

# **THE REGENTS OF THE UNIVERSITY OF CALIFORNIA**

January 21, 2021

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, Drake, Elliott, Estolano, Guber, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, Sures, and Zettel

In attendance: Regents-designate Lott, Torres, and Zaragoza, Faculty Representatives Gauvain and Horwitz, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Bustamante, Provost Brown, Executive Vice President Byington, Chancellors Block, Christ, Gillman, Hawgood, 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. Drew Scott, Skilled Trades Director for Teamsters Local 2010, called on the Regents to rescind layoffs and reverse unnecessary curtailments and furloughs. Applications for the spring 2021 term had increased by 15 percent, and the proposed State budget included a three percent base increase in UC funding and \$175 million in deferred maintenance funding. UC had billions of dollars in reserve and expected to receive over \$380 million in additional stimulus funding.
- B. Naomi Waters, UC Riverside student and UC Student Association (UCSA) Racial Justice Now Campaign Vice Chair, called for increasing Student Academic Preparation and Educational Partnerships (SAPEP) funding, which had been affected by budget cuts and economic recessions, deepening gaps in admission and matriculation outcomes. The State must reaffirm its commitment to marginalized students during these uncertain times. Ms. Waters credited SAPEP programs for the increase in African American, Latino(a), and Native American students at UC.
- C. Wenyan Wu, representative of Californians for Equal Rights, spoke in opposition to a permanent test-optional admissions policy at UC. In her view, the policy was a politicized attempt to masquerade achievement gaps, compromised widely accepted merit-based principles, and widened the achievement gap between American students and students from many other industrial nations.

- D. Danny Campbell, Business Representative from Sheet Metal Workers Local 104, spoke in support of the Comprehensive Parnassus Heights Plan. The building and construction trades provided opportunities for all workers and a pathway to the middle class. Through the community work force agreement with UCSF, the Plan would provide career opportunities to local workers and veterans while delivering skilled construction work to the campus.
- E. Katie Seitelman, representative of SPUR, spoke in support of the Comprehensive Parnassus Heights Plan, which would add density to the western side of San Francisco without expanding the campus or underusing land, and it would address the housing shortage and reduce transportation impact. SPUR was also a proponent of the Plan's "park to peak" model, reduced campus parking.
- F. Erica Kajdasz, member of the UCSF Community Advisory Committee on the development of the Parnassus Heights campus and small business owner, asked the Regents to support the Comprehensive Parnassus Heights Plan and community investments. UCSF would continue to engage with the neighborhood on the design of the new hospital and on future projects, and support for small businesses would increase. The world had changed considerably since the 1970s, when the Parnassus campus space ceiling was implemented.
- G. Dalena Ngo, UC Merced student, spoke about the UC budget. Junior campuses such as UC Merced and UC Riverside received less funding despite educating larger proportions of first-generation and underrepresented students. She urged UC to reconsider measures like "rebenching" in order to ensure equity across campuses.
- H. Adam Gottstein, grandson of muralist Bernard Zakheim, expressed his family's concern about preservation of the Zakheim murals in Toland Hall at UCSF. He asked that the task force that UCSF had proposed be developed sooner. The murals' consolidation and storage conditions were critical to their preservation.
- I. Angie Leung, UC Irvine student, spoke in opposition to the development of a new standardized testing assessment at the University. In her observation, standardized testing inaccurately measured knowledge, skills, and ability to succeed at UC. Ten of the 18 Feasibility Study Work Group members were opposed to using the Smarter Balanced test, which would create a market for private, for-profit test preparation that would worsen inequities and be an additional burden for students. The test was also not available to students outside of the state or country.
- J. Jun Jang, UC Irvine student, called on the Regents to expand student support fundraising. Governor Newsom's proposed increase to financial aid funding would not be enough to offset the effects of last year's budget cuts and ongoing recession, and holding tuition flat would not sufficiently support students. In order to meet its goal of closing equity gaps by 2025, UC must increase and expand financial aid to low-income students in order to bring disadvantaged students to the same level as wealthier students. No student should be denied the opportunity to attend college.

- K. Aaron Garcia, UC Irvine student, spoke about standardized testing in admissions. Since adopting a test-optional admissions policy, the University of Chicago saw a 20 percent increase in first-generation and low-income student enrollment and a 56 percent increase in rural student enrollment. These students were assessed on their ability to succeed in school. A similar policy at UC would increase diversity.
- L. Lynnea Doshi, UCLA student, urged the Regents to respond to an open letter sent to them regarding UC's support of animal agriculture. She stated that 41 percent of land in the contiguous United States was used for feeding livestock, and the grain used for feeding livestock could feed 800 million people. Food insecurity disproportionately affected communities of color, low-income people, and people with disabilities. The U.S. spent \$38 billion annually to subsidize animal agriculture, ensuring that plant-based food remained unattainable for many. At UC, 44 percent of students were currently food-insecure.
- M. Cassidy Bennett, UCLA law student, called for divestment from the Thirty Meter Telescope (TMT) project, which would have a long-term impact on Mauna Kea's fragile ecosystem. She stated that UC was spending millions to destroy sacred land during a budget shortfall and a pandemic. UC needed to address many issues at its campuses, such as refusing to raise graduate students' wages.
- N. Natalie Logusch, resident of 1921 Walnut Street in Berkeley, urged the Regents not to evict the residents at 1921 Walnut Street to make way for the Gateway Student Housing Project. The property had rent-controlled apartments and housed several long-term residents. Berkeley Mayor Jesse Arreguín, the Berkeley City Council, the Berkeley Rent Stabilization Board, the Associated Students of the University of California, the Berkeley Architectural Heritage Association, the Berkeley Tenants Union and many others opposed evicting rent-controlled tenants. She invited the Regents to contact the 1921 Walnut Street Association.
- O. Paul Wallace, resident of 1921 Walnut Street, opposed his relocation and expressed disbelief that UC would consider this during a pandemic. He stated that the Regents should be ashamed. UC was interfering with people's lives, homes, and livelihoods. Some residents had lived at this location for more than 25 years. He asked the Regents to reconsider the redevelopment of the property.
- P. Rojina Bozorgnia, UC Santa Cruz student and Vice President of External Affairs in the UCSC Student Union Assembly, expressed support for making Election Day a non-mandatory instruction day or holiday.
- Q. Liz Perlman, Executive Director of the American Federation of State, County and Municipal Employees (AFSCME) 3299, called on the Regents to postpone the Comprehensive Parnassus Heights Plan. The San Francisco Board of Supervisors asked that approval of the Plan be delayed until its issues with the Plan's housing commitments could be addressed. Chancellor Hawgood stated that 95 percent of UCSF employees earned more than 60 percent of the area median income threshold,

but the majority of AFSCME-represented service workers at UCSF earned less than that. Landlords would likely rent to higher-paid employees, and AFSCME's majority black and brown members would again be priced out of San Francisco's housing market. AFSCME was willing to come to an agreement with UCSF.

- R. Elizabeth Jennings, representative of Pro-Life San Francisco, stated that UCSF was collaborating with abortion providers to acquire fetal specimens for medical research. She called on UCSF to stop its dependency on aborted fetal organs and use ethical tissues instead. She asked that the UC policy be changed in order to prevent UCSF from obtaining specimens from Zuckerberg San Francisco General Hospital and Trauma Center and UCSF Medical Center at Mount Zion. In her view, these were acts of violence that were exploiting women in crisis.
- S. Vince Courtney, member of Laborers' International Union of North America (LIUNA), spoke in support of the Comprehensive Parnassus Heights Plan. The partnership among high road employers, the building and construction trades, and UCSF would provide union members and job seekers with employment and training. Certified construction apprenticeships were life-changing opportunities for the formerly incarcerated, immigrants, and single mothers.
- T. Michelle Leonard-Bell, General Manager of Mission Hiring Hall, spoke in support of the Comprehensive Parnassus Heights Plan, which had a 30 percent local hiring goal. Mission Hiring Hall has long partnered with UCSF to provide San Franciscans with employment, and this project would expand opportunities in healthcare, education, and services for San Franciscans. She shared that her son was a UCSF medical student who would begin his career without medical school debt.
- U. Miguel Bustos, Director for Social Justice at Glide Memorial Church, spoke in support of the Comprehensive Parnassus Heights Plan. He praised Glide's partnership with UCSF in examining racial injustice and health disparities. As Chair of the San Francisco Commission on Community Investment and Infrastructure, he saw that UCSF was a good partner during the development of its Mission Bay campus. As a former member of the San Francisco General Hospital Blue Ribbon Committee, he regarded UCSF as a regional community resource. This project would save lives, updating technology and bringing buildings up to code.
- V. Sarah Wang, UC Irvine student, stated that trillions of animals were killed every year for food, and 99 percent of donations to animal rights causes went to animal shelters, which accounted for only one percent of animals in need. This must be addressed through education regarding plant-based diets.
- W. Yasin Khan, UC Berkeley staff member, spoke in opposition to furloughs. She did not believe it was necessary or fair to impose them on workers during a global pandemic. An extensive analysis of UC finances by a union coalition identified

ample resources that could be used. The bureaucratic burden caused by furloughs would negate potential savings.

- X. Prabhdeep Rai, UCLA student, spoke about the California Public Interest Research Group (CALPIRG) Students' Make Textbooks Affordable campaign. Students struggled to afford textbooks, especially now during the pandemic. CALPIRG Students was building support for open textbooks from faculty and students, and they had met with several Regents on this issue. She encouraged the Regents to adopt a systemwide open textbook grant program.

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

Upon motion duly made and seconded, the minutes of the meetings of November 18 and 19, 2020 were approved, Regents Anguiano, Butler, Cohen, Drake, Elliott, Estolano, Guber, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, Sures, and Zettel voting "aye."<sup>1</sup>

## 3. **REMARKS FROM STUDENT ASSOCIATIONS**

President Drake introduced UC Student Association (UCSA) President Aidan Arasasingham, who was also External Vice President of the UCLA Undergraduate Students Association Council.

Mr. Arasasingham began his remarks by noting the historic inauguration of U.S. Vice President Kamala Harris, a UC graduate who was the first woman, African American, and South Asian to serve in that role. UCSA, in coalition with other state student associations, met with U.S. President Biden's transition team and was eager to work with the new administration on doubling the Pell Grant, Title IX protections, cancelling student loan debt, supporting international and undocumented students, and expanding vaccination for COVID-19. Rapid, affordable, and accessible vaccination was needed for students to return to campus in the fall. Service staff, instructors, and resident assistants must be prioritized for vaccination, as well as disabled students and those with greater health risks. Mr. Arasasingham called for no-cost access to COVID-19 vaccines from UC providers and for maintaining online learning for students who cannot return to campus in the fall. Even before the pandemic, two out of five UC students experienced food insecurity, one out of 20 students experienced housing insecurity, and black and Latino(a) students graduated with about 75 percent more debt than white counterparts. To address affordability, UC must combine discussions regarding the UC budget, tuition, UC aid, the Cal Grant, and the Pell Grant in order to create a model with debt-free graduation, on-campus jobs access, basic needs support, and total cost affordability. Because the combined budget of both UC student associations was less than half that of either student association from the California State University (CSU) or California Community College system, they struggled to recruit, retain, and educate the next generation of student leaders, as well as build a presence in

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

Sacramento and Washington, D.C. He planned to engage Regents on a funding structure that was similar to those used at CSU and the community colleges. He closed his remarks by quoting former Student Regent Carol Mock.

President Drake introduced the UC Graduate and Professional Council (UCGPC) President Gwen Chodur, who was also External Vice President of the UC Davis Graduate Student Association and member of the Systemwide Basic Needs Committee.

Ms. Chodur opened her remarks by recognizing the joy from celebrating the Biden-Harris inauguration and the work that lay ahead. She noted that the discussion of mentorship during the Academic and Student Affairs Committee meeting did not include the role of faculty mentorship in graduate student success. Faculty were expected to research, teach, administer grants, serve on committees, and mentor and oversee the work of multiple students, but they needed formal training in pedagogy, management, and mentorship to better serve a diverse student body. Using current levels of diversity at UC as a benchmark was insufficient for UC's programs and initiatives, and, in order to improve, the University must provide support throughout the student experience. Graduate students' dependency on faculty for financial support was a barrier to switching advisors. Ms. Chodur suggested solutions such as bridge funding for graduate students moving to a new laboratory, as well as anonymous reporting of abuse and investigation. She implored the Academic and Student Affairs Committee to discuss further ways to better support both faculty and graduate students. She expressed pride in the University's refusal to bow to the Trump administration, which denied science, threatened the well-being of students, and tried to prevent international students from being part of the UC community. There was still much work to be done, and the time prior to the Trump administration could not be considered a watermark of progress. UC should take this opportunity to lead in providing a bolder COVID-19 response, address the climate crisis, ensure that a UC education is affordable, and more, using policies that address equity and justice. Ms. Chodur called on UC to cease plans for a standardized test for admissions, divest from the Thirty Meter Telescope, acknowledge the sovereignty of Native Hawaiians, and consider systemwide contribution for student advocacy that would benefit UCSA and UCGPC. She closed her remarks by quoting 2017 National Youth Poet Laureate Amanda Gorman.

The Board recessed at 9:35 a.m.

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The Board reconvened at 1:00 p.m. with Chair Pérez presiding.

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

In attendance: Regents-designate Lott, Torres, and Zaragoza, Faculty Representatives Gauvain and Horwitz, 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, Chancellors Block, Christ,

Gillman, Hawgood, Khosla, Larive, May, Muñoz, Wilcox, and Yang, and  
Recording Secretary Li

4. **REPORT ON THE OUTCOME OF THE FEASIBILITY STUDY OF A NEW  
COLLEGE ENTRANCE EXAM IN UNIVERSITY OF CALIFORNIA  
UNDERGRADUATE ADMISSIONS**

[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 briefly introduced the item. He stated that, by approving the suspension of the SAT/ACT for freshman admissions, the Board indicated that these tests were neither what the University should use in admissions nor what would advance educational achievement and equity. A feasibility study of whether UC should create a new test or modify an existing test, which had been directed by the Board, had now been completed.

President Drake underscored that, despite personal impressions or what might seem intuitively obvious, the University wished to make a decision on this complex matter that is based on data and science. UC was committed to not using SAT/ACT scores and not using standardized test scores in admissions until 2025, even if UC found an appropriate alternative. President Drake stressed that UC had no interest in introducing or developing a new test that would unnecessarily or unfairly restrict access to a UC education. If the University decides to pursue a new test, that test must help UC make more equitable admissions decisions. It must not further burden students.

Chair Pérez asked if there would be no test for UC admissions if there was no acceptable test by 2025. President Drake replied that, if UC finds an appropriate test, it would not be used until 2025. If UC does not find an acceptable test, then there would be no test.

Faculty Representative Gauvain stated that she co-chaired the Feasibility Study Steering Committee (Steering Committee) with Mr. Brown, and members included representatives from the state's education segments, the Academic Senate, campuses, and external stakeholders. The Steering Committee relied on the expert advice of the Feasibility Study Work Group (Work Group), which examined issues such as measurement, test development and integrity, and test access and equity, over ten weeks. The Work Group was led by Eddie Comeaux, Chair of the Academic Senate's Board of Admissions and Relations with Schools (BOARS) and Faculty Representative Horwitz, and members included representatives from the education segments, faculty, researchers, and practitioners. Among the Work Group's student representation was Regent-designate Zaragoza. Then President Janet Napolitano had asked if it was possible or feasible to use a test that was fair to students and was useful in the admissions process. The Work Group studied three options: developing a new test, using an existing test in its current form or with modifications, or using no test. Feasibility was defined as "alignment with UC principles for admissions testing as established by BOARS," as well as availability for fall 2025 applicants. The Work Group concluded that it was not feasible to develop a new test within the specified time frame. The Standardized Testing Task Force (STTF) had

estimated that it would take nine years. Furthermore, modifying the SAT/ACT was not viable, given long-standing concerns that led to suspending use of them. The Work Group believed that UC could leverage an existing test and suggested further exploring the State's Smarter Balanced assessment, which was already required of all California public school students and was aligned with educational content standards and A–G requirements.

Mr. Brown stated that the Steering Committee agreed that it was not feasible to develop a new test and that modifying an existing test might be feasible. Both the Work Group and the Steering Committee were strongly against any new tests becoming “high-stakes,” which meant that important decisions would be made solely or largely on those test scores. The Steering Committee also agreed with the Work Group on further study of the Smarter Balanced assessment, especially with respect to disparity reduction. The Steering Committee recommended to President Drake a deeper study of the Smarter Balanced assessment in partnership with the Academic Senate, BOARS, other UC and California State University representatives, the California State Department of Education, the California State Board of Education, and the Smarter Balanced Assessment Consortium. This study would investigate test disparities, what disparity reduction methods were being employed, and the potential value that would be added. Mr. Brown recognized Ms. Gauvain, the Steering Committee, and the Work Group, who worked within an aggressive timeline during a pandemic and approached the Feasibility Study with a sense of responsibility and commitment to equity. President Drake noted that there was time to gather more information, determine whether there are other useful alternatives, and ensure that there are no unintended consequences.

Regent Lansing stated that the Regents voted on this matter with the stipulation that UC would search for a new test. She recalled Chancellor Wilcox's concern about eliminating the SAT because it was a tool for creating diversity at UC Riverside. Chancellor Wilcox had stated that all measures for academic success were biased. Wealth improved access to resources, which affected grade point average (GPA), test taking ability, and access to the curriculum. In Chancellor Wilcox's view, how the measures were used was more important than having fewer biased measures.

Regent Lansing stated that, when the Regents voted on whether to suspend use of the SAT/ACT, she wanted the suspension to last one year. She did not prefer the SAT, but Chancellor Wilcox's perspective had given her pause. She suggested comparing the Smarter Balanced assessment with the newly revised SAT, as well as assessing whether UC diversity improves in the absence of an admissions test one year from now.

Regent Lansing asked Chancellor Wilcox if improving the Smarter Balanced assessment would help UCR. Chancellor Wilcox replied that he did not prefer the SAT either and acknowledged the value of the Smarter Balanced assessment's alignment with the curriculum. He noted that using the Smarter Balanced assessment might have a different effect on campuses with more out-of-state applicants.

Regent Lansing suggested against prohibiting use of the SAT or deciding never to use a test for admissions. Testing could still be one of many factors considered in admissions.



Chair Pérez clarified that today's discussion was about the feasibility of developing a new examination, not about rescinding or modifying the action of the previous year. Much work had been done in consideration of these issues. Any other issues raised would be noted, and the concerns that Regent Lansing had mentioned would be tracked anyway in order to determine whether unintended consequences arise. Chair Pérez recalled that Regents voted for two years of test-optional admissions, followed by two years of test-blind admissions, and no new test unless one was adopted. Recent litigation has modified part of the Regents' action. If the University develops an alternative, the Regents would decide whether to adopt it. Deciding whether to reconsider the SAT was further in the future.

Regent Estolano asked why private school and homeschooled students were not allowed to take the Smarter Balanced assessment. Mr. Brown replied that the Steering Committee wanted UC to explore this question with the Smarter Balanced Assessment Consortium. Students in other states might have a similar test, because the Consortium was national.

Regent Estolano, referring to the written materials, asked about the "Golden Rule," a bias reduction principle. Mr. Brown explained that, in the 1980s, there had been a legal settlement in Illinois regarding the use of an employment test that produced disparate outcomes. The settlement barred item difficulty indexes below 40 and required that test items with a 15-percentage-point difference between racial or ethnic groups be eliminated.

Regent Estolano remarked that a deeper analysis of the Smarter Balanced assessment would be required. Mr. Brown noted that the Golden Rule served as a guide and that it may or may not be the best rule to use in this case. UC must closely examine disparities, item by item, and work with the Smarter Balanced Assessment Consortium to minimize them.

Regent Estolano asked that online articles referenced in the written materials that had restricted access be made accessible to the Regents.

Regent Estolano asked about the "Auxiliary Report Against the Use of Smarter Balanced," which was submitted by members of the Work Group. Regent-designate Zaragoza stated that the Work Group agreed to recommend further exploration of the Smarter Balanced assessment. Many in the group thought the recommendation would be explored for low-stakes admissions purposes, and some were concerned that this distinction had not been made. A number of Work Group members did not want the Smarter Balanced assessment to be considered for admissions purposes. The number of members who signed this memorandum grew as more realized that this distinction had not been made in the recommendation.

Regent Estolano asked how the Smarter Balanced assessment could be used as part of a comprehensive admissions review without being a high-stakes test. Ms. Gauvain explained that low stakes were associated with general eligibility to the University, while high stakes were associated with selectivity to a specific campus. After the Smarter Balanced assessment is investigated such that the Golden Rule or other modification was applied to analyze items and group performance, a decision must be made regarding how the test would be used. It could be used for eligibility, selectivity, or as a component in a holistic

process. In Ms. Gauvain's view, UC must have a good understanding of the test itself before deciding how it should be used. There were stages of questions that must be considered. Mr. Brown added that the Auxiliary Report from members of the Work Group stirred conversation within the Steering Committee regarding stakes, which affected every element of the admissions process. Stakes distorted educational behavior, posed psychological and other threats, and generated inequity. It was worthy of deep attention.

Regent Estolano asked how UC would account for structural racism and disparate outcomes when considering any test. She noted that the Smarter Balanced assessment was widely used in the state and was tied to the curriculum. In her view, the questions posed in the written materials would take many years to resolve and would require many resources. All segments of California higher education seemed to express interest in using the Smarter Balanced assessment in some way. Mr. Brown underscored that, if the higher education community could address educational inequity without penalizing students, teachers, and schools, then it would be getting to the root of the problem. If UC decides to use the Smarter Balanced assessment, UC would have to be careful about how it was used.

Regent Makarechian asked how the University determined the 2025 timeframe and why this report indicated that developing a new test would take nine years. Mr. Brown responded that taking nine years to develop a new test caused great concern, and it was determined that UC could leverage an existing test in five years, so five years was chosen. Chair Pérez added that the STTF had recommended a nine-year timeline to then President Napolitano, who decided on a five-year timeline. Mr. Brown added that the STTF had hoped that there were opportunities to achieve the desired test within a shorter timeframe.

Also in response to Regent Makarechian's question, President Drake stated that it took a period of time to develop, validate, modify, and regulate a test, and then applicants needed to be appropriately notified so that they would have enough time to prepare. He likened it to developing vaccines. Ms. Gauvain added that time was also needed to assess how well a test predicted students' ability to succeed in their first year at UC.

Regent Makarechian asked whether the use of testing in admissions would be eliminated in 2025 if no alternative is found or if the issue would be subject to a future vote. Chair Pérez stated that no Board could bind a succeeding Board. Regents could rescind the actions they had taken. Chair Pérez reviewed the action that the Regents had taken on this matter last year. General Counsel Robinson clarified that a preliminary injunction applied for the length of the litigation. The University was trying to come to a resolution.

Chair Pérez asked whether the resulting change to Regental action applied to the second year of the timeframe. Mr. Robinson replied in the affirmative; too much time had passed in the current admissions cycle to apply changes.

Chair Pérez stated that, per Board action, in the fifth year of the timeframe, there would be no test if the Board does not adopt one. It was always within the purview of the Board to adopt a new policy upon obtaining new information. The Steering Committee was doing important work consistent with the policy that the Board adopted.

Regent Makarechian asked whether Regental action was needed to extend the timeframe, given the knowledge that developing a new test would take nine years. Chair Pérez stated that it had not been concluded that no test could be developed in the five-year timeframe. Work was being done to evaluate whether a modification of the Smarter Balanced assessment could add value to the admissions process and what value it could add. The fact that these options were being explored demonstrated that developing a test in the five-year time frame had not been ruled out. Ms. Gauvain confirmed that this was correct.

Regent Makarechian remarked that, between now and 2025, the University might find a test or modification of a test that would fit UC needs. If not, the testing requirement would be eliminated, or the Board could reconsider that. Chair Pérez stated that this was correct. UC would not want to adopt a test for the sake of testing, and it would not want to adopt a test that would have more negative impact than positive impact. The test would have to be compatible with existing admissions policies and priorities. Campuses had different admissions criteria, so comparing campus admissions policies was not easy.

Regent Makarechian stated that, as Regent Lansing had suggested, a closer examination of UC Riverside's admissions process might be needed. Chair Pérez stated that it would need to be done with the understanding that the Riverside campus has historically used fewer variables in admissions, so some variables would have an outsized impact compared with those at other campuses. Chancellor Wilcox confirmed that this was correct.

Regent-designate Zaragoza shared her belief that UCR would remain diverse even without the SAT requirement because of the diversity of the surrounding community. She shared key points from the Feasibility Study. The next phase in determining whether and how the Smarter Balanced assessment could be modified would be exploring individual test questions, if available, and applying the Golden Rule. The Work Group had wished to explore adding performance tasks but determined that this was not feasible within the 2025 timeframe, which led to some of the confusion about whether this test would be used for high stakes. Use of this test as a high-stakes test would have been acceptable to more Work Group members had performance tasks been added. The Work Group was interested both in identifying item-level disparities and in adding performance tasks, which would help students of color. The Work Group had discussed but did not vote on which low stakes it preferred. In Regent-designate Zaragoza's view, even though eligibility was considered low stakes, it would still exclude students. She suggested using the Smarter Balanced assessment to determine multiple measures, such as what mathematics courses a student needed, which could create a coalition between UC and K–12 systems through the Smarter Balanced assessment while helping students.

Regent Ortiz Oakley expressed full support for the position that President Drake was taking. He observed that the College Board and the SAT were losing prominence. More universities were no longer requiring the SAT in admissions for reasons including the COVID-19 pandemic, and there was more scrutiny on the College Board and the ACT. The Regents were discussing an outdated methodology. Schools should be moving away from high-stakes testing toward learning about students' capabilities. The Smarter Balanced assessment was developed to assess students' progress toward Common Core

State Standards Initiative (Common Core) standards, and Common Core was developed in order to align the K–12 curriculum. Regent Ortiz Oakley distinguished “test” from “assessment.” An assessment provided information on a student’s readiness. UC could gain important information from further exploring the Smarter Balanced assessment. UC effectively dictated the K–12 curriculum, and more alignment was better, but, in Regent Ortiz Oakley’s view, testing to determine eligibility was outdated. The University should be learning what students need when entering UC. With regard to UCR, UC should be determining why two percent of UC students were black, not why UC Riverside had more black students than other campuses. The SAT has contributed to this issue. He cautioned against having an attachment to testing.

Regent Stegura recalled that, during the May 2020 meeting, she had expressed concern about the predictive ability of high school GPA without also considering SAT scores. The Work Group report also reflected a concern about grade inflation. In light of the recently completed application cycle that did not have a testing requirement, she asked if the Work Group could consider the predictive value of high school GPA in tandem with determining the use of a low-stakes test. Ms. Gauvain expressed agreement that this was an important issue, but considerations of the GPAs of the incoming class was limited due to high schools converting courses to pass/no pass as a result of COVID-19 pandemic remote learning, which could not be factored into GPA calculation. President Drake noted that “high stakes” and “low stakes” were being used to mean different things in different contexts. He defined “high stakes” as a distorting impact on a system or on one’s ability to perform. It appeared that more students had applied to UC than would have applied with a testing requirement, and UC would learn if it could successfully educate these students. Current litigation was trying to prevent UC from having a test-optional admissions policy. Regent Stegura stated her belief that, for someone from an under-resourced school or background, there were no low-stakes tests. Despite the unusual nature of this past year, UC would have access to data from forthcoming years. She was hopeful that these data could feed into a combined approach.

Regent Muwwakkil observed that the Regents shared the same aims—equity, student success, and access. He asked about the relationship between the Common Core or high school curriculum and the UC curriculum. Mr. Brown replied that the Academic Senate had related A–G requirements to Common Core standards. A partnership with the K–12 system was needed to tackle the root causes of educational inequity. Determining what constitutes adequate college preparation should be democratized, and UC must ensure that its influence on K–12 schools is appropriate. Although there had been problems with UC’s testing requirement, it was not that requirement that was keeping students out of UC. The testing requirement had nothing to do with building a new relationship with the K–12 system, which was needed in order to target resources toward improving equity.

Regent Muwwakkil remarked that the current relationship between UC courses and K–12 courses seemed tenuous. Mr. Brown stated that UC could build on an existing relationship between the Smarter Balanced assessment and what UC was requiring of students. Ms. Gauvain stated that what was taught at the K–12 level was foundational to what was taught at UC. A–G requirements signaled to high schools the sort of content that

UC believed to be foundational to what was taught at UC, and the Smarter Balanced assessment was linked to A–G requirements. Performance tasks in the Smarter Balanced assessment demonstrated how students would approach a problem. The idea that this portion of the assessment could not be adapted readily gave Ms. Gauvain pause. If UC adopts a test, she believed that it should have something like performance tasks. Mr. Brown expressed agreement, noting the ways in which time and expense were added to the assessment. UC should be mindful of how modifications added value or cost for the student.

Regent Park expressed agreement with Regent Ortiz Oakley's comments. She stated that the University needed to devote more time to expanding and accommodating more students. Accepting the same number of students was not helping California or many qualified high school students. Regent Park concurred with Mr. Brown's concern about the impact of UC's decisions on students, and she called for narrowly tailored solutions to specific problems. She did not wish to see the question of testing take up the time and resources that UC should be placing on other questions, such as those about access.

Regent Reilly asked if applicant interviews were untenable because of the number of applications. President Drake replied that 250,000 students applied to UC this year. When he worked as an admissions officer for a medical school, a portion of the most competitive applicants were interviewed, and the school spent 3.5 staff hours on reviewing applications and interviews per admitted student. There were also issues of bias and standardization within the interviews themselves. Applicant interviews were challenging to do and could be considered a high-stakes encounter. President Drake stated that this discussion was part of the search for a test or assessment that would enhance the University's ability to create avenues into the University that were not biased and at reasonable cost. Referring to Chancellor Wilcox's earlier comments, President Drake stated that, for some minority applicants, test performance played an important role in their admission into UC. There were thousands of students for whom this was true across the system, and it was something that the University wished to examine.

5. **UPDATE OF COVID-19 IMPACT ON THE UNIVERSITY OF CALIFORNIA: UC HEALTH ISSUES**

[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.]

Executive Vice President Byington began the presentation by noting that the Biden-Harris administration commemorated the 400,000 COVID-19 deaths in the U.S. so far, the first such acknowledgement in the U.S. The new administration also signed ten executive orders and published a plan for the COVID-19 response. The first step of the plan was to restore Americans' trust in the government's management of the pandemic. Briefings from Anthony Fauci, M.D., Chief Medical Advisor to the President, gave a sense that science and public health were at the forefront of the pandemic response. The third surge of the pandemic in the U.S. has been the deadliest so far, with a high plateau of over 200,000 cases per day. There were close to 25 million COVID-19 cases reported in the

U.S. and likely 100 million people in the U.S. who had been infected. COVID-19 deaths continued to increase even as case numbers were declining due to a lag between case onset and death. The U.S. was expected to reach 500,000 COVID-19 deaths in February. Dr. Byington presented maps that showed improvement in the number of COVID-19 cases across the U.S. between December and January. However, cases in California had become more concentrated, and the state was the epicenter of COVID-19 in the U.S. and across the world. The country's seven-day average was over 3,000 COVID-19 deaths per day. In the U.S. the 1918 pandemic killed 600,000 to 700,000 individuals, numbers that might be surpassed in this pandemic. COVID-19 was now the leading cause of death in the country.

In January, California reported over 3 million cases and nearly 35,000 deaths since the beginning of the pandemic, noting the high concentration of cases for the state's population size. Nearly all of California was in the purple tier, which indicated widespread transmission, and the state had 105.4 new COVID-19 cases per day per 100,000 people and a positivity rate of 15.2 percent. All UC campuses were located in purple tier counties. Community transmission was low in the fall but was now high, and UC Health was working with campuses to help students safely return to those campuses. The state's current surge far exceeded surges from the spring and summer. California must drive down the number of cases in light of an influx of novel variants. Over 20,000 people were now hospitalized with COVID-19 in California, and statewide intensive care unit (ICU) capacity was low to zero except in the northernmost regions. Crowded ICUs were associated with higher mortality for patients with COVID-19, and other patients that needed intensive care were crowded out.

UC Health peaked at 806 COVID-19 inpatients in January and had now dropped to 668 inpatients. All UC hospitals activated surge plans and surge capacity, and providers prepared for crisis standards of care and the allocation of critical supplies. Crisis standards of care were not ultimately employed, but a number of facilities came close to it. UC Health also applied for nursing ratio waivers for San Francisco and Southern California facilities as a precaution, and the waivers were used in one or two units, but UC was largely able to maintain its nursing ratios. UC Health accelerated the testing of healthcare workers across the system, and the number of employees who test positive for COVID-19 remained very low. The vast majority of employee infections were tied to community transmission. UC Health had lost the most revenue in April, because it closed facilities for non-COVID-19 patients in order to prepare for the COVID-19 surge. In comparison, UC Health lost far fewer dollars in December while managing nearly three times the number of patients. The system has learned how to balance the care of COVID-19 patients with the care of other patients. Hopefully, UC Health could avoid any government mandate to stop non-COVID-19 care. The UC Irvine Health field hospital opened on December 30 with 40 beds for less acute patients, which freed up space in other units for more complex patients. Dr. Byington thanked the UC doctors who helped created the California Department of Public Health (CDPH)–UC Health COVID Modeling Consortium, which would focus on epidemic forecasting, economic impact, health equity, vaccine rollout, and variants. This partnership would make CDPH data available to all UC investigators and was a line item in Governor Newsom's proposed State budget. Dr. Byington asked the Regents to help advocate for this \$1.25 million item.

Scientists were learning more about the new SARS-CoV2 variants. The Lineage B.1.1.7 variant, which was initially identified in the United Kingdom, had 20 mutations in the spike protein of the virus, which led to greater transmissibility. No change in disease severity had been observed so far, and two small studies on B.1.1.7 indicated that available vaccines were efficacious. Non-pharmaceutical interventions (NPIs) were still effective against these variants. B.1.1.7 was identified in California, and other variants were identified in South Africa and Brazil. Dr. Byington explained that she preferred to refer to variants by their numbers rather than country where they were identified, because the latter was a consequence of what countries were sequencing samples. Variants could occur anywhere, and it was likely that variants were circulating widely throughout the U.S. Investigators at UCSF identified L452R, a variant that was circulating widely in California. By mid-December to early January, L452R accounted for 25.2 percent of samples sequenced, which might indicate dominance and ease of transmissibility. This variant was associated with an outbreak that resulted from an individual wearing an air-powered costume during a winter holiday event at Kaiser Permanente San Jose Medical Center; 90 were sickened and one person died. There was a race to vaccinate and achieve high levels of immunity before variants develop vaccine resistance. Dr. Byington presented a graph that showed an exponential increase in death with a strain of the virus that is more transmissible. An increase in transmissibility raises the “R naught (R0),” which raises the percentage of people who must be vaccinated for herd immunity. The vaccine distribution process had already been experiencing difficulties. The Centers for Disease Control and Prevention (CDC) published an early release about these new variants and recommended wearing a mask, staying at least six feet apart, avoiding crowds, and getting vaccinated. Dr. Byington stated that more COVID-19 cases presented more opportunities for the virus to evolve.

Dr. Byington presented a photo of Dr. Fauci wearing two masks, and she advised wearing two masks when indoors, one surgical and one cloth mask. Dr. Byington suggested masks that have a metal in the nose area for tightening, have ties, and are three-ply or two-ply with a filter. If distance could not be maintained, Dr. Byington suggested wearing a face shield. These suggestions should be combined with other NPIs. A UCLA and UCSF study on universal masking showed that more people wearing masks was effective even if the masks being worn were less effective. The study suggested that mask mandates would add \$1 trillion to the U.S. gross domestic product. According to the “Swiss cheese” pandemic defense model developed by Australian virologist Ian Mackay, no one intervention was sufficient. Layering all available interventions closed the “holes” in any one intervention.

The U.S. has distributed 31 million doses of vaccine and administered 15 million doses. Less than four percent of the U.S. population have received one or more doses, and less than one percent of the U.S. population has received two doses. Dr. Byington opined that President Biden’s goal of administering one million doses per day for the first 100 days of his administration was reachable but challenged the country to administer two million vaccines per day due to the race against variants. California currently ranked 44th in the country for vaccination, with 2.1 percent of the population receiving at least one dose. As of the previous week, California had only administered about 25 percent of the state’s supply, but more people were being vaccinated. The stated needed infrastructure to administer the majority of vaccines received each week. Using President Biden’s

vaccination plan, herd immunity of 60 to 65 percent could be reached by July 2021, but Dr. Byington estimated that it could be reached sooner with two million vaccines administered per day.

UC Health achieved its goal of vaccinating Phase 1A healthcare workers within four weeks and was able to ensure equitable vaccination across the system. Healthcare workers shared feelings of hope and relief after vaccination. So far, except for the Moderna vaccines that were sequestered, UC Health administered 96 percent of the vaccines it had received. Some vaccine hesitance has been identified, and UC Health was working with units and unions to encourage vaccination. Many who were hesitant were waiting to see what would happen to others and would eventually be immunized. The mass vaccination clinic set up by UC San Diego Health at Petco Park baseball stadium immunized almost 40,000 individuals in one week. UC Health was working with UC locations to set up mass vaccine clinics. Dr. Byington concluded her presentation with “Kindness,” a poem by Naomi Shihab Nye.

Chair Pérez expressed concern about the broader community’s access to vaccines and emphasized establishing mass vaccine clinics near public transit lines so that transit-dependent individuals, many of whom were essential workers, have access to them. Chair Pérez expressed his hope that UC Health was relaying to CDPH the importance of maximal access to these sites. He noted that some provider websites were requiring insurance information or Social Security numbers, which presented a barrier to those without either, and he hoped that Dr. Byington could continue to communicate the need to maximize efficiency and equity in vaccine distribution. Dr. Byington stated that everyone needed the vaccine. She committed to CDPH that UC Health could deliver 120,000 vaccines per week, which would cover UC’s high-risk patients and non-healthcare essential workers. She encouraged all to advocate for greater transparency and more vaccines in California.

Regent Lansing asked why vaccine administration was delayed in California. Dr. Byington replied that it might have been a reporting issue and that CDPH was trying to learn more.

Regent Lansing asked if hospitals were receiving enough vaccines. Dr. Byington responded in the negative. UC Health was receiving about 11,000 doses per week. Regent Lansing asked what could be done to remedy this. Dr. Byington expressed hope that changes would come with the new U.S. presidential administration. Transparency was needed at the federal level regarding vaccine supply in the U.S. and how it was being allocated. Vaccines needed to be directed to California to contain the disease in Southern California. This was urgent. Regent Lansing encouraged the Regents to advocate for this issue.

Regent Lansing asked if current vaccines were effective against the newest variants. Dr. Byington replied that there were several reports that the variant in Brazil might escape antibodies. UCSF was studying the California variant. If a vaccine-resistant mutant becomes the dominant strain in the U.S., vaccines would have to be redeveloped.

Regent Lansing asked how long after vaccination it would be safe to congregate with others who are vaccinated. Dr. Byington stated that, until herd immunity is reached, distance should be maintained and masks should be worn indoors. In response to Regent Lansing’s



question, Dr. Byington stated that vaccinated individuals could still have an asymptomatic infection that could be spread to others. People who are vaccinated were protected from serious illness, but that did not mean they would not get infected. How protective the vaccines were against infection was unknown, but studies were being conducted. President Drake added that NPIs would be important for the country for months to come. It would be dangerous to stop using NPIs until the pandemic was over.

Regent Makarechian asked about the CDC lowering the required number of cycles for polymerase chain reaction (PCR) tests to determine COVID-19 positivity. Dr. Byington replied that she needed to find out if the CDC has released new guidance. She explained that a PCR cycle threshold was how many cycles the test was run before getting a result. A test would turn positive after fewer cycles if there was a high virus load. There was a concern about false-positive results from a high cycle number. These tests might be detecting a low amount of virus that would not necessarily be passed to others.

Regent Makarechian asked if PCR tests were universal. Dr. Byington replied in the affirmative. PCR testing was used worldwide and was the preferred mechanism for diagnosing viral diseases. The number of cycles used depended on the product. Regent Makarechian asked if PCR tests conducted in different countries were comparable. Dr. Byington responded in the affirmative. The data from PCR tests would indicate which cycle yielded the positive result.

Regent Makarechian asked what was meant by zero ICU availability. Dr. Byington replied that every hospital had a number of accredited, licensed, and staffed beds, and that the threshold has been passed for the number of patients who needed the ICU. UC Health exceeded the licensed number of ICU beds when it converted regular beds to ICU beds in non-ICU units. UC Irvine Health was licensed for around 100 ICU beds but had 140 ICU patients.

Regent Makarechian asked whether people who had recovered from COVID-19 were at a lower priority for vaccination. Dr. Byington responded that the CDC had suggested that an individual who had COVID-19 in the last 90 days, and when there was a shortage of vaccines in the region, should wait. Regent Makarechian asked if this could be mandatory. Dr. Byington stated that this was a recommendation. It might be difficult to confirm positivity as some people had not been tested. The goal was to lower barriers.

Regent Kounalakis shared that states had not been provided with federal support. A global pandemic had been anticipated for some time, and the CDC and federal government were designed to have a coordinated national response. She underscored the importance of new national leadership. A new plan was emerging; President Biden announced that he would use the Defense Production Act to increase production of vaccines.

Regent Kounalakis asked how the state's test positivity rate went from 2.5 percent to over 13 percent in a matter of weeks. This did not happen in much colder states or in countries where people lived in close quarters in multigenerational households. Dr. Byington replied that Orange County had a peak positivity rate of 33 percent. Positivity among the elderly

was very high, likely because individuals were mixing with the elderly during the winter holidays, but Dr. Byington did not believe this was enough to explain the spike. She expressed great concern that there was a variant that had not been identified. The United Kingdom, which was experiencing the same issues, has been in lockdown but has not been able to get the disease under control. Ninety people were infected with L452R in one exposure.

Regent Kounalakis asked if research was being done on the transmissibility of variants. Dr. Byington responded in the affirmative. Various UC laboratories were engaged in this research. Scientists had been calling for a national sequencing database for months.

Regent Sures asked how long after the second dose the vaccine becomes efficacious. Dr. Byington replied that it was 14 days after the second dose. Regent Sures asked how long the vaccine would provide antibodies. Dr. Byington replied that this was not yet known.

Regent Sures asked about next set of vaccines that would need to be administered. Dr. Byington stated that this was already being considered. UC Health was planning to collect healthcare workers' blood serum every quarter for two years to track how long antibodies last. Vaccine manufacturers were following subjects for two years. Regent Sures asked if reimmunization was needed to protect against variants. Dr. Byington stated that this depended on whether the variant could escape existing immunity.

Regent Leib shared that a study in Israel indicated that the vaccine was 33 percent effective after the first dose. Dr. Byington replied that she had seen this study. The result of 52 percent efficacy from the first dose came from a very limited trial. Israel, which had one of the largest vaccine programs in the world, was seeing ongoing transmission after a single dose. Johnson and Johnson was developing a one-dose vaccine, and data would be released soon. Regent Leib asked if there was data from Israel that showed efficacy rates after two doses. Dr. Byington replied that efficacy was excellent after two doses.

Regent Leib expressed concern that the vaccine could not be administered to people under the age of 16, which made vaccinating 70 percent of the population seem difficult. Dr. Byington replied that 20 percent of the population was children and encouraged people to get vaccinated. One vaccine was under emergency use authorization for 16- and 17-year-olds, and Pfizer and Moderna had begun trials with teenagers down to age 12.

Regent Reilly asked when the AstraZeneca and Johnson and Johnson vaccines would become available. Dr. Byington replied that Johnson and Johnson could be presenting data by the end of the current month. For previous vaccines, review by the U.S. Food and Drug Administration (FDA) and the CDC took one month. Dr. Byington predicted that another vaccine might be available sometime in the spring.

Regent Reilly asked if individuals who had recovered from COVID-19 had been added in the calculations for herd immunity that had been presented. Dr. Byington replied they had been added. Herd immunity was not attempted from a position of zero. Twenty or

30 percent of the U.S. might have recovered from COVID-19. In response to another question by Regent Reilly, Dr. Byington stated that about three-quarters of the 100 million who have had COVID-19 in this country were probably undiagnosed.

Regent Butler asked how healthcare providers were being compensated for vaccine distribution and mass vaccination sites. Dr. Byington acknowledged that vaccine distribution took resources away from managing the COVID-19 surge. UC Health invested some Coronavirus Aid, Relief, and Economic Security (CARES) Act funding into vaccine distribution and was using health professional students as volunteers. UC Health would likely be immunizing for the next several months. National coordination was needed, because this would cost millions of dollars. New proposals for federal COVID-19 relief included dollars for vaccine administration. Regent Butler stressed the need for unity of message regarding the investment required to distribute vaccine and sustain overall healthcare systems.

Regent Butler expressed concern that Phase 1A healthcare workers' second dose of the vaccine might be delayed while they continued to be exposed to COVID-19 at work and in their communities. She asked if a lack of understanding was contributing to more community transmission and how this could be mitigated. Dr. Byington replied that UC Health was trying to educate people on the importance of receiving both doses. UC was challenged by the Moderna sequestration, which included 28,000 second doses. Keeping a steady supply chain was vital to completing second doses. She did not believe that one or two weeks from when one was supposed to receive a second dose was a meaningful delay, but she wished to keep both doses as close as possible.

Regent-designate Lott asked if there was a vaccine that was better for seniors. Dr. Byington stated that seniors often did not respond as well to vaccination. For example, a stronger influenza vaccine was given to seniors. Both the Pfizer and Moderna vaccines have been very effective for individuals over age 65. UC Health did not recommend one over the other. Rather, seniors should get whichever vaccine is available.

Regent-designate Lott asked if UC Health would be setting up vaccination clinics for those who were 65 years old or older and whether this would be part of UC Health's weekly vaccination goal. Dr. Byington responded that receiving 120,000 vaccines per week would allow UC Health to vaccinate its patients and essential workers, and it would still be able to participate in community events, which themselves must also have access to vaccines.

Regent-designate Lott asked when children could be vaccinated. Dr. Byington stated her belief that the Pfizer and Moderna vaccines would be found to be safe and efficacious for children. Data from current trials for children as young as age 12 might be available in five to six months. If the data is favorable, the age would be lowered again for the next trials.

Regent Sherman shared that it did not seem likely that one could make an appointment for a second dose of the vaccine in Los Angeles County within four to six weeks of the first dose. He asked if individuals would have to restart the vaccination process in those cases. Dr. Byington replied that UC Health hoped to manage second doses and that there would

be a sufficient supply. Even if delay between doses was extended for one or two months, the CDC might deem the second dose valid unless there was a problem, in which case the antibody response of those who received their second dose late would be studied.

Regent Sherman asked if two appointments should be made at once. Dr. Byington responded in the affirmative, adding that she suggested that individuals schedule their second appointment after receiving their first dose when she volunteered at the UCSD Health mass vaccination clinic. She encouraged them to sign up for the vaccine monitoring program to report side effects. Regent Sherman asked if Counties were allowing people to make two appointments at the same time. Dr. Byington replied that she did not know, but UC Health would do so when it had permission to immunize for Phase 1B.

Regent Ortiz Oakley asked how current vaccination delays affect plans for campuses to reopen in the fall. Dr. Byington replied that she was hopeful that, with new national leadership and a coordinated response, UC would overcome the delay.

Regent Ortiz Oakley noted that pharmaceutical companies were conducting vaccine trials in developing countries and asked if UC could have a say in where these trials are conducted. Dr. Byington stated that a pharmaceutical representative was better suited to address this question. UC Health decided to participate, if invited, in any therapeutic or vaccine trial that looked promising. Pharmaceutical companies were headquartered in many countries, and vaccine trials must be done where there is a lot of disease transmission. Trials for the vaccines that were currently available were conducted outside of the U.S., because the U.S. had lower rates of disease during the late spring and summer of last year. The FDA would still review the data for those trials as if they had been conducted in the U.S.

Chair Pérez expressed concern about the volume of trained personnel that was needed to meet vaccination goals. He asked if CDPH had discussed targeted vaccination training with, for instance, the California National Guard. Dr. Byington replied that UC was considering it, noting that UC had 15,000 health professional students. UC could quickly train people to administer the vaccine; the challenge came from documenting the vaccinations and sending the data to the California Immunization Registry. She recommended that UC vaccination sites have a trained cadre to document the vaccinations. UC was training emergency medical technicians to respond to vaccine reactions at a vaccination site. Chair Pérez noted that, because the period for documenting a vaccination was 15 days, there might be some lag in UC's vaccination reporting. San Diego County was planning to increase the number of data entry personnel.

6. **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 January 20, 2021:

**A. *Approval of Professional Degree Supplemental Tuition for a Graduate Professional Degree Program, Irvine Campus***

The Committee recommended that the Regents approve the multi-year plan for charging Professional Degree Supplemental Tuition for the Pharmacy graduate professional degree program at UC Irvine as shown in Display 1, with the understanding that the diversity goals in the plan are a minimum and that the program should aspire to exceed these goals.

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**DISPLAY 1: Proposed Professional Degree Supplemental Tuition Levels<sup>1</sup> for AY 2021–22 through AY 2025–26**

	<u>2021–22</u>	<u>2022–23</u>	<u>2023–24</u>	<u>2024–25</u>	<u>2025–26</u>
<b>Pharmacy, UC Irvine</b>					
Resident PDST Level	\$30,996	\$32,544	\$34,170	\$35,871	\$37,662
Nonresident PDST Level	\$30,996	\$32,544	\$34,170	\$35,871	\$37,662

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<sup>1</sup> The amounts reflect the maximum PDST levels to be assessed, effective as of the academic year indicated. Assessing PDST levels less than the level indicated requires approval by the President with the concurrence of the Chancellor. PDST levels may be assessed beyond the period covering the program's approved multi-year plan but not in excess of the maximum levels specified in the final year.

Regent Zettel reported that the action was amended by the Committee such that the diversity goals in the plan were minimum goals and that UC Irvine should aspire to exceed them. She noted that Regents Elliott and Ortiz Oakley had voted “no” on this item at the Committee meeting.

**B. *University of California Academic Doctoral Education – Supporting Pathways to Success***

Regent Zettel reported that Provost Brown led a presentation that described the critical role that mentoring plays at both the undergraduate and graduate levels. The University was making improvements, but much more needed to be done to support students and their success.

**C. *Recommendations of the University of California Health Sciences Diversity Task Force Report***

Regent Zettel reported that Regents were given an overview and recommendations from the September 2020 report, including ways to recruit more students, residents, and faculty from underrepresented groups, providing need-based scholarships, creating a positive climate, and appointing senior diversity officers.

D. ***The Future of Instruction: Designing Equitable Classrooms and Technology-Enhanced Learning at the University of California***

Regent Zettel reported that UC instruction was evolving with the expanded use of technology. UC Irvine Vice Provost Michael Dennin shared foundational elements associated with student-centered teaching and the range of tools available for instruction, such as active learning classrooms.

E. ***Undocumented Student Support and Student Experience***

Regent Zettel reported that each undergraduate campus had a dedicated office to support undocumented students, including academic, social, financial, and legal support. Undocumented students shared their experiences at UC, as well as feelings of anxiety, loneliness, and fear. These students also spoke about the challenges in participating in studies and in obtaining financial support.

Upon motion of Regent Zettel, duly seconded, the recommendation of the Academic and Student Affairs Committee was approved, Regents Drake, Guber, Kieffer, Lansing, Mart, Park, Reilly, Sherman, Stegura, and Zettel voting “aye,” Regents Elliott, Estolano, Kounalakis, Leib, and Ortiz Oakley voting “no,” and Regents Muwwakkil and Pérez abstaining.

**Report of the Compliance and Audit Committee**

The Committee presented the following from its meeting of January 21, 2021:

A. ***Ethics, Compliance and Audit Services Annual Report 2019–20***

Regent Elliott reported that the Committee discussed the impact of the COVID-19 pandemic on the regulatory, compliance, and audit function, as well as some emerging trends. One Committee member requested an update on the Presidential Working Group on Artificial Intelligence at a future meeting.

**Report of the Finance and Capital Strategies Committee**

The Committee presented the following from its meeting of January 20, 2021:

A. ***Consent Agenda:***

(1) ***Approval of Indemnification Terms in Agreements with the United States Department of Energy Western Area Power Administration***

The Committee recommended to the Regents that:

- a. The President of the University be authorized to approve the terms of the agreement(s) with the Western Area Power Administration

(WAPA), including a provision to indemnify and hold harmless the United States, its employees, agents, or contractors from any loss or damage and from any liability on account of personal injury, death, or property damage, or claims for personal injury, death, or property damage of any nature whatsoever and by whomsoever made arising out of the University's, its employees', agents', or subcontractors' construction, operation, maintenance, or replacement activities under the agreement.

- b. The President or designee, after consultation with the General Counsel, be authorized to approve and execute any documents necessary in connection with the above.
- c. The President or designee, in consultation with the General Counsel, be authorized to execute all future documents related to WAPA supply agreements that contain substantially similar indemnification language.

(2) ***Amendment of Regents Policy 5307: University of California Debt Policy***

The Committee recommended that the Regents amend Regents Policy 5307: University of California Debt Policy, as shown in Attachment 1.

B. ***Approval of External Financing for Working Capital***

The Committee recommended that the Regents approve:

Until December 31, 2021, one or more external finance transactions in an aggregate amount not to exceed \$500 million, plus financing costs and refinancing amounts, for working capital and working capital-related purposes.

Regent Park reported that this action followed the \$1.5 billion that was authorized via interim action in June 2020.

C. ***Budget; Scope; External, Standby and Interim Financing; Amendment #3 to the UC Irvine 2007 Long Range Development Plan; and Design Following Action Pursuant to the California Environmental Quality Act; Irvine Campus Medical Complex, Irvine Campus***

The Committee recommended to the Regents that:

- (1) The 2020–21 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Irvine: Irvine Campus Medical Complex – preliminary plans – \$67,503,000 to be funded from hospital reserves.

To: Irvine: Irvine Campus Medical Complex – preliminary plans, design, construction, and equipment – \$1,073,000,000 to be funded by hospital reserves (\$150 million), gift funds (\$100 million), and external financing (\$823 million).

- (2) The scope of the Irvine Campus Medical Complex shall consist of construction of approximately 604,732 gross square feet (gsf) of medical inpatient, ambulatory, and emergency services space, including a 128- to 144-bed hospital (344,643 gsf), and ambulatory care center (223,089 gsf), central utility plant (37,000 gsf); and approximately 521,282 gsf for a parking structure providing approximately 1,350 spaces. Site development shall include landscape and hardscape, two new access roads, and an events plaza between the hospital and ambulatory care center. The square footages noted are subject to change as the design is refined through the progressive design-build process.
- (3) The President of the University be authorized to obtain external financing in an amount not to exceed \$823 million plus additional related financing costs to finance the Irvine Campus Medical Complex project. The President shall require that:
  - a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
  - b. As long as the debt is outstanding, the general revenues of the UC Irvine Medical Center shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
  - c. The general credit of the Regents shall not be pledged.
- (4) The President be authorized to obtain standby financing in an amount not to exceed \$19,838,000 and interim financing in an amount not to exceed \$75 million plus additional related financing costs to finance the Irvine Campus Medical Complex. The Irvine campus shall satisfy the following requirements:
  - a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
  - b. Repayment of any standby debt shall be from gift funds. As gifts are received, the medical center will reimburse the standby financing in a timely fashion. If gift funds are insufficient and some or all of the debt remains outstanding, then hospital reserves shall be used to pay the debt service and to meet the related requirements of the authorized financing.



- c. To the extent additional gifts and other funds are received as cash, the amount of interim financing will be reduced. To the extent additional gifts are received as documented pledges, the interim financing will be converted to standby financing.
  - d. If gifts or pledges are not received within seven years from the initial draw, the interim financing will be converted to long-term external financing or the Medical Center will pay down the interim financing.
  - e. As long as the debt is outstanding, the general revenues of the UC Irvine Medical Center shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
  - f. The general credit of the Regents shall not be pledged.
- (5) Following review and consideration of the environmental consequences of the proposed Irvine Campus Medical Complex project and Long Range Development Plan Amendment #3, 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. Certify the Subsequent Environmental Impact Report for the Irvine Campus Medical Complex project.
  - b. Adopt the Mitigation Monitoring and Reporting Program for the Irvine Campus Medical Complex project and make a condition of approval the implementation of mitigation measures within the responsibility and jurisdiction of UC Irvine.
  - c. Adopt the CEQA Findings and Statement of Overriding Considerations for the Irvine Campus Medical Complex project.
  - d. Approve Amendment #3 to the 2007 Long Range Development Plan.
  - e. Approve the design of the Irvine Campus Medical Complex project.
- (6) The President be authorized, in consultation with the General Counsel, to execute all documents necessary in connection with the above.

Regent Park reported that the Irvine campus was hoping to commence construction early this year and complete this project by summer 2025. This was part of the campus' plan to increase high-value services, its presence in the region, and its competitiveness in the market.

D. ***Chemistry Building Seismic Improvements, Santa Barbara Campus***

Regent Park reported that the Chemistry Building would need to remain partially open during construction. UC Santa Barbara would present the project's preliminary plan, scope, and design to the Regents at an upcoming meeting.

E. ***Risk Services Update: Insurance Coverage Changes and the Use of the University's Captive Insurance Company, Fiat Lux, and Commercially Purchased Policies***

This item was deferred to a future meeting.

F. ***Campus Allocations of State General Funds Overview***

Regent Park reported that the Committee discussed "rebenching," including its history, its purpose, and related initiatives such as funding streams that determined which funds stayed on campus. Regents considered how current formulas achieve or impede the University's equity goals, particularly in light of financial pressure imposed by the COVID-19 pandemic. Regent Park stated that Regent Kieffer suggested a Regents' working group on these issues. Changes had been made since the last major effort on rebenching and funding streams. President Drake and the chancellors would reconvene and then report back to the Regents.

G. ***Review of the Governor's January Budget Proposal for 2021–22***

Regent Park reported that the update on the State Budget was very brief, as President Drake had informed the Board about Governor Newsom's proposal via email.

Upon motion of Regent Park, duly seconded, the recommendations of the Finance and Capital Strategies Committee were approved, Regents Drake, Elliott, Estolano, Kieffer, Lansing, Makarechian, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Zettel voting "aye."

H. ***Amendment #7 to the UC San Francisco 2014 Long Range Development Plan for the Comprehensive Parnassus Heights Plan Following Action Pursuant to the California Environmental Quality Act, and Amendment #2 to the Physical Design Framework, San Francisco Campus***

The Committee recommended that, following review and consideration of the environmental consequences of the proposed UC San Francisco (UCSF)

Amendment #7 to the 2014 Long Range Development Plan (LRDP), as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff to the Regents no less than 24 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Regents:

- (1) Certify the Environmental Impact Report for the Comprehensive Parnassus Heights Plan;
- (2) Adopt the Mitigation Monitoring and Reporting Program and make a condition of approval the implementation of mitigation measures within the responsibility and jurisdiction of UCSF.
- (3) Adopt the CEQA Findings and Statement of Overriding Considerations.
- (4) Approve Amendment #7 to the UCSF 2014 LRDP.
- (5) Receive and accept Amendment #2 of the Physical Design Framework.

Regent Park reported that the Committee engaged in a lengthy discussion about this proposal, and Committee members asked many questions. Many documents regarding UCSF's community engagement, the nature of the opposition to the project, and the nature of the support for the project were submitted. Committee discussion focused on the proposed change to the 1976 Regents' Resolution that would increase the space ceiling by 1.5 million square feet, how permanent the Regents' Resolution was, as well as the enforceability of the memorandum of understanding (MOU) that UCSF successfully negotiated with the City and County of San Francisco. The Committee also discussed making a stronger commitment to preserve, store, and display the murals in Toland Hall by artist Bernard Zakheim. Chancellor Hawgood and his team were advised to be very transparent and highly communicative about the bulk and scale of the project. The design of the project would be presented to the Committee and the Board for approval in the future.

General Counsel Robinson reviewed a proposed amendment to this item, which would add a sixth paragraph to the recommendation: "Approval of paragraph (4) above is conditioned on the Chair of the Board of Regents countersigning the Memorandum of Understanding (MOU) between UCSF and the City and County of San Francisco regarding the Comprehensive Parnassus Heights Plan and UCSF's compliance with the MOU." This paragraph would place additional conditions on the approval of the amendment to the 2014 Long Range Development Plan (LRDP).

Chair Pérez moved item H, as amended, and Regent Park seconded it. General Counsel Robinson made the following statement: "The University has considered the MOU and has concluded that its terms do not change the impact analysis and

determinations in the EIR and that no further CEQA documentation is required. The CEQA findings are hereby amended to reflect this determination.”

Regent Leib asked whether this was a workable amendment for UCSF. Chancellor Hawgood stated that, if the Board supported the amendment, he would have no objection. He looked forward to joining Chair Pérez in signing the MOU and executing as soon as possible.

President Drake expressed his support for the item, as well as concern that the amendment was setting a precedent that would affect the hundreds of MOUs that campuses might sign in the future. Chair Pérez stated that he did not believe that this would be the case in many similar situations.

Regent Estolano expressed appreciation for President Drake’s concern and noted that this action would amend a Regental action taken in 1976, which had only been amended a few times before this. This MOU took into account many considerations, including the promises and commitments made to the City and County of San Francisco. In her view, it made sense that Chair Pérez would be co-signing this MOU. She did not wish to repeat such an action, and she did not believe that the Board would engage in this kind of approval in other cases.

President Drake noted the Board’s understanding of the changes that would be made with the MOU and that the Regents’ Resolution was four decades old.

Chair Pérez stated that this was a unique circumstance and contrasted this MOU with the minor amendments made to the Regents’ Resolution in 2014.

Upon motion of Chair Pérez, duly seconded, the recommendation, as amended, was approved, Regents Drake, Elliott, Estolano, Kieffer, Lansing, Leib, Makarechian, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Zettel voting “aye.”

### **Governance Committee**

The Committee presented the following from its meeting of January 19, 2021:

#### ***Approval of 2020-21 Federal Fiscal Year Salary Adjustments for Certain Senior Management Group Employees at Lawrence Berkeley National Laboratory as Funded by the Department of Energy, as Discussed in Closed Session***

The Committee recommended the approval as an exception to policy of the following salary increases for the Senior Management Group employees of Lawrence Berkeley National Laboratory listed below, effective retroactive to October 1, 2020:

Employee Name	Job Title	Current Annual Base Salary	Proposed Merit Increase %	Proposed Equity Increase %	Proposed Annual Base Salary	Placement within Position's MRZ
<b>SMG – Level One</b>						
Witherell, Michael	Laboratory Director	\$480,804	4.00%	N/A	\$500,040	1.2% Below 60th %tile (\$506.0k)
<b>SMG – Level Two</b>						
Simon, Horst	Deputy Lab Director for Research	\$472,656	4.00%	N/A	\$491,568	2.3% Above 90th %tile (\$480.3k)
Brandt, Michael	Deputy Lab Director for Operations and COO	\$400,188	4.00%	5.00%	\$437,004	9.0% Over 75th %tile (\$400.8k)
Blair, Jeffrey	Chief Laboratory Counsel	\$353,628	4.00%	N/A	\$367,776	2.2% Below 60th %tile (\$376.1k)
Huebner, Minh-Ngoc	Chief Financial Officer	\$323,760	4.00%	N/A	\$336,708	10.0% Below 50th %tile (\$374.3k)
Hubbard, Susan	Associate Lab Dir for Earth & Environ. Sciences	\$408,996	4.00%	N/A	\$425,352	1.9% Above 60th %tile (\$417.3k)
Maxon, Mary	Associate Lab Dir for Biosciences	\$377,952	4.00%	N/A	\$393,072	5.8% Below 60th %tile (\$417.3k)
Neaton, Jeffrey	Associate Lab Dir for Energy Sciences	\$364,860	4.00%	N/A	\$379,452	9.1% Below 60th %tile (\$417.3k)
Prasher, Ravi	Associate Lab Dir for Energy Technologies	\$351,456	4.00%	3.00%	\$376,488	9.8% Below 60th %tile (\$417.3k)
Carter, Jonathan	Associate Lab Dir for Computing Sciences	\$360,000	3.00%	N/A	\$370,800	11.1% Below 60th %tile (\$417.3k)

The base salaries presented above shall constitute the University's total commitment for base salary until modified by the Regents, the President, or Laboratory Director, 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.

Upon motion of Chair Pérez, duly seconded, the recommendation of the Governance Committee was approved, Regents Drake, Elliott, Estolano, Kieffer, Lansing, Leib, Makarechian, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Zettel voting "aye."

**Report of the Health Services Committee**

The Committee presented the following from its meeting of December 15, 2020:

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

This item was not summarized.

B. ***Speaker Series – Honoring the Patient: 3 Wishes Program at UCLA Health***

Regent Lansing reported that the Committee heard a presentation about a wish-granting program for terminally ill patients. Wishes included meals, live music performances, wedding ceremonies, and mementos.

C. ***Center for Data-Driven Insights and Innovation and Other Strategic Plan-Related Updates for Areas Funded by Medical Centers at UC Health***

This item was not summarized.

D. ***Endorsement of Recommendations of the UC Health Working Group on Clinical Quality, Population Health, and Risk Management***

This item was not summarized.

E. ***Remote Services Offered at Student Health and Counseling Centers***

Regent Lansing reported that the Committee was given a presentation on the University's student mental health services. She stated that online services were progressing well during the COVID-19 pandemic.

F. ***Medicines Patent Pool – Considering Underserved Populations When Licensing Intellectual Property***

Regent Lansing reported that the Committee discussed how the University could prevent UC drug patents from becoming cost-prohibitive in underserved countries and how to seek commitments from patent buyers to make these drugs available in these countries, citing a recent situation from a UCLA drug patent as an example.

The Committee presented the following from its meeting of January 19, 2021:

G. ***Approval of UC Davis Health Leadership Appointment and/or Compensation Actions for Certain Senior Management Group Employees, UC Davis Health, Davis Campus as Discussed in Closed Session***

This item was not summarized.

- H. *Approval of Market-Based Salary Adjustment for John Duncan Campbell as Chief Operating Officer – UCSD Physician Network, UC San Diego Health, San Diego Campus as Discussed in Closed Session*

This item was not summarized.

- I. *UC Health Update on Virtual Care (Telehealth) Innovations*

Regent Lansing reported that the Committee heard a presentation on telemedicine at UC. She stated that telemedicine innovations were an example of a good thing that has emerged from the tragedy of the COVID-19 pandemic.

### **Report of the National Laboratories Committee**

The Committee presented the following from its meeting of January 19, 2020:

- A. *Annual Report on Fiscal Year 2020 National Laboratory Performance Ratings*

Regent Zettel reported that UC National Laboratories received their performance ratings from the U.S. Department of Energy and the National Nuclear Security Administration. Lawrence Livermore National Laboratory and Lawrence Berkeley National Laboratory had excellent ratings, and the ratings of Triad National Security, LLC were significantly higher than before.

- B. *Approval of Use of Capital and Campus Opportunity Fund Monies for Postdoctoral Fellowship in Technology and International Security*

The Committee recommended that President of the University, or his delegate, be authorized to expend up to \$200,000 of Capital and Campus Opportunity Fund funds starting in UC Fiscal Year 2021–22 to establish a technology and international security postdoctoral fellowship pilot program.

Regent Zettel reported that this program would be a partnership among Lawrence Livermore National Laboratory, Los Alamos National Laboratory, and the UC Institute on Global Conflict and Cooperation at UC San Diego. A decision on whether to extend the program would be made in early 2022.

Upon motion of Regent Zettel, duly seconded, the recommendation of the National Laboratories Committee was approved, Regents Drake, Elliott, Estolano, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Zettel voting “aye.”

### **Report of the Public Engagement and Development Committee**

The Committee presented the following from its meeting of January 21, 2020:

A. ***Conversation with Senator John Laird***

Regent Leib reported that State Senator John Laird, Chair of the Senate Subcommittee 1 on Education, was not available to speak at this meeting but wished to do so at a future meeting.

B. ***The University of California Partnership with the State on CA Notify***

Regent Leib reported that the Committee was briefed on CA Notify, a mobile phone-based COVID-19 exposure notification tool. CA Notify was developed at UC San Diego and was available to the general public.

C. ***Annual Report on Private Support 2019–20***

Regent Leib reported that, last fiscal year, the University raised \$2.9 billion, only one percent of which was set aside for student support and scholarships. The Committee engaged in a lengthy discussion about how the UC could tailor its messaging to increase student support fundraising.

D. ***Student Support Fundraising***

Regent Leib reported that Chancellors Christ and Khosla shared their campuses' strategies for increasing this type of fundraising.

E. ***State Governmental Relations Update***

Regent Leib reported that President Drake has been highly effective in recent advocacy meetings with State legislators. He added that Regents had begun their advocacy efforts with legislators via teleconference and that he would continue to invite Regents to these meetings.

F. ***Federal Governmental Relations Update***

Regent Leib reported that the Committee received the latest updates regarding the Biden administration. He stated that Regents hoped to engage in more advocacy via teleconference with California members of Congress who were involved in higher education.

**Report of the Special Committee on Nominations**

The Special Committee presented the following from its meeting of January 21, 2020:

***Appointment of Advisory Member to the Health Services Committee***



The Special Committee recommended that Sonia Ramamoorthy, M.D., be appointed as an Advisory Member to the Health Services Committee, effectively immediately for a term ending June 30, 2022.

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

7. **RESOLUTION IN APPRECIATION – GEORGE DAVID KIEFFER**

Upon motion of Regent Lansing, the following resolution was adopted, Regents Drake, Elliott, Estolano, Kounalakis, Lansing, Leib, Makarechian, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Zettel voting “aye” and Regent Kieffer abstaining:

WHEREAS, on March 1, 2020, George David Kieffer will complete his term on the Board of Regents, having provided distinguished and thoughtful leadership on the Board of Regents for nearly fourteen years, including as Alumni Regent from 1979 to 1980, and as Chair of the Board from 2017 to 2019, reflecting his exemplary lifelong dedication to the well-being of the University and the people of California whom it serves; and

WHEREAS, a proud alumnus of the Santa Barbara (Bachelor of Arts) and Los Angeles (Juris Doctor) campuses, he achieved great professional distinction as a lawyer in the private sector, who literally wrote the book on *The Strategy of Meetings*, and as a Regent, brought to bear his professional expertise in best practices in governance to benefit the University and to shepherd it through meaningful reforms; and

WHEREAS, he has contributed his considerable talents to serving the public and his community at every level, including as a member of the Los Angeles Mayor’s Council of Economic Advisors, Chair of the Board of the Los Angeles Chamber of Commerce, Chair of the commission that rewrote the Los Angeles City Charter, member of the Blue Ribbon Commission for the Review of the California Master Plan for Education, founding member of the California Community College Foundation, member and Chair of the Board of Governors of the California Community Colleges, Chair of the University of California Santa Barbara Foundation, and President of the University of California Santa Barbara Alumni Association; and

WHEREAS, the judgment and perception he so ably uses in his professional life have added immeasurably to the work of almost every Committee, and that under his leadership as Chair of the Board, appropriately during the University’s sesquicentennial, he provided a vision for sustaining the University of California as the preeminent public institution of higher learning in the nation and for the vital significance of higher education; and

WHEREAS, in recognition of his dedicated service as a member of the Board of Regents of the University of California, and his commitment to its democratic ideals and access to education, the Regents do hereby confer upon George D. Kieffer the title Regent Emeritus;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California will greatly miss his intellect, wise counsel, and fair-mindedness, and express their appreciation for and admiration of George Kieffer, who has enriched the University in countless ways as a member of the Board of Regents, including at the piano at Regents functions;

AND BE IT FURTHER RESOLVED that the Regents extend to George their best wishes for the future, their gratitude for his effective leadership, and their abiding appreciation for the many ways his work on the Board will benefit the University for years to come, and direct that a suitably inscribed copy of this resolution be presented to him as an expression of the Board's profound esteem and friendship.

Regent Lansing stated that Regent Kieffer has demonstrated his regard for the University in every action he has taken in his 14-year term. Regent Kieffer began serving as an Alumni Regent and also served as Board Chair, and his commitment to UC remained unchanged after chairing the Board. He has brought thoughtfulness, wisdom, experience to the many Committees on which he has served. Regent Lansing observed Regent Kieffer's patience, empathy, and kindness when listening to different points of view. He always sought ways to bring opposing points of view to a consensus. Regent Kieffer has visited all the campuses several times over and listened closely to students. He also has a distinguished career as an attorney, and has served on other boards. Regent Lansing referred to Regent Kieffer as a Renaissance man and spoke of his accomplishments as a composer and pianist. She underscored that he would be deeply missed by the Board.

Chair Pérez remarked that the Board owed a tremendous debt of gratitude to Regent Kieffer for his undying commitment to the University.

Regent Kieffer expressed his gratitude to Regent Lansing, Chair Pérez, and President Drake for their remarks. He recognized the service of Regent Zettel, who had chaired the Compliance and Audit Committee during a challenging time for the University. He noted her grace, balance, wisdom, and commitment. Regent Kieffer observed that much of his life has revolved around UC. He had learned much about the University from discussions with fellow Board members, whom he would miss. He thanked the chancellors for their attention, respect, patience, and friendship. He also expressed gratitude to the staff at the Office of the President and at the Office of the Secretary and Chief of Staff to The Regents. Regent Kieffer stated that he had had a wonderful term and would continue to follow the work of the Regents and stay in contact with them.

**8. RESOLUTION IN APPRECIATION – CHARLENE ZETTEL**

Upon motion of Regent Leib, the following resolution was adopted, Regents Drake, Elliott, Estolano, Guber, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, and Zettel voting “aye”:

WHEREAS, the Regents of the University of California wish to pay richly deserved and heartfelt tribute to their cherished friend and esteemed colleague, Charlene Zettel, for her twelve years of meritorious service to higher education as a member of the University of California Board of Regents; and

WHEREAS, as a distinguished leader, she has dedicated herself to public service to the people of the State of California in the government and non-profit sectors, most notably as the first Republican Latina elected to the State legislature, serving in the California Assembly from 1998 to 2002, as Director of the California Department of Consumer Affairs, CEO of Donate Life California, Interim CEO of the San Diego/Imperial Counties Region of the American Red Cross, Vice Chair of the American Red Cross Board of Directors, and as a member and President of the Poway Unified School District Board of Education; and

WHEREAS, as a Regent, she brought to bear her broad professional experience and expertise in regulatory oversight and her business acumen to assist the University, rendering her judgment invaluable to the work of nearly every Committee of the Board, but particularly as Chair and Vice Chair of the National Laboratories Committee, Chair and Vice Chair of the Compliance and Audit Committee, and Chair of the Board of Governors of the Lawrence Livermore National Security, LLC, enabling the University to maintain its commitment to the public trust and to high-quality scientific and technological research, ensuring the security of the United States of America; and

WHEREAS, during her tenure of service as a Regent, the University benefited tremendously from her wise counsel, which added immeasurably to the deliberations of multiple executive search committees, resulting in the selection of five extraordinary Chancellors of University of California campuses, and culminating in her service as Chair of the search committee for the Director of Lawrence Livermore National Laboratory, leaving a legacy that will both sustain and strengthen the reputation of the University of California as the preeminent institution of higher education in the world; and

WHEREAS, in recognition of her devoted service as a member of the Board of Regents of the University of California, and in the hope that she will continue to be an active and vital participant in the life of the University; the Regents do hereby confer upon Charlene Zettel the title Regent Emerita;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California express their deep appreciation for and admiration of Charlene Zettel, for her bearing with grace the weighty responsibility of the role of Regent, and for conscientiously and meticulously devoting her time and energy to the betterment of the University;

AND BE IT FURTHER RESOLVED that the Regents extend to Charlene their affectionate best wishes for continued happiness, and direct that a suitably inscribed copy of this resolution be presented to her as an expression of the Board's warm regard and lasting friendship.

Regent Leib shared that, when he was first appointed as Regent, then Chair Kieffer asked Regent Zettel to mentor him. He stated that Regent Zettel was passionate about many causes and praised her for being thoughtful, humble, caring, and practical. Regent Zettel was the first Latina Republican elected to the State Assembly and was known as moderate and reasonable. She has served as Director of the California Department of Consumer Affairs, Chief Executive Officer (CEO) of Donate Life California, and board member of the American Red Cross of San Diego and Imperial Counties. Regent Zettel maintained very good attendance during her term, contributed during meetings and was well-informed about issues. She had served as Chair and Vice Chair of both the National Laboratories Committee and the Compliance and Audit Committee. Regent Zettel was also devoted to her family and well-traveled, and she would continue to engage in community service.

Chair Pérez shared that he had gotten to know Regent Zettel through her leadership of Donate Life California and praised her compassion, energy, and grace.

Regent Zettel thanked Regent Leib and Chair Pérez for their remarks and noted that Regent Kieffer had been her mentor as well. She thanked all the Regents for their friendship. She was concluding her term with a deep sense of pride but also sadness. The UC community had much to be proud of: strong, ethical values and a commitment to public service; dedicated and hardworking staff; talented faculty and their brilliant research; the life-saving work of UC Health and Executive Vice President Byington; and UC's contributions to the California economy. The University's leaders, who have often been unsung and underappreciated, continued to give their time and talent to UC and the state. It has been her honor and privilege to serve on this Board as it worked to provide access and affordability to California students. She would remain impressed and inspired by her fellow Regents' perspectives, commitment, and contributions to the University.

9. **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 Committee Authority

- A. At its November 18, 2020 meeting, the Health Services Committee approved the following recommendation:

***Approval of Appointment of and Compensation for Ashish Atreja as Chief Information Officer/Chief Digital Health Officer, UC Davis Health, Davis Campus as Discussed in Closed Session***

The following items in connection with the appointment of and compensation for Ashish Atreja as Chief Information Officer/Chief Digital Health Officer, UC Davis Health, Davis campus:

- (1) Per policy, appointment of Ashish Atreja as Chief Information Officer/Chief Digital Health Officer, UC Davis Health, Davis campus, at 100 percent time.
- (2) Per policy, an annual base salary of \$560,000.
- (3) Per policy, eligibility to participate in the Clinical Enterprise Management Recognition Plan's (CEMRP) annual Short Term Incentive (STI) component, with a target award of 15 percent of base salary (\$84,000), and a maximum potential award of 25 percent of base salary (\$140,000), subject to all applicable plan requirements and Administrative Oversight Committee approval. Dr. Atreja's actual award will be determined based on performance against pre-established objectives.

If Dr. Atreja's hire date is on or before January 1, 2021, his eligibility to participate in the STI component of CEMRP would start in the 2020–21 plan year, and his award would be prorated in his first year of participation. If his hire date is on or after January 2, 2021, his eligibility to participate in the STI component of CEMRP would start in the 2021–22 plan year.

- (4) Per policy, eligibility for standard pension and health and welfare benefits and standard senior management benefits including eligibility for Senior Management Life insurance and Executive Salary Continuation for Disability (eligible after five consecutive years of Senior Management Group service).
- (5) Per policy, eligibility to participate in the UC Employee Housing Assistance Program, subject to all applicable program requirements.
- (6) Per policy, reimbursement of actual and reasonable moving and relocation expenses associated with relocating Dr. Atreja's primary residence, subject to the limitations under Regents Policy 7710, Senior Management Group Moving Reimbursement.
- (7) Dr. Atreja will comply with the Senior Management Group Outside Professional Activities (OPA) policy and reporting requirements.
- (8) This action will be effective as of Dr. Atreja's start date, estimated to be on or about December 31, 2020.

**COMPARATIVE ANALYSIS****Recommended Compensation**

**Effective Date:** Upon hire date, estimated to be on or about December 31, 2020

**Annual Base Salary:** \$560,000

**Clinical Enterprise Management Recognition Plan (CEMRP): Short Term Incentive (STI):** \$84,000 (at 15 percent target rate)

**Target Cash Compensation:\*** \$644,000

**Funding:** Non-State-Funded (UC Davis Health Revenue)

**Prior Career Incumbent Compensation**

**Title:** Chief Information Officer

**Annual Base Salary:** \$368,500

**Clinical Enterprise Management Recognition Plan (CEMRP): Short Term Incentive (STI):** \$55,275 (at 15 percent target rate)

**Target Cash Compensation:\*** \$423,775

**Funding:** Non-State-Funded (UC Davis Health Revenue)

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

- B. At its December 15, 2020 meeting, the Health Services Committee approved the following recommendation:

***Endorsement of Recommendations of the UC Health Working Group on Clinical Quality, Population Health, and Risk Management***

That the Health Services Committee endorse the recommendations of the UC Health Working Group on Clinical Quality, Population Health, and Risk Management for implementation by University of California Health.

10. **REPORT OF MATERIALS MAILED BETWEEN MEETINGS**

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

**To the Regents of the University of California:**

- A. From the Executive Vice President of UC Health, a COVID-19 and Coronavirus Update. November 6, 2020.
- B. From the President of the University, the *2019 Annual Report on Health Sciences Compensation Plan Participants' Total Compensation that Exceeds the Reporting Threshold*. November 16, 2020.
- C. From the President of the University, the *Significant Information Technology Projects Report* for the period May 1 through August 31, 2020. November 30, 2020.

- D. From the Executive Vice President of UC Health, a COVID-19 and Coronavirus Update. December 5, 2020.
- E. From the University of California, San Francisco Chancellor, providing an update on the preservation and relocation of the 10-panel set of murals, entitled “The History of Medicine in California,” painted on the walls of Toland Hall auditorium by Bernard Zakheim. December 7, 2020.
- F. From the University of California, San Francisco Chancellor, forwarding information regarding fetal tissue research at the University of California and the political context surrounding this research. December 13, 2020.
- G. From the Secretary and Chief of Staff to the Regents, the University of California Interim Policy: SARS-CoV-2 Vaccination Program. December 15, 2020.
- H. From the UC Deputy Counsel, recommendations from the California Department of Public Health (CDPH) regarding the CDPH allocation guidelines for COVID-19 vaccine during Phase 1A. December 16, 2020.
- I. From the Executive Vice President of UC Health, information regarding the first over-the-counter COVID-19 home test. December 16, 2020.
- J. From the President of the University, the *Semi-Annual Report for Outside Professional Activities* for the period January 1, 2020 through June 30, 2020. December 18, 2020.
- K. From the President of the University, the University of California’s *Technology Commercialization Report* for fiscal year 2019. December 18, 2020.
- L. From the Secretary and Chief of Staff to the Regents, the Summary of Communications Received for November, 2020. December 20, 2020.
- M. From the Chair of the Board, a link to a statement from the UC Merced Chancellor and the UC Merced Provost in response to a social media post of a UC Merced faculty member. December 29, 2020.
- N. From the Chair of the Board, a joint statement from the Chair of the Board and the President of the University in response to recent social media posts made by a UC Merced faculty member. December 30, 2020.
- O. From the University of California, San Francisco Chancellor, an email providing information and context in response to a letter the Regents received from the California Nurses Association and National Nurses United regarding the unions’ concerns about the affiliation between UCSF and the Benioff Children’s Hospital in Oakland. December 30, 2020.

**To the members of the Health Services Committee:**

- P. From the President of the University, the *University of California Medical Centers Reports for the Three Months Ended September 30, 2020*. December 7, 2020.

**To the members of the Investments Committee:**

- Q. From the Chief Investment Officer, the *2020 Annual Endowment Report*. November 30, 2020.

**To the members of the Public Engagement and Development Committee:**

- R. From the Associate Vice President, External Relations and Communications, the *Federal Update, 2020, Issue 10*. December 3, 2020.
- S. From the Senior Vice President, External Relations and Communications, a report on UC's systemwide 2020 "Get Out the Vote and Be Counted" campaign. December 22, 2020.
- T. From the Associate Vice President, External Relations and Communications, the *Federal Update, 2020, Issue 11*. December 22, 2020.

The meeting adjourned at 5:05 p.m.

Attest:

Secretary and Chief of Staff



**Additions shown by underscoring; deletions shown by strikethrough**

**THE REGENTS OF THE UNIVERSITY OF CALIFORNIA  
UNIVERSITY OF CALIFORNIA DEBT POLICY**

**I. Purpose/Objective of Policy**

The University's Debt Policy (the "Policy") governs the use and management of debt used to finance primarily capital projects as well as certain other uses across the University of California System (the "System"). As such, the Policy provides a framework that guides the capital market activities that are critical to achieving the University's mission of teaching, research, and public service. This framework ensures that the University can do so in an efficient and cost-effective manner while managing risk in the debt portfolio.

Specifically, this Policy seeks to achieve the following objectives:

- Outline the University's strategic approach to debt management;
- Establish guidelines for approving, structuring and managing debt;
- Identify roles and responsibilities for approving and monitoring debt post-issuance; and
- Set reporting standards.

With debt a precious and finite resource, this Policy provides a framework within which to evaluate and manage the tradeoffs between credit ratings, cost of capital and financial flexibility. It is the overarching goal of this Policy to ensure that the University maintains ready access to the debt capital markets to meet the University's financing needs. The active management of the University's credit profile, including the debt structure with respect to maturity and composition, will allow the University to achieve these objectives.

The University's credit strategy and strength are rooted in the System's scope and diversity; therefore, debt is a central function.

The Office of the CFO has oversight over all of the University's capital market activities. As such, the Office of the CFO is responsible for maintaining this Policy and will review it at least every two years and present to the Board of Regents, for approval, any proposed material changes, as appropriate. Nonmaterial changes to this policy may be approved directly by the CFO.

**II. Use of Debt Funding**

- A. Prioritization of Capital Needs. Campuses and medical centers prioritize their capital needs with respect to the essentiality to the University's mission of teaching, research, and public service. Campuses and medical centers also prioritize with respect to affordability, with special consideration given to capital projects that are self-funding or revenue-generating. The ~~Ten-Year~~ Capital Financial Plan, updated annually, lays out the capital plan for each campus and medical center. The Plan includes a general funding plan for each project.

- B. Approval Process. All University external financings must be approved by the Board of Regents, unless provided otherwise under the relevant University governing documents. The Office of the CFO coordinates the external financing approval process, which includes a review of the campus' or medical center's financial strength and ability to assume additional debt.

In addition to the campus and medical center guidelines below, external financing approvals will be considered in the context of the University's overall credit portfolio and any potential impact on the University's credit ratings. As described in Section IV below, the CFO, under the direction of the Board of Regents and/or the President, may delay or deny a request for external financing on the basis of a potential negative impact on the University's credit profile/ratings (even if the campus and medical center guidelines below are met).

The Office of the CFO has worked with the campuses and the medical centers to develop financial models that help assess the viability of future debt financings.

For the campuses, the Office of the CFO has developed the Debt Affordability Model to be used as part of the approval process. ~~The model includes 10-year projections of the campus' operations and planned financings.~~ The Debt Affordability Model produces certain debt metrics that are used in the external financing approval process. During the approval process, the campuses will utilize planning rates to calculate the debt service for the proposed projects. The planning rates will be calculated formulaically based on taxable and tax-exempt benchmark yields. The rates will be reviewed and annually reported to the Regents within the Annual Debt Report on Debt Capital and External Finance Approvals.

Campuses must meet the following requirements in order to receive approval for external financing:

1. Modified cash flow margin<sup>1</sup>  $\geq 0\%$ ; *and*
- ~~4. Debt service coverage ratio<sup>2</sup>  $\geq 1.1x$ ; *and to operations*  $\leq 6\%$ ; *or*~~
2. ~~Expendable resources to debt  $\geq$~~
3. Monthly liquidity in STIP  $\geq 60$  days.

In addition, for external financing of auxiliary projects, Campuses must also meet the following requirements:

1. Project debt service coverage  $\geq 1.0x$ ; *and 10x*
2. Auxiliary debt service coverage  $\geq 1.1x$  ~~25x~~.

Medical centers shall provide 10-year projections, or projections over a shorter time horizon as deemed appropriate, of their statement of income available for debt service,

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<sup>1</sup> Modified cash flow margin is an income statement-based measure of a campus' debt service coverage, adjusted for certain cash and non-cash items.

<sup>2</sup> Debt service excludes state-supported debt and debt issued for pension funding.

statement of revenues and expenses, statement of net assets, and statement of cash flows, and meet the following requirements:

1. Net Income Margin<sup>3</sup>  $\geq 0\%$ ; and
2. Debt service coverage<sup>4</sup>  $\geq 3x$ ; and
3. Days cash on hand  $\geq 60$ .

The Office of the CFO may review and approve exceptions for campuses and medical centers that are unable to meet the above requirements on a case-by-case basis. In order to be considered for an exception, the campus or medical center must submit a financial model that demonstrates its ability to service the debt, a business case analysis explaining the strategic importance of the project, and a plan for achieving the minimum requirements listed above over time.

In addition to funding projects for the campuses and medical centers, the University also uses debt financing for system-wide initiatives, such as pension funding and the restructuring of State of California Public Works Board debt. While these projects benefit campuses and medical centers throughout the System, the debt is held at the system-wide level and is not attributed to the individual campuses and medical centers in the aforementioned debt models or projections. In lieu of an approval process similar to that outlined for the campuses and medical centers above, external financing for system-wide projects will be reviewed by the CFO, under the direction of the Board of Regents and/or the President, within the context of the University's overall operating performance and balance sheet, and the potential impact to the University's credit profile/ratings.

The University will also track system-wide credit ratios to monitor the strength of its overall credit profile. In particular, the University will measure and report to the Regents annually on the following system-wide targets:

1. Debt Service to Operations  $\leq 6\%$ ; and
2. Spendable Cash and Investments to Debt  $\geq 1.0x$ .

- C. Execution of Debt Financing. The Office of the CFO coordinates financings for the University, working with internal University counterparts and external parties. Campuses and medical centers are involved in the months leading up to a financing as the Office of the CFO conducts due diligence on each project involved in a financing, which, along with the campus' or medical center's stated preferences, informs the sizing and structure of the bonds. The Office of the CFO also interacts with outside experts, including, but not limited to, financial advisors, financial institutions, the State Treasurer's Office, bond counsel, underwriters, rating agencies, and investors on the execution of the financing. The timing of a debt financing depends on a number of factors that include market conditions, need, and the status of projects in construction.

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<sup>3</sup> Net Income Margin is net income (net operating income + non-operating income) divided by total operating revenue. Adjustments may be made for certain non-cash expenses related to UCRP and OPEB.

<sup>4</sup> Adjustments may be made for certain non-cash expenses related to UCRP and OPEB.

- D. Use of Proceeds. In order to ensure compliance with legal, regulatory, governance and policy matters, the Office of the CFO is authorized to oversee the proper use of the proceeds of debt financings throughout the System.

### III. Financial Instruments/ Borrowing Vehicles

External Borrowing. The University generally issues debt using one of three different primary credit vehicles: General Revenue Bonds, Limited Project Revenue Bonds and Medical Center Pooled Revenue Bonds. On select occasions and for specific purposes, the University has also utilized third-party debt through vehicles such as the Financing Trust Structure and other third party structures. The credit to be used to finance a particular project will depend on the nature of such project, its potential impact on ratings and market interest rates at the time of the financing. The University strives to make the most efficient use of its differentiated credit structure in order to preserve its primary credit for core projects essential to the University's mission of teaching, research, and public service.

The following paragraphs provide brief overviews of the University's primary credit vehicles.

***The General Revenue Bond (GRB)*** credit serves as the University's primary borrowing vehicle and is used to finance projects that are integral to the University's core mission of education and research. The GRB credit is secured by the University's broadest revenue pledge. It was introduced in 2003 to replace and consolidate several purpose-specific credits. The broad revenue base captures the financial strength of the System and facilitates the capital markets' understanding of the University's credit. The GRB credit carries the highest credit ratings among the University's financing vehicles.

***The Limited Project Revenue Bond (LPRB)*** credit, established in 2004, is designed to finance auxiliary service projects that are of a self-supporting nature, such as student housing, parking, athletic, and recreational facilities. The LPRB credit provides bondholders with a subordinated pledge of gross revenues derived from facilities financed under the structure.

***The Medical Center Pooled Revenue Bond (MCPRB)*** credit serves as the primary financing vehicle for the System's medical centers. These bonds are secured by gross revenues of the medical centers, which are excluded from general revenues pledged for GRBs. The MCPRB credit replaced the Hospital Revenue Bond credit in 2007. Previously, the medical centers issued debt on a stand-alone basis, secured by their individual revenue streams. The pooled credit lowers borrowing costs, facilitates access to the financial markets, and increases debt capacity for the medical centers.

***Third-Party Financing Structures.*** At times, there may be compelling reasons for the University to pursue an alternative financing structure outside of the three primary credit vehicles described above. These situations will be evaluated on a case-by case basis, and should be supported by a business case analysis and financial feasibility study. The analysis must demonstrate that the project will be accretive to the University's financial position **and also meet the following guidelines:**

1. Each project should meet investment grade rating standards on an individual basis.
2. Projects must demonstrate financial feasibility on an individual basis through pro-forma financial projections that use the assumptions outlined by the Office of the CFO.

While certain third-party financings may be off-balance sheet, depending on the specifics of the structure, they still impact the overall credit profile of the University. Therefore, the CFO, under the direction of the Board of Regents and/or the President, has the authority to deny a third-party financing depending on the nature of the project and its potential impact on the University. To the extent a third-party structure is deemed to be in the best interest of the University, the financing will be executed centrally through, or in close partnership with, the Office of the CFO. The Financing Trust Structure will serve generally as the University's third-party financing tool unless granted an exception by the Office of the CFO.

***Commercial Paper and Bank Lines of Credit.*** The University manages a commercial paper program, which primarily provides interim financing for projects prior to a permanent bond financing. The University also utilizes bank lines to provide bridge financing for projects that are awaiting gifts or other sources of funds and for working capital. In addition, the University has dedicated credit lines which support its commercial paper program and variable rate debt.

***Derivative Products.*** The University maintains a separate policy guiding the use of derivative products.

~~A. Internal Lending/Borrowing. The Office of the CFO manages the UC Strategic Investment Program (UCSIP), which is a suite of internal loans designed to leverage the University's strong credit rating to fund short-term financing needs. UCSIP is comprised of three loan programs: CapEquip, which funds capital equipment acquisition; C3, which funds operational efficiency initiatives; and STARS, which funds laboratory renovations and equipment purchases tied to faculty recruitment and retention. At times, loans are also made for certain system-wide projects. These loans are funded from the University's commercial paper program, and in the future may also be funded from the University's bank lines of credit. Depending on need, the Office of the CFO will periodically determine an appropriate amount of the University's commercial paper program and bank lines of credit to be reserved for the purpose of funding these internal loans.~~

#### IV. Financial Performance/Ratios and Credit Ratings/Debt Capacity

The System's credit profile, as viewed by the rating agencies and capital markets, is a function of a number of qualitative and quantitative factors, both financial and non-financial. These include market position, management and governance, state relations and support, as well as the financial strength of the University. Financial strength is a function of both income statement (i.e., operating performance) and balance sheet (i.e., financial resources) strength and is generally evaluated with certain key financial indicators serving as proxies

for an institution's relative health. The resulting credit ratings, in turn, drive debt capacity and impact the University's cost of capital.

- A. Credit Ratings. As described previously, the GRB credit represents the System's senior most lien and is designed to support primarily projects that are core to the University's mission of teaching, research and public service. In order to ensure ongoing access to capital at attractive financing rates in support of its mission, the University will maintain credit ratings in the "AA" rating category for the GRB credit. In order to protect the "AA" ratings on the GRB credit – which will help ensure ongoing access to capital on favorable terms – the University will closely monitor debt affordability, as measured by certain financial metrics, including operating performance. The CFO, under the direction of the Board of Regents and/or the President, may slow down or deny any financings deemed to potentially have an adverse impact on the institution's overall credit profile or that might threaten the University's credit ratings.
- B. Affordability and Financial Equilibrium. The University monitors key credit ratios system-wide and individually for each campus and medical center. The system-wide target metrics, Debt Service to Operations and Spendable Cash and Investments to Debt, will be reported to the Regents within the Annual Report on Debt Capital and External Finance Approvals.

By exercising fiscal discipline, the University strives to achieve financial equilibrium, which is key to the long-term financial health and viability of the System. The University monitors its operating margin system-wide, while campuses are required to monitor their modified cash flow margin and medical centers must monitor their net income margin. In order to obtain external financing approval, campuses must demonstrate positive modified cash flow margins and medical centers must demonstrate positive net income margin, with the goal of leading the University to a positive operating margin system-wide.

The medical centers comprise a substantial portion of the University's operations, and their operating performance has a direct impact on the University's overall credit profile. As such, a deterioration of the medical centers' operating performance may have a negative impact on the ratings of all of the University's credits, not just the MCPRBs. Should the medical centers' operations decline over time, thereby threatening the University's credit profile as a whole, the CFO, under the direction of the Board of Regents and/or the President, has the authority to reassess debt financings for system-wide projects or for future contemplated medical center projects. Still, the University's differentiated credit structure is designed to allow the ratings on the MCPRB credit to move without adversely impacting the GRB ratings.

~~The University also monitors its debt service burden, both system-wide and for the campuses. The University's debt service must not exceed 6% of its operating budget.<sup>5</sup>~~

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<sup>5</sup> ~~Also see Section II. B. Approval Process.~~

The University also monitors leverage as measured by expendable resources-to-debt. The University is focused on its negative unrestricted net asset (UNA) position, and strives to improve it by addressing its pension and OPEB liabilities. In order to protect the System's credit, the University may consider deferring debt financing for system-wide initiatives while its UNA position remains negative. In addition, the University may also. The University may consider delaying debt funded system-wide projects if its pension liability ratio falls below 70% funded on an actuarial value of assets basis. At the direction of the Board of Regents and the President, external financings that would improve the University's pension funding status may be excluded from this policy. Campuses similarly monitor their expendable resources to debt ratios via their debt affordability models.

Irrespective of campuses and medical centers meeting certain thresholds and metrics, the CFO, under the direction of the Board of Regents and/or the President, has the authority to slow down or to deny projects if the financings jeopardize the University's credit ratings.

## V. Structure

The issuance of debt entails a number of structural considerations that need to be evaluated on both an issue-specific as well as on an overall portfolio basis: tax-exempt versus taxable debt; fixed versus variable rate debt; amortization/final maturity; and ultra-long dated structures.

The structure of the System's overall debt profile has direct bearing on the University's credit profile. As such, structural decisions are a central function and are made by the Office of the CFO. Whenever possible and not to the detriment of the System overall, the campuses' and medical centers' preferences with respect to structure for a particular project/financing will be accommodated.

- A. Tax-exempt versus Taxable Debt. Given its status as a public institution, the University has the option to raise capital in the tax-exempt debt market, which generally offers a lower cost of capital than the taxable market. However, unlike taxable debt, tax-exempt debt is subject to certain restrictions, including, but not limited to, private use and useful life constraints. In addition, the University is required to monitor the use of assets financed with tax-exempt debt generally over the life of the debt to ensure ongoing compliance with legal requirements. This introduces a significant administrative burden as well as risk given the University's large, complex and stratified/decentralized operations. Therefore, especially as it relates to the research and medical services enterprises, which historically have seen the most private use, the University may at times opt to issue taxable debt for increased operational flexibility.

In addition, at times, market conditions are such that the yield/cost differential between tax-exempt and taxable debt is compressed, affording the University an opportunity to access less restrictive taxable capital at little to no incremental yield.