

REPORT OF INTERIM ACTIONS

Office of the Secretary and Chief of Staff
November 19, 2009

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

INFORMATION ITEM

Report of Actions Taken Between Meetings

In accordance with authority previously delegated by the Regents, interim action was taken on routine or emergency matters as follows:

- A. The Chair of the Board of Regents, the Chair of the Committee on Finance, and the President of the University approved the following recommendation:

Approval of Contingent Payment of Debt Service and Related Contingent Loan for the Construction of the Sanford Consortium for Regenerative Medicine (Research Facility), San Diego Campus

- (1) That the President, after consultation with the General Counsel, be authorized to approve and to execute an agreement between The Regents and the trustee to pay debt service ("Agreement"), on fixed-rate, tax-exempt bonds ("Bonds") to be issued by an unrelated governmental entity for the benefit of the Sanford Consortium for Regenerative Medicine ("Consortium"), obligating The Regents to pay any shortfall in the debt service due on such Bonds, with substantially the following terms and conditions:
- a. The principal amount of the Bonds shall not exceed \$62,000,000 plus the cost of issuance, and a reserve fund, if required;
 - b. The Bonds shall be secured by a pledge of Consortium gross revenues, including but not limited to payments received pursuant to occupancy agreements with members of the Consortium, investment income, and any unrestricted grants or gifts;
 - c. If The Regents is required to pay any shortfall in the debt service due on such Bonds and such shortfall is attributable to a default by any member of the Consortium under an occupancy agreement with such member, then:
 - i. the defaulting member shall be required to vacate the Research Facility, and The Regents shall have the right to occupy the space covered by the defaulting member's occupancy agreement; and

- ii. if such defaults by members of the Consortium cause members other than The Regents to occupy fewer than eight modules of the Research Facility, then The Regents shall have the right, commencing ten years following the date of the Notice of Grant Award issued pursuant to the California Institute for Regenerative Medicine (CIRM) Grant, to purchase the Research Facility for the outstanding amount then owing on the Bonds and the amount of any other permitted indebtedness, if any, to any other lender; and
 - d. The general credit of The Regents shall not be pledged.
- (2) That the President, after consultation with the General Counsel, be authorized to approve and to execute a contingent loan agreement (“Loan Agreement”) between The Regents as lender and the Consortium as borrower, with substantially the following terms and conditions:
 - a. The Consortium shall use its best efforts to publicly place the Bonds in an amount and on terms reasonably acceptable to the President or his designee;
 - b. If the Consortium is unsuccessful in obtaining the funding required to complete construction of the Research Facility from other sources, then The Regents shall make a loan to the Consortium under the terms and conditions of the Loan Agreement;
 - c. The principal amount borrowed under the Loan Agreement shall not exceed \$62,000,000 plus closing costs;
 - d. Repayment of the loan shall commence upon completion of construction of the Research Facility, and shall be payable in monthly installments of approximately equal amounts amortizing the loan over not more than thirty years at an interest rate comparable to the fixed rate of interest that The Regents would pay for a comparable loan for a similar purpose as of the date the loan is made to the Consortium; and
 - e. The Regents shall have the right, commencing ten years following the date of the Notice of Grant Award issued pursuant to the CIRM Grant, to forgive the loan to the Consortium and purchase the Research Facility for the amount of any other permitted indebtedness, if any, to any other lender.
- (3) That the President be authorized to obtain external financing if necessary in an amount not to exceed \$62,000,000 plus any necessary financing costs to provide funding for the loan referred to in (2) above, subject to the following terms and conditions:

- a. Repayment of the external financing shall be from payments received from the Consortium under the Loan Agreement;
 - b. At any time that payments received from the Consortium under the Loan Agreement are insufficient to fund repayment of the external financing, such deficiency shall be paid from the San Diego campus' share of University Opportunity Funds;
 - c. As long as the external debt is outstanding, the San Diego campus' share of the University Opportunity Funds shall be maintained in amounts sufficient to meet the University's Opportunity Fund Debt Repayment Policy; and
 - d. The general credit of The Regents shall not be pledged.
- (4) That the President or his designee be authorized to execute all documents necessary in connection with these transactions, and with the concurrence of the General Counsel, to approve any modification to terms or amendments to documents that do not materially increase The Regents' obligations or commit significant additional funds.
- B. The Chair of the Committee on Compensation and the President of the University approved the following recommendations:
- (1) ***Appointment Compensation for Joseph S. Lewis III as Dean – Claire Trevor School of the Arts, Irvine Campus***

Action under interim authority is requested for the approval for the appointment compensation for Joseph S. Lewis III as Dean – Claire Trevor School of the Arts, Irvine campus. The appointment follows the completion of a nationwide search and is effective March 24, 2010. Interim action is in response to the need for Mr. Lewis to provide immediate notice to his current institution. The campus requests approval of \$195,000 annual salary, which will be reduced by nine percent to \$177,450 during participation in the salary reduction and furlough plan. Mr. Lewis will not be eligible for annual merit/equity consideration until October 2010.

An appointment salary of \$195,000 is the lowest of all Irvine academic deans. The proposed salary lags the one other UC comparator by 2.5 percent and leads the Salary Grade 105 midpoint of \$174,300 by 10.6 percent. The proposed salary represents a 10.3 percent increase to his current base salary of \$175,000 at Alfred University. The proposed total salary of \$195,000 is 14.1 percent below the market median of \$227,000. Market data is provided by Mercer Human Resource Consulting using the 2008/2009 College and Universities Professional Association (CUPA) Compensation Survey. This position is funded with general funds provided by the State.

The following items were approved in connection with the interim re-slotting and appointment compensation for Joseph S. Lewis III as Dean – Claire Trevor School of the Arts, Irvine campus:

- a. Appointment salary of \$195,000 (SLCG Grade 105: Minimum \$138,200, Midpoint \$174,300, Maximum \$210,400). This reflects a 10.3 percent increase to Mr. Lewis' current base salary of \$175,000.
- b. This appointment is at 100 percent time and is effective March 24, 2010.
- c. Per policy, a relocation allowance of 25 percent of his base salary (\$48,750). If the candidate terminates employment prior to the completion of five years of service, repayment will be required per an established schedule prorated based on years of service.
- d. Per policy, payment of 100 percent of actual and reasonable moving expenses for personal and professional property.
- e. Per policy, participation in the Mortgage Origination Program (MOP), up to \$1 million.
- f. A dual tenured faculty appointment as Professor in the Claire Trevor School of the Arts.

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance, executive business travel insurance, and executive salary continuation for disability).
- Per policy, accrual of sabbatical credits as a member of faculty.
- Per policy, ineligible to participate in the Senior Management Supplemental Benefit Program due to tenured faculty appointment.

Base salary market data (as provided by Mercer Human Resource Consulting):

<u>25th Percentile</u>	<u>50th Percentile</u> (median)	<u>75th Percentile</u>
\$199,800	\$227,000	\$261,500

The compensation described above shall constitute the University's total commitment until modified by the Regents 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.

(2) ***Extension of Stipend for Alan L. Terricciano as Acting Dean – Claire Trevor School of the Arts, Irvine Campus***

Alan L. Terricciano has been serving as Acting Dean – Claire Trevor School of the Arts since July 2008. At that time, the campus began recruitment efforts with the expectation of filling the position with a permanent incumbent within a year. The campus formed a search committee in November 2008 and interviewed nine candidates from a pool of 98 applicants. The campus has extended an offer to the top candidate, and it has been accepted. Since the start date, however, is not until March 24, 2010, the Irvine campus requests to extend Mr. Terricciano's acting appointment to March 31, 2010, allowing for a two-week transitional period with the new dean.

The proposed total salary of \$160,000 is 29.5 percent below the market median of \$227,000. Market data is provided by Mercer Human Resource Consulting using the 2008/2009 College and Universities Professional Association (CUPA) Compensation Survey. This position is funded with general funds provided by the State.

The following items were approved in connection with the appointment for Alan L. Terricciano as Acting Dean – Claire Trevor School of the Arts, Irvine campus:

- a. As an exception to policy, extension of an administrative stipend of \$43,722 (37.6 percent). The stipend plus the adjusted faculty salary of \$116,278 result in total compensation of \$160,000 (SLCG Grade 105: Minimum \$138,200, Midpoint \$174,300, Maximum \$210,400). Exception to policy due to extension of stipend for an additional 12 months.
- b. If an adjustment to the base faculty salary is made prior to the termination of this acting appointment, the \$43,722 stipend will be reduced to maintain the total compensation at \$160,000.
- c. This appointment is at 100 percent and is effective July 1, 2009 through March 31, 2010.

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits.
- Per policy, continued accrual of sabbatical credits as a member of tenured faculty.
- Per policy, ineligible to participate in the Senior Management

Supplemental Benefit Program due to tenured faculty appointment.
Base salary market data (as provided by Mercer Human Resource Consulting):

<u>25th Percentile</u>	<u>50th Percentile</u> (median)	<u>75th Percentile</u>
\$199,800	\$227,000	\$261,500

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(3) ***Establishment and Interim Slotting of New Position and Appointment
Compensation for G. Richard Olds as Vice Chancellor – Health Affairs and
Dean – School of Medicine, Riverside Campus***

In July 2008 the Regents approved establishment of a four-year School of Medicine at the University of California, Riverside, in support of the 2007 recommendation from the UC Advisory Council on Future Growth in the Health Professions. The new School of Medicine will build on the existing UCR/UCLA Thomas Haider Program in Biomedical Sciences. Founded in 1974, this program provides the first two years of accredited medical education to students at UC Riverside, who then complete their third and fourth years (clinical clerkships) at the David Geffen School of Medicine at UCLA, where they obtain their MDs. Fewer than ten percent of these students return to the Inland Empire to practice medicine. By establishing the third and fourth year program at Riverside along with residency programs, the hope is that these doctors will stay and practice in the region, which is significantly underserved. There are 56 students currently enrolled in this program.

The new Vice Chancellor – Health Affairs and Dean – School of Medicine will oversee the existing program and begin immediately to create the foundation to bring the third and fourth years of medical education to UC Riverside. As an example, by fall 2010 UCR will have in place a program to provide clerkships to third-year students, meaning they will be in local regional hospitals and clinics working with and learning from area physicians, serving the local community.

A major focus for the Vice Chancellor and Dean will be graduate medical education (residency training for medical school graduates). This is necessary because of the long lead time needed to develop the foundation for residency training to accommodate graduates of UCR School of Medicine. For this, the School of Medicine will enter into partnerships with area hospitals and clinics to offer residency programs. Because physicians tend to practice where they do their residencies, this approach will result in greater access to health care for the region's diverse and medically underserved population.

The School of Medicine will benefit from the pipeline provided by UC Riverside's diverse undergraduate population, currently ranked fifth in the nation among public research universities. UCR's two pipeline programs - - FastStart and Medical Scholars - - have a proven history of significantly increasing the academic performance of educationally and socio-economically disadvantaged students and providing a pathway to medical school. In this way, Riverside will be a strong contributor to the diversity of UC's medical student population. Indeed, today over 21% of the students in the UCR/UCLA program are classified as under-represented minorities, which is above the overall UC and national average.

The appointment of the founding dean will also accelerate fundraising for the School of Medicine. Already the school has developed a Founder's Circle of donors of \$1 million or more, which currently has nine members. When the state Legislature is in a position to allocate funding to assure the full development of the UCR School of Medicine, Kaiser Permanente is prepared to enter into an agreement for an additional multi-year grant of \$10 million.

This interim action request is in response to the immediate need to fill this important founding position on a permanent basis and the need for Dr. Olds to provide immediate notice to his current employer. This position will be funded initially 100 percent from non-State general funds—United Healthcare funds – until such time as appropriate State funds become available. The proposed base salary of \$525,000 is slightly above the current market median of \$499,900. Market data provided by Mercer Human Resource Consulting includes data from the College and University Professional Association (CUPA) Administrative Compensation Survey. The proposed base salary is above the average base salary of \$492,450 and the total compensation is below the average total cash compensation of \$687,914 for the other permanent (excluding acting or interim) Vice Chancellors – Deans, School of Medicine at the other UC locations.

The following items were approved in connection with the establishment and interim slotting of a new position and compensation for G. Richard Olds as Vice Chancellor – Health Affairs and Dean – School of Medicine, Riverside Campus:

- a. Establishment of a new position within the Senior Management Group, Vice Chancellor – Health Affairs and Dean – School of Medicine, Riverside Campus.
- b. Interim slotting of the new position of Vice Chancellor – Health Affairs and Dean – School of Medicine at SLCG Grade 113 (Minimum 333,900, Midpoint \$431,500, Maximum \$529,100), as recommended by Mercer Human Resource Consulting.
- c. Per policy, an appointment salary of \$525,000. This base represents an 8.6 percent decrease from Dr. Olds current base salary.

- d. As an exception to policy, annual performance-based incentive compensation up to \$100,000. This constitutes an exception to policy because there is currently no approved incentive plan at the campus for such an incentive. This compensation will be in lieu of compensation pursuant to a Health Sciences Compensation Plan (HSCP), which does not yet exist at the Riverside campus. Once an HSCP is established, this component of compensation will be shifted to that plan.
- e. This appointment is at 100 percent time and effective no later than February 1, 2010.
- f. Per policy, reimbursement of \$3,000 per month associated with temporary living expenses for a period of 90 days.
- g. Per policy, two house-hunting round-trip coach class airfare trips each, plus reasonable accommodations, to take place between approval of the appointment and the effective date of employment, for Dr. Olds and his spouse.
- h. Per policy, 100 percent reimbursement of actual and reasonable relocation expenses, to be completed within one year of assuming the position of Vice Chancellor – Health Affairs and Dean – School of Medicine.
- i. Per policy, reimbursement of reasonable travel expenses for all business related visits to the campus during the transition period from the time the appointment is approved by the Regents and the effective start date of no later than February 1, 2010.
- j. Per policy, a relocation allowance of 25 percent (\$131,250) of base salary, to be paid in a lump sum. If Dr. Olds leaves the University prior to the completion of five consecutive years of service, he will have to pay back the amount of the allowance, prorated to the length of time he has served.
- k. Per policy, participation in the University of California Home Loan Programs.

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance, executive business travel insurance, and executive salary continuation for disability).
- Per policy, ineligible to participate in the Senior Management Supplemental Benefits Program due to tenured faculty appointment.

- Per policy, eligible to accrue sabbatical credits due to dual academic appointment.

Base salary market data (as provided by Mercer Human Resource Consulting):

<u>25th Percentile</u>	<u>50th Percentile (median)</u>	<u>75th Percentile</u>
\$355,500	\$499,400	\$560,000

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral or 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.