absolute return investments are expected to generate long-term real returns by exploiting market inefficiencies. The portfolio may invest in various strategies, including, but not limited to, Relative Value, Macro and Event Driven strategies. The objective of the portfolio is to provide diversification and generate capital appreciation.

8. **Derivatives**
   A derivative is a contract or security whose value is derived from another security or risk factor. There are three fundamental classes of derivatives – futures, options and swaps – each with many variations; in addition, some securities are combinations of derivatives or contain embedded derivatives. Use of derivatives to create economic leverage is prohibited. Permitted applications for derivatives are: efficient substitutes for physical securities, managing risk by hedging existing exposures, to implement arbitrage or other approved active management strategies.

Each asset class is assigned a benchmark that represents the opportunity set and risk and return characteristics associated with the asset class. For some private or more complex asset classes the benchmark serves as a proxy for the expected level and pattern of returns rather than an approximation of the actual investment holdings.

Investment Restrictions

The Regents have established that the purchase of securities issued by tobacco and fossil fuel companies and companies with business operations in Sudan are prohibited in separately managed accounts. The Chief Investment Officer will determine what

constitutes a tobacco or Sudan company based on standard industry classification of the major index providers and must communicate this list to investment managers annually and whenever changes occur.

4. STRATEGIC ALLOCATION

The Strategic Asset Allocation (SAA) is the primary determinant of the return and risk of the portfolio. The SAA is set by the Board of Regents in consultation with the OCIO and reviewed periodically to reflect current program objectives and capital market expectations. The SAA expresses the target allocation and the allowable minimum and maximum allocations for each asset class. The actual portfolio exposures may deviate from the SAA as a result of price drifts, opportunity set, and value adding activities of the OCIO, but generally should remain within the allowable ranges Tactical asset allocation shifts within and across asset classes are permitted if those decisions are expected to add value to GEP.

Below are the strategic asset allocation long-term weights and allowable ranges:

Table 1

	Strategic Asset Allocation	**Allowable Ranges**	
		Minimum	**Maximum**
Public Equity	40.0	30.0	50.0
Fixed Income	8.0	5.0	15.0
Private Equity	24.0	10.0	30.0
Real Estate	8.0	4.0	12.0
Real Assets	4.0	0.0	8.0
Private Credit	4.0	0.0	6.0
Absolute Return	10.0	5.0	15.0
Cash	2.0	1.0	5.0

5. RISK MANAGEMENT

The primary risks to GEP are the inability to meet planned spending and deterioration in long term spending power. Total program volatility will be managed to limit these risks. The principal risk factors that determine GEP's asset volatility, and the parties responsible for managing them are as follows:

- **Capital market risk** is the risk that the investment return associated with the asset allocation policy is not sufficient to provide the required returns to meet the GEP's investment objectives. Responsibility for determining the overall level of capital market risk lies with the Board and OCIO.

- **Total active risk** refers to the volatility of the difference between the return of the GEP policy benchmark and the actual return. It incorporates the aggregate of investment style risk, active management risk, and tactical/strategic risks and is thus the responsibility of the Chief Investment Officer.

The OCIO is responsible for managing both active risk and total risk, including both capital market and active risk, and shall implement procedures and safeguards so that the combined risk exposures of all portfolios taken together are kept within risk bands. Further, within limits of prudent diversification and risk budgets, total and active risk exposures are fungible. That is, the OCIO may allocate risk exposures within and between asset types in order to optimize return.

Although the management of investment portfolios may be outsourced, investment oversight and risk management are primary fiduciary duties of the Board that are delegated to and performed by the Chief Investment Officer.

6. BENCHMARKS

GEP's performance will be evaluated against appropriate benchmarks including a strategic asset allocation benchmark ("Total GEP Portfolio Benchmark") and specific benchmarks for each asset class and investment manager. The Total GEP Portfolio Benchmark is a weighted average consisting of the asset class benchmarks listed below weighted by the SAA target weights. The benchmarks for each asset class are shown in **Table 2**:

Table 2

Asset Class	Benchmark
Global Equity	MSCI All Country World Index (ACWI) Investable Market Index (IMI) Tobacco and Fossil Fuel Free - Net Dividends
Fixed Income	Bloomberg Barclays 1-5 Year US Government/Credit Index
Private Equity	Russell 3000 + 3*%
Real Estate	NCREIF Fund Index – Open End Diversified Core Equity (ODCE)
Real Assets	Actual Real Assets Portfolio Return
Private Credit	Actual Private Credit Portfolio Return
Absolute Return	HFRI Fund of Funds Composite
Cash	BofA 3-Month US Treasury Bill Index

* The Private Equity benchmark is in transition from Russell 3000 + 2.5% for FY 2021 and will be Russell 3000 + 3.0% thereafter.

The **Total GEP Portfolio Benchmark** is a weighted average consisting of each of the

monthly returns of the benchmarks noted above weighted by the Policy Allocation percentages. The policy benchmarks may differ from the target allocations in **Table 1** until implementation reaches the long- term strategic asset allocation.

7. REBALANCING

There will be periodic deviations in actual asset weights from the strategic target weights. Causes for periodic deviations are market movements, cash flows, tactical tilts, and asset selection. Significant movements from the asset class policy weights will alter the intended expected return and risk of the GEP. Accordingly, the GEP may be rebalanced when target weights are outside of the allowable ranges to ensure adherence to this policy.

The OCIO will monitor the actual asset allocation. The Board directs the OCIO to take all actions necessary, within the requirement to act prudently, to manage the asset allocation in a manner that ensures that the GEP achieves its long-term risk and return objectives.

The OCIO shall assess and manage the trade-off between the cost of rebalancing and the active risk associated with the deviation from policy asset weights. The Chief Investment Officer may delay a rebalancing program when the Chief Investment Officer believes the delay is in the best interest of the GEP.

8. MONITORING AND REPORTING

The OCIO is responsible for monitoring the portfolio and investment managers on an ongoing basis. The OCIO should monitor and report to the Investments Subcommittee, Finance and Capital Strategies Committee and Board of Regents on the following items:

1. Asset and Risk Measures and Exposures
2. Investment Performance and Attribution (against benchmarks identified in this Policy)
3. Material Changes to Organization and Investment Strategy
4. Potential Material Issues and Risks
5. Compliance of GEP with this Policy

While short-term results will be monitored, it is understood that GEP's objectives are long-term in nature and progress towards these objectives will be evaluated from a long-term perspective.

On at least an annual basis the CIO will report on the implementation of the UC's Sustainability Framework which will include a discussion on the portfolio's environmental, social, and governance risks considered during the year.

9. TOTAL RETURN EXPENDITURE (SPENDING) RATE

The endowment spending rate provides University programs with a source of income that is perpetual, growing (at least as fast as inflation) and predictable. The spending rate should balance the needs of current and future generations (equalize real value of per unit distributions over time), and preserve the purchasing power (real value) of the endowment, net of annual spending distributions.

The objective of the spending rate is to allow the principal or core assets to grow on a total return basis (total return = change in market value + income generated from the securities held) while "smoothing" the payout from the endowment assets in order to mitigate disruptions to the budgets of the endowed activities throughout economic and market cycles. Total return expenditure rates permit the spending of realized portfolio gains. The Spending Rate is a percent of unit value (or average unit value) distributed to programs each year and uses a smoothing formula that mediates between volatile market returns and program needs for predictable income.

The total return expenditure (spending) policy for eligible assets in the General Endowment Pool is 4.75 percent of a 60-month moving average of the market value of a unit invested in the GEP.

10. ENDOWMENT ADMINISTRATION COST RECOVERY

Endowment cost recovery is taken from the endowment payout each year and is used to defray, in part, the cost of the campuses and at the system-wide offices of administering and carrying out the terms of the Regents' endowments. The funds released by this mechanism are used by the campuses and the Office of the President as support for incremental fundraising activities. The endowment administration cost recovery rate of 55 basis points (0.55 percent) is to recover reasonable and actual costs related to the administration of gift assets invested in the General Endowment Pool.

11. POLICY MAINTENANCE

The Policy should be reviewed at least annually and updated as necessary. Revisions may be recommended by the OCIO, Investments Committee, Finance and Capital Strategies Committee, and approved by the Board of Regents.

12. NO RIGHT OF ACTION

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.

13. DISCLOSURES

The Chief Investment Officer provides investment-related information on the GEP to The Regents' Investments Subcommittee in a manner consistent with the requirements outlined in this policy. Current and historical materials are publicly available on The Regents' website within the section on Meeting Agendas and Schedule. The Chief Investment Officer's Annual Report for the most recent fiscal year is also available on the Chief Investment Officer's website. Other disclosures that will be posted on the Chief Investment Officer's website are:

1. A report on private equity internal rates of return is publicly available on the Chief Investment Officer's website on a lagged quarterly basis.
2. As soon as practicable after each fiscal year, a complete listing of all assets held by the GEP at calendar year end will be posted on the Chief Investment Officer's website. Each listing will include the asset's market value at the end of the year. The assets will be

grouped in the standard categories used by the custodian bank to group the assets in the asset reports provided to the Chief Investment Officer

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

~~UNIVERSITY OF CALIFORNIA GENERAL ENDOWMENT POOL~~

~~ASSET AND RISK ALLOCATION POLICY~~

~~Approved March 15, 2018~~

UNIVERSITY OF CALIFORNIA GENERAL ENDOWMENT POOL
ASSET AND RISK ALLOCATION POLICY

~~POLICY SUMMARY/BACKGROUND~~

~~The purpose of this Asset and Risk Allocation Policy ("Policy") is to define the asset types, strategic asset allocation, risk management, benchmarks, and rebalancing for the University of California General Endowment Pool ("GEP"). The Investments Subcommittee has consent responsibilities over this policy.~~

~~POLICY TEXT~~

~~ASSET CLASS TYPES~~

~~Below is a list of asset class types in which the GEP may invest so long as they do not conflict with the constraints and restrictions described in the GEP Investment Policy Statement. The criteria used to determine which asset classes may be included are:~~

- ~~Positive contribution to the investment objective of GEP~~
- ~~Widely recognized and accepted among institutional investors~~
- ~~Low cross correlations with some or all of the other accepted asset classes~~

~~Based on the criteria above, the types of assets for building the portfolio allocation are:~~

~~1. Public Equity~~

~~Includes publicly traded common and preferred stock of issuers domiciled in US, Non-US, and Emerging (and Frontier) Markets. The objective of the public equity portfolio is to generate investment returns with adequate liquidity through a globally diversified portfolio of common and preferred stocks.~~

~~2. Liquidity (Income)~~

~~Liquidity includes a variety of income related asset types. The portfolio will invest in interest bearing and income based instruments such as corporate and government bonds, high yield debt, emerging markets debt, inflation linked securities, cash and cash equivalents. The portfolio can hold a mix of traditional (benchmark relative) strategies and unconstrained (benchmark agnostic) strategies. The objective of the income portfolio is to provide necessary liquidity for payment obligations and portfolio rebalancing needs, while investing in higher yielding and less liquid income opportunities with excess liquidity.~~

~~3. Private Equity~~

~~Private equity includes, but is not limited to, venture capital and buyout funds, direct investments, and co-investments in private companies. This includes investments in privately held companies and private investments in public entities which are illiquid. The objective of the portfolio is to earn higher returns than the public equity markets over the long term and take advantage of the illiquidity premium.~~

~~4. Real Assets~~

~~Real assets includes, but is not limited to, natural resources, real estate, timberland royalties, energy, infrastructure, and commodities related equity and debt related investments. The objective of the real assets portfolio is to contribute to the diversification of the portfolio, generate returns through income and/or capital appreciation, and provide protection against unanticipated inflation.~~

~~5. Absolute Return / Strategic Opportunities~~

~~Absolute return investments are expected to generate long-term real returns by exploiting market inefficiencies. The portfolio invests in a collection of strategies that includes, but is not limited to, strategy types such as Relative Value, Event Driven, and Strategic Opportunities. The objective of the portfolio is to provide diversification and generate capital appreciation.~~

~~6. Derivatives~~

~~A derivative is a contract or security whose value is derived from another security or risk factor. There are three fundamental classes of derivatives – futures, options and swaps – each with many variations; in addition, some securities are combinations of derivatives or contain embedded derivatives. Use of derivatives to create economic leverage is prohibited. Permitted applications for derivatives are: efficient substitutes for physical securities, managing risk by hedging existing exposures, to implement arbitrage or other approved active management strategies.~~

~~Each asset class is assigned a benchmark that represents the opportunity set and risk and return characteristics associated with the asset class. For some private or more complex asset classes the benchmark serves as a proxy for the expected level and pattern of returns rather than an approximation of the actual investment holdings.~~

~~RISK MANAGEMENT~~

~~There are four principal factors that affect an endowment fund's financial status:~~

- ~~Contributions~~
- ~~Annual payout to endowment recipients~~
- ~~Inflation~~
- ~~Investment performance~~

~~The level of risk tolerance will take into account all four factors. At certain levels of assets and a given spending policy, it could be impossible for the investments to achieve the necessary performance to meet the desired spending. The result is that either spending policy has to be changed, contributions increased or risk tolerance changed.~~

~~There are different types of risk tied to various responsible parties at each level of GEP investment management. Thus, different risk metrics are appropriate at each level.~~

~~The **principal risks** that impact the GEP, and the parties responsible for managing them are as follows:~~

- ~~Capital market risk is the risk that the investment return associated with the Subcommittee's asset allocation policy is not sufficient to provide the required returns to meet the GEP's investment objectives. Responsibility for determining the overall level of capital market risk lies with the Board and Subcommittee.~~

- ~~Investment style risk is associated with an active management investment program. It is the performance differential between an asset category's market target and the aggregate of the managers' benchmarks within the asset category weighted according to a policy allocation specified by the Chief Investment Officer. This risk is an implementation risk and is the responsibility of the Chief Investment Officer.~~

- ~~Manager value-added risk is also associated with an active management investment program. It is the performance differential between the aggregate of the managers' actual (active) portfolios and the aggregate of the managers' benchmarks. This risk is an implementation risk and is the responsibility of the Chief Investment Officer (and indirectly the investment managers retained by the Chief Investment Officer).~~

- ~~Tactical/strategic risk is the performance differential between (1) policy allocations for the GEP's asset categories and its investment managers and (2) the actual allocations. This risk is the responsibility of the Chief Investment Officer.~~

- ~~Total active risk refers to the volatility of the difference between the return of the GEP policy benchmark and the actual return. It incorporates the aggregate of the risks above, and is thus the responsibility of the Chief Investment Officer.~~

~~Although the management of investment portfolios may be outsourced, investment oversight and risk management are primary fiduciary duties of the Board that are delegated to and performed by the Chief Investment Officer. The Chief Investment Officer shall report on risk exposures and the values of the several risk measures to the Board.~~

~~**GEP Product level (Board, Investments Subcommittee, and Office of the Chief Investment Officer)**~~

- ~~Spending Risk (insufficient assets to meet planned spending)~~
    - ~~Measures the risk of inappropriate investment policy and strategy~~
    - ~~Loss of purchasing power and loss of capital~~
- ~~Total Investment Risk (volatility of total return)~~
    - ~~Measures the risk of asset allocation policy~~

~~**Implementation level (Office of the Chief Investment Officer)**~~

- ~~Active Risk or "Tracking Error" (volatility of deviation from style or benchmark)~~
    - ~~Measures the risk of unintended exposures or ineffective implementation~~

~~**Risk Measures:** GEP will use various risk analysis tools (e.g. factor analysis, simulation modeling) to measure the portfolio risks noted below. These metrics are intended to be used as one of many inputs in the asset and risk allocation process and are not intended to be used as benchmarks to measure actual results.~~

- ~~**Loss of Purchasing Power**: Loss of purchasing power is defined by the portfolio value losing value, after adjusting for inflation. To measure this risk, GEP will estimate the expected probability that the Portfolio's ***real*** return will be less than 0.0% (i.e. a loss) over the spending policy period.~~

- ~~The Office of the Chief Investment Officer (OCIO) will evaluate the **probability of "ruin,"** where the plan's spending, combined with market losses, incorporating the **loss of capital** (portfolio losing value after adjusting for inflation over a full market cycle) result in the plan being unable to recover its purchasing power over a full market cycle. The probability of ruin should be minimal, and the OCIO should report on any concerns about the feasibility of achieving its return objectives without a material probability of ruin.~~

~~The OCIO is responsible for managing both total and active risk, and shall implement procedures and safeguards so that the combined risk exposures of all portfolios taken together are kept within risk bands. Further, within limits of prudent diversification and risk budgets, total and active risk exposures are fungible. That is, the OCIO may allocate risk exposures within and between asset types in order to optimize return.~~

~~**STRATEGIC ALLOCATION**~~

~~The purpose of the Strategic Asset Allocation is to reflect GEP's long-term purpose and objectives, as well as the investment beliefs and organizational capability of the OCIO. The actual portfolio exposures will deviate from the Strategic Asset Allocation as a result of price drifts, opportunity set, and value adding activities of the OCIO. This is underpinned by the recognition that investment opportunities come and go, values rise and fall, and that implementation must be dynamic in order to benefit from this fluctuation. This belief is critical to add value to the GEP. The OCIO follows a risk allocation process to ensure that the attractiveness of all opportunities is assessed on a consistent basis and that will meet the objectives set.~~

~~The investment strategy of the GEP will incorporate the risk tolerance of the Board, Committee, and Subcommittee, the relationship between current and projected assets, evolution of the University's financial needs, namely GEP Spending Policy, contributions, and growth expectations.~~

UNIVERSITY OF CALIFORNIA GENERAL ENDOWMENT POOL
ASSET AND RISK ALLOCATION POLICY

~~Below are the strategic asset allocation long-term weights and allowable ranges:~~

~~**Table 1**~~

	~~**Strategic Asset Allocation**~~	~~**Allowable Ranges**~~	
		~~**Minimum**~~	~~**Maximum**~~
~~**Public Equity**~~	~~**30.0**~~	~~**20.0**~~	~~**52.5**~~
~~**Private Equity**~~	~~**22.5**~~	~~**10.0**~~	~~**32.5**~~
~~**Absolute Return (Strategic Opportunities)**~~	~~**25.0**~~	~~**15.0**~~	~~**32.0**~~
~~**Real Assets**~~	~~**12.5**~~	~~**3.0**~~	~~**17.5**~~
~~**Liquidity (Income)**~~	~~**10.0**~~	~~**0.0**~~	~~**17.5**~~
~~**TOTAL**~~	~~**100.0%**~~		

~~**BENCHMARKS**~~

~~The following criteria have been adopted for the selection of benchmark indices. It is understood that not all benchmarks will meet the entire list of criteria, but ideally, benchmarks that meet most of the criteria will be selected. There may be instances where tradeoffs are made between benchmarks that meet some of the criteria but not others.~~

1. ~~**Unambiguous**: the names and weights of securities comprising the benchmark are clearly delineated.~~

2. ~~**Investable**: is possible to replicate the benchmark performance by investing in the benchmark holdings.~~

3. ~~**Measurable**: it is possible to readily calculate the benchmark's return on a reasonably frequent basis.~~

4. ~~**Appropriate**: the benchmark is consistent with investment preferences or biases.~~

5. ~~**Specified in Advance**: the benchmark is constructed prior to the start of an evaluation period.~~

6. ~~**Reflects Current Investment Opinion**: investment professionals in the asset class should have views on the assets in the benchmark and incorporate those views in their portfolio construction.~~

~~Benchmarks are a tool against which to measure the effectiveness of investment strategy either at a total fund level, at an investment class or strategy level, or at the mandate level. Based on the benchmark selection criteria, the following strategic policy benchmarks have been chosen:~~

~~**Table 2**~~

~~**Asset Class**~~	~~**Benchmark**~~
~~**Global Equity**~~	~~MSCI All Country World Index (ACWI) Investable Market Index (IMI) Tobacco Free – Net Dividends~~
~~**Private Equity**~~	~~Russell 3000 + 3%~~[1]
~~**Absolute Return (Strategic Opportunities)**~~	~~HFRI Fund of Funds Composite~~
~~**Real Assets (non Real Estate)**~~ ~~**Real Assets (Real Estate)**~~	~~Actual Real Assets Portfolio Return~~ ~~NCREIF Fund Index - Open End Diversified Core Equity (ODCE), lagged 3 months~~
~~**Income (Liquidity)**~~	~~Barclays US Aggregate Index~~

~~The **Total GEP Portfolio Benchmark** is a weighted average consisting of each of the monthly returns of the benchmarks noted above weighted by the Policy Allocation percentages. The policy benchmarks may differ from the target allocations in **Table 1** until implementation reaches the long-term strategic asset allocation.~~

~~**REBALANCING**~~

~~There will be periodic deviations in actual asset weights from the strategic target weights. Causes for periodic deviations are market movements, cash flows, tactical tilts, and asset selection. Significant movements from the asset class policy weights will alter the intended expected return and risk of the GEP. Accordingly, the GEP may be rebalanced when necessary to ensure adherence to this policy and the Investment Policy.~~

~~The OCIO will monitor the actual asset allocation. The Board directs the OCIO to take all actions necessary, within the requirement to act prudently, to manage the asset allocation in a manner that ensures that the GEP achieves its long-term risk and return objectives.~~

~~The OCIO shall assess and manage the trade-off between the cost of rebalancing and the active risk associated with the deviation from policy asset weights. The Chief Investment Officer may delay a rebalancing program when the Chief Investment Officer believes the delay is in the best interest of the GEP.~~

~~**COMPLIANCE/DELEGATION**~~

~~The GEP Asset and Risk Allocation Policy should be reviewed at least annually and updated as necessary. The Investments Subcommittee may recommend action which will be placed on the Consent Agenda for approval by the Board.~~

~~[1] As the Office of the CIO transitions the benchmark into the portfolio, 150 basis points illiquidity premium will be used for the first year starting in July 2017.~~

~~NO RIGHT OF ACTION~~

~~This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.~~

~~PROCEDURES AND RELATED DOCUMENTS~~

~~Investment Implementation Manual~~

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

~~UNIVERSITY OF CALIFORNIA~~
~~TOTAL RETURN INVESTMENT POOL~~

~~ASSET AND RISK~~
~~ALLOCATION POLICY~~

~~Approved March 15, 2018~~

~~Replaces version effective August 1, 2013 and amended July 23, 2015~~

UNIVERSITY OF CALIFORNIA TOTAL RETURN INVESTMENT POOL
ASSET AND RISK ALLOCATION POLICY

~~POLICY SUMMARY/BACKGROUND~~

~~The purpose of this Asset and Risk Allocation Policy ("Policy") is to define the asset types, strategic asset allocation, risk management, benchmarks, and rebalancing for the University of California Total Return Investment Pool ("TRIP"). The Investments Subcommittee has consent responsibilities over this policy.~~

~~POLICY TEXT~~

~~ASSET CLASS TYPES~~

~~Below is a list of asset class types in which TRIP may invest so long as they do not conflict with the constraints and restrictions described in the TRIP Investment Policy Statement. The criteria used to determine which asset classes may be included are:~~

- ~~Positive contribution to the investment objective of TRIP~~
- ~~Widely recognized and accepted among institutional investors~~
- ~~Low cross correlations with some or all of the other accepted asset classes~~

~~Based on the criteria above, the types of assets for building the portfolio allocation are:~~

1. ~~**Growth**~~

   ~~Includes publicly traded common and preferred stock of issuers domiciled in US, Non-US, and Emerging (and Frontier) Markets. The objective of the growth portfolio is to generate investment returns with adequate liquidity through a globally diversified portfolio of common and preferred stocks.~~

2. ~~**Income**~~

   ~~Income includes a variety of income related asset types. The portfolio will invest in interest bearing and income based instruments such as corporate and government bonds, high yield debt, emerging markets debt, inflation linked securities, cash and cash equivalents. The portfolio can hold a mix of traditional (benchmark relative) strategies and unconstrained (benchmark agnostic) strategies. The objective of the income portfolio is to provide necessary liquidity for payment obligations and portfolio rebalancing needs, while investing in higher yielding and less liquid income opportunities with excess liquidity.~~

3. ~~**Absolute Return / Strategic Opportunities**~~

   ~~Absolute return investments are expected to generate high long-term real returns by exploiting market inefficiencies. The portfolio invests in a collection of strategies that includes, but is not limited to, strategy types such as Relative Value, Event Driven, and Strategic Opportunities. The objective of the portfolio is to provide diversification and generate capital appreciation.~~

~~4. **Derivatives**~~

~~A derivative is a contract or security whose value is derived from another security or risk factor. There are three fundamental classes of derivatives – futures, options and swaps – each with many variations; in addition, some securities are combinations of derivatives or contain embedded derivatives. Use of derivatives to create economic leverage is prohibited, except for specific strategies only. Permitted applications for derivatives are: efficient substitutes for physical securities, managing risk by hedging existing exposures, to implement arbitrage or other approved active management strategies.~~

~~Each asset class is assigned a benchmark that represents the opportunity set and risk and return characteristics associated with the asset class. For some private or more complex asset classes the benchmark serves as a proxy for the expected level and pattern of returns rather than an approximation of the actual investment holdings.~~

~~RISK MANAGEMENT~~

~~There are three principal factors that affect TRIP's financial status: 1) annual payout, 2) inflation, and 3) investment performance. The level of risk tolerance will take into account all three factors. At certain levels of assets and a given payout policy, it could be impossible for the investments to achieve the necessary performance to meet the desired spending. The result is that either spending policy has to be changed or risk tolerance changed.~~

~~There are different types of risk tied to various responsible parties at each level of TRIP investment management. Thus, different risk metrics are appropriate at each level.~~

~~The **principal risks** that impact the TRIP, and the parties responsible for managing them are as follows:~~

- ~~Capital market risk is the risk that the investment return associated with the Subcommittee's asset allocation policy is not sufficient to provide the required returns to meet the TRIP's investment objectives. Responsibility for determining the overall level of capital market risk lies with the Board and Investments Subcommittee.~~

- ~~Investment style risk is associated with an active management investment program. It is the performance differential between an asset category's market target and the aggregate of the managers' benchmarks within the asset category weighted according to a policy~~

- ~~allocation specified by the Chief Investment Officer. This risk is an implementation risk and is the responsibility of the Chief Investment Officer.~~

- ~~Manager value-added risk is also associated with an active management investment program. It is the performance differential between the aggregate of the managers' actual (active) portfolios and the aggregate of the managers' benchmarks. This risk is an implementation risk and is the responsibility of the Chief Investment Officer (and indirectly the investment managers retained by the Chief Investment Officer).~~

- ~~Tactical/strategic risk is the performance differential between (1) policy allocations for the TRIP's asset categories and its investment managers and (2) the actual allocations. This risk is the responsibility of the Chief Investment Officer.~~

- ~~Total active risk refers to the volatility of the difference between the return of the TRIP policy benchmark and the actual return. It incorporates the aggregate of the risks above, and is thus the responsibility of the Chief Investment Officer.~~

~~Although the management of investment portfolios may be outsourced, investment oversight and risk management are primary fiduciary duties of the Board that are delegated to and performed by the Chief Investment Officer. The Chief Investment Officer shall report on risk exposures and the values of the several risk measures to the Board.~~

~~TRIP Product level (Board, Investments Subcommittee, and Office of the Chief Investment Officer)~~

- ~~Spending Risk (insufficient assets to meet planned spending)~~

  - ~~Measures the risk of inappropriate investment policy and strategy~~

  - ~~Loss of purchasing power and loss of capital~~

- ~~Total Investment Risk (volatility of total return)~~

  - ~~Measures the risk of asset allocation policy~~

~~Implementation level (Office of the Chief Investment Officer)~~

- ~~Active Risk or "Tracking Error" (volatility of deviation from style or benchmark)~~

  - ~~Measures the risk of unintended exposures or ineffective implementation~~

~~Risk Measures:~~ ~~TRIP shall be managed so that its annualized tracking error budget shall not exceed 200 basis points. This budget is consistent with the ranges around the combined asset classes and incorporates asset / sector allocation and security selection differences from the aggregate benchmark. Each Manager or asset class segment will have a unique active risk budget, relative to its asset class benchmark, which is appropriate to its individual strategy, and specified in its guidelines,~~

~~The Office of the Chief Investment Officer (OCIO) is responsible for managing both total and active risk and shall implement procedures and safeguards so that the combined risk exposures of all portfolios taken together are kept within risk bands. Further, within limits of prudent diversification and risk budgets, total and active risk exposures are fungible. That is, the OCIO may allocate risk exposures within and between asset types in order to optimize return.~~

~~STRATEGIC ALLOCATION~~

~~The purpose of the Strategic Asset Allocation is to reflect TRIP's purpose and objectives, as well as the investment beliefs and organizational capability of the OCIO. The actual portfolio exposures will deviate from the Strategic Asset Allocation as a result of price drifts, opportunity set, and value adding activities of the OCIO. This is underpinned by the recognition that investment opportunities come and go, values rise and fall and, that implementation must be dynamic in order to benefit from this fluctuation. This belief is critical to add value to TRIP. We follow a risk allocation process to ensure that the attractiveness of all opportunities is assessed on a consistent basis and that will meet the objectives set.~~

~~The investment strategy of TRIP will incorporate the risk tolerance of the Board, Committee, and Subcommittee, the relationship between current and projected assets, evolution of the University's financial needs, namely TRIP Payout, contributions, and growth expectations.~~

~~Below are the strategic asset allocation long-term weights and allowable ranges:~~

~~Table 1~~

	~~Strategic Asset Allocation~~	**~~Allowable Ranges~~**	
		~~Minimum~~	**~~Maximum~~**
~~Growth~~	**~~35.0~~**	**~~30.0~~**	**~~40.0~~**
~~Income~~	**~~50.0~~**	**~~45.0~~**	**~~55.0~~**
~~Absolute Return~~	**~~15.0~~**	**~~5.0~~**	**~~25.0~~**
~~TOTAL~~	**~~100.0%~~**		

~~TRIP has the flexibility to invest up to ten percent of the portfolio in private investments. While the program will generally invest in liquid, marketable securities, there will at times be a trade-off of illiquidity for higher expected return.~~

~~BENCHMARKS~~

~~The following criteria have been adopted for the selection of benchmark indices. It is understood that not all benchmarks will meet the entire list of criteria, but ideally, benchmarks that meet most of the criteria will be selected. There may be instances where tradeoffs are made between benchmarks that meet some of the criteria but not others.~~

1. ~~**Unambiguous**: the names and weights of securities comprising the benchmark are clearly delineated.~~

2. ~~**Investable**: is possible to replicate the benchmark performance by investing in the benchmark holdings.~~

3. ~~**Measurable**: it is possible to readily calculate the benchmark's return on a reasonably frequent basis.~~

4. **Appropriate**: the benchmark is consistent with investment preferences or biases.

5. **Specified in Advance**: the benchmark is constructed prior to the start of an evaluation period.

6. **Reflects Current Investment Opinion**: investment professionals in the asset class should have views on the assets in the benchmark and incorporate those views in their portfolio construction.

Benchmarks are a tool against which to measure the effectiveness of investment strategy either at a total fund level, at an investment class or strategy level, or at the mandate level. Based on the benchmark selection criteria, the following strategic policy benchmarks have been chosen:

Table 2

Asset Class	**Benchmark**
Growth	MSCI All Country World Index (ACWI) Investable Market Index (IMI) Tobacco Free – Net Dividends
Income	Barclays US Aggregate Index
Absolute Return (Strategic Opportunities)	HFRX Absolute Return Index

The **Total TRIP Portfolio Benchmark** is a weighted average consisting of each of the monthly returns of the benchmarks noted above weighted by the Policy Allocation percentages.

REBALANCING

There will be periodic deviations in actual asset weights from the strategic target weights. Causes for periodic deviations are market movements, cash flows, tactical tilts, and asset selection. Significant movements from the asset class policy weights will alter the intended expected return and risk of TRIP. Accordingly, TRIP may be rebalanced when necessary to ensure adherence to this policy and the Investment Policy.

The OCIO will monitor the actual asset allocation. The Board directs the OCIO to take all actions necessary, within the requirement to act prudently, to manage the asset allocation in a manner that ensures that TRIP achieves its risk and return objectives.

The OCIO shall assess and manage the trade-off between the cost of rebalancing and the active risk associated with the deviation from policy asset weights. The Chief Investment Officer may delay a rebalancing program when the Chief Investment Officer believes the delay is in the best interest of TRIP.

COMPLIANCE/DELEGATION

The TRIP Asset and Risk Allocation Policy Statement should be reviewed at least annually and updated as necessary. The Investments Subcommittee may recommend action which will be placed on the Consent Agenda for approval by the Board.

~~NO RIGHT OF ACTION~~

~~This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.~~

~~PROCEDURES AND RELATED DOCUMENTS~~

~~Investment Implementation Manual (add links)~~

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~~UNIVERSITY OF CALIFORNIA SHORT TERM INVESTMENT POOL~~

~~ASSET AND RISK ALLOCATION POLICY~~

~~Approved March 15, 2018~~

UNIVERSITY OF CALIFORNIA SHORT TERM INVESTMENT POOL
ASSET AND RISK ALLOCATION POLICY

~~POLICY SUMMARY/BACKGROUND~~

~~The purpose of this Asset and Risk Allocation Policy ("Policy") is to define the asset allocation, risk guidelines, and benchmark for the University of California Short Term Investment Pool ("STIP"). The Investments Subcommittee has consent responsibilities over this policy.~~

~~POLICY TEXT~~

~~ASSET CLASS TYPES~~

~~STIP will primarily invest in short duration US dollar-denominated bonds and cash equivalents.~~

~~The following list is indicative of the investment classes, which are appropriate for STIP, given its Benchmark and risk budget. This is not an exhaustive list of "allowable" asset types.~~

~~Security types and/or strategies not specifically enumerated, but which the Chief Investment Officer believes are appropriate and consistent with the Investment Policy may also be held, subject to policy restrictions.~~

~~The Program may purchase securities on a when-issued basis or for forward delivery.~~

~~1. Fixed income instruments~~

~~a. Obligations issued or guaranteed by the U.S. Federal Government, U.S. Federal Agencies or U.S. government-sponsored corporations and agencies~~

~~b. Obligations of U.S. and foreign corporations such as corporate bonds, notes and debentures, and bank loans~~

~~c. Mortgage-backed and asset-backed securities~~

~~d. Obligations of international agencies, supranational entities, and foreign governments (or their subdivisions or agencies)~~

~~e. Obligations issued or guaranteed by U.S. local, city and State governments and agencies~~

~~f. Private Placements or Rule 144A securities, issued with or without registration rights~~

~~2. Short term fixed income instruments (having maturity of less than 13 months)~~

~~a. US Treasury and Agency bills and notes~~

~~b. Certificates of deposit~~

~~c. Bankers acceptances~~

~~d. Commercial paper~~

~~e. Repurchase and reverse repurchase agreements (must be fully collateralized with approved collateral, using approved counterparties only)~~

~~f. Eurodollar CD's, TD's, and commercial paper~~

~~g. US and Eurodollar floating rate notes~~

~~h. Money market funds managed by the custodian~~

~~**Restrictions**~~

~~The following security types are **not** permitted:~~

~~a) Interest rate derivative contracts, including options and futures~~

~~b) Equity like securities, including but not limited to convertible bonds, preferred stocks, warrants, equity linked notes, and commodities~~

~~c) Securities issued in currencies other than US Dollar~~

~~d) Foreign currency linked notes~~

~~e) Buy securities on margin~~

~~f) Sell securities short~~

~~g) Buy party-in-interest securities~~

~~h) Buy securities restricted as to sale or transfer, except for 144A securities, which are permitted~~

~~i) Buy or write structured ("levered") notes~~

~~j) Employ economic leverage in the portfolio through borrowing or derivatives, or engage in derivative strategies that conflict with the Derivatives Policy~~

~~k) Purchase or sell foreign exchange contracts~~

~~l) Below investment grade securities, but we maintain the ability to hold up to 5% below investment grade in the event of ratings downgrades~~

~~m)~~

~~**STRATEGIC ALLOCATION**~~

~~The portfolio will be invested primarily in marketable, publicly traded, investment grade short term fixed income instruments, notes and debentures denominated in U.S. dollars.~~

~~STIP will be invested in a diversified portfolio of fixed income securities, subject to policy restrictions.~~

~~RISK MANAGEMENT~~

~~STIP's investments will be appropriately diversified to control overall risk. The following limitations apply in order to manage risk within acceptable ranges:~~

~~1. Interest rate risk~~

~~a. No security may have a maturity of more than 5 ½ years, excluding internal notes receivable~~

~~b. The effective duration of the investment program, excluding internal note receivables, should be less than 3 years~~

~~2. Credit risk~~

~~a. Commercial Paper must have a rating of at least A-1, P-1, D-1, or F-1~~

~~b. The Program's investments should exhibit an average credit quality of A (or equivalent) or better. Split-rated credits are considered to have the higher credit rating as long as the higher rating is given by one of the NRSRO's~~

~~c. No more than 5% of the Program's allocation to commercial paper may be invested in any single issuer. This guideline may be exceeded on a temporary basis due to unusual cash flows, up to a limit of 10%, for a period not to exceed one month.~~

~~d. Except for securities issued by the US Treasury or Agencies of the US Government, no more than 3% of the Program's market value (exclusive of commercial paper) may be invested in any single issuer.~~

~~3. Liquidity risk~~

~~a. No more than 10% of the Program's market value may be invested in Private Placements or Rule 144A securities~~

~~b. The Programs' investments in aggregate of any security may not exceed 20% of that security's outstanding par value at time of purchase, without a written exception approved by the Chief Investment Officer.~~

~~BENCHMARKS~~

~~The following criteria have been adopted for the selection of benchmark indices. It is understood that not all benchmarks will meet the entire list of criteria, but ideally, benchmarks that meet most of the criteria will be selected. There may be instances where tradeoffs are made between benchmarks that meet some of the criteria but not others.~~

~~1. **Unambiguous**: the names and weights of securities comprising the benchmark are clearly delineated.~~

2. **Investable**: is possible to replicate the benchmark performance by investing in the benchmark holdings.

3. **Measurable**: it is possible to readily calculate the benchmark's return on a reasonably frequent basis.

4. **Appropriate**: the benchmark is consistent with investment preferences or biases.

5. **Specified in Advance**: the benchmark is constructed prior to the start of an evaluation period.

6. **Reflects Current Investment Opinion**: investment professionals in the asset class should have views on the assets in the benchmark and incorporate those views in their portfolio construction.

Benchmarks are a tool against which to measure the effectiveness of investment strategy either at a total fund level, at an investment class or strategy level, or at the mandate level. Based on the benchmark selection criteria, the STIP Benchmark will be a weighted average of the income return on a constant maturity two (2) year US Treasury note and the return on US 30 day Treasury Bills. The weights for the two constituents will be the actual average weights of the bond and cash equivalent components of the pool. The Benchmark will be rebalanced monthly.

COMPLIANCE/DELEGATION

The STIP Asset and Risk Allocation Policy Statement should be reviewed at least annually and updated as necessary. The Investments Subcommittee may recommend action which will be placed on the Consent Agenda for approval by the Board.

NO RIGHT OF ACTION

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.

PROCEDURES AND RELATED DOCUMENTS

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