

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

September 18, 1998

The Regents of the University of California met on the above date at UCSF-Laurel Heights, San Francisco.

Present: Regents Atkinson, Chandler, Connerly, Davies, Espinoza, Gould, Hotchkis, Khachigian, Kozberg, Leach, Miura, Montoya, Nakashima, Ochoa, Parsky, Preuss, Villaraigosa, and Willmon (18)

In attendance: Regents-designate Taylor and Vining, Faculty Representatives Coleman and Dorr, Secretary Trivette, General Counsel Holst, Provost King, Senior Vice President Kennedy, Vice Presidents Darling, Gomes, Gurtner, and Hershman, Chancellors Berdahl, Bishop, Carnesale, Dynes, Greenwood, Vanderhoef, and Yang, and Recording Secretary Nietfeld

The meeting convened at 10:05 a.m. with Chairman Davies presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion of Regent Leach, duly seconded, the minutes of the meeting of July 17, 1998 were approved.

2. REPORT OF THE PRESIDENT

President Atkinson presented the report concerning University activities and individuals. Regent Chandler reported the death of Professor Harry Shorey, an agricultural researcher from the Riverside campus.

Upon motion of Regent Villaraigosa, duly seconded, the President's report was accepted, and it was directed that notes of thanks be sent to the donors of the gifts mentioned in the report, that congratulations be extended to those faculty and staff members who have been awarded honors, and that notes of sympathy and regret be sent to the families of those whose deaths were reported.

[The report was mailed to all Regents in advance of the meeting, and a copy is on file in the Office of the Secretary.]

Faculty Representative Dorr reported that the faculty appreciate the University's 1998-99 budget, which supports the University's interests and goals. In particular, the faculty are gratified that the budget will permit further attention to the research environment, which suffered during the budget crisis of the early 1990s.

Professor Dorr then addressed the University's eligibility criteria, which are under review by the Board on Admissions and Relations with Schools (BOARS). It is anticipated that BOARS will propose changes to The Regents early in 1999. Since BOARS Chair Widaman's presentation to the Committee on Educational Policy on the proposed adjustments to the eligibility criteria, BOARS has been gathering data and analyzing simulations to help frame its recommendations, which are being reviewed at the campus level. In addition, BOARS is discussing proposed changes with high school counselors at the conferences which are taking place around the state.

Faculty Representative Dorr reported that the Academic Council was in the process of forming a UC Merced faculty task force which will act until such time as UC Merced has its own Academic Senate. Its responsibility will be to assist the Office of the President and the UC Merced administration and faculty in assuring that academic mission and academic personnel matters are handled increasingly by UC Merced faculty as the process of developing the campus moves forward.

In concluding her remarks, Professor Dorr noted activity in the area of transfer and articulation, both among the UC campuses and with the community colleges. For a variety of reasons, including opportunities offered by distance technologies, the faculty are seeking the most effective and efficient policies and procedures for transfer and articulation.

President Atkinson took the opportunity to indicate to Speaker Villaraigosa the appreciation of the Regents and the University in general for his support of the University during the budget negotiations, particularly with respect to outreach, and also for his support of the bond measure which will be on the November 1998 ballot.

3. **REPORT OF THE COMMITTEE ON FINANCE**

A. *Increase in Cost and External Financing for San Rafael Student Housing Addition, Santa Barbara Campus*

The Committee recommended that the actions approved by The Regents in January 1998 with respect to financing for the San Rafael Housing Addition, Santa Barbara campus, be amended as shown below, with the understanding that all other actions approved in January 1998 in connection with said project remain unchanged:

Deletions shown by strikeout, additions by shading

* * *

- (1) Funding for the San Rafael Student Housing Addition, Santa Barbara campus, be approved as follows:

External financing	\$42,000,000	\$43,951,000
University of California Housing System Net Revenue Fund	<u>3,000,000</u>	
Total	\$45,000,000	\$46,951,000

- (2) The Treasurer be authorized to obtain external financing not to exceed ~~\$42 million~~ \$43,951,000 to finance the construction of the San Rafael Student Housing Addition, Santa Barbara campus, subject to the following conditions:
- a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;
 - b. As long as the debt is outstanding, University of California Housing System fees for the Santa Barbara campus shall be established at levels sufficient to meet all requirements of the University of California Housing System Indenture and to provide excess net revenues sufficient to pay the debt service and to meet the related requirements of the proposed financing; and
 - c. The general credit of The Regents shall not be pledged.

* * *

B. *Approval of Reimbursement Arrangement and External Financing for the Prepayment of Service Contracts for CalRen-2 Project, Office of the President*

The Committee recommended that:

- (1) The President, or his designee, be authorized to execute agreements necessary to provide for pro rata reimbursement to the University by each CalRen-2 project participant for its share of the costs associated with financing the prepayments of the telecommunications service contracts with Pacific Bell and Qwest Communications Corporation entered into by the Office of the President for the CalRen-2 project.
- (2) The Treasurer be authorized to obtain external financing not to exceed \$11,365,000 to fund the prepayment of such service contracts with Pacific Bell and Qwest Communications Corporation for the CalRen-2 project, subject to the following conditions:
 - a. Repayment of the debt shall be from such reimbursements and from funds allocated by the President; and

- b. The general credit of The Regents shall not be pledged.
- (3) The Officers of The Regents be authorized to provide certification that interest paid by The Regents is exempt from federal income taxation under existing law.
- (4) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

C. ***Approval of Resolution to Exclude Access to Classified Information for a Regent***

The Committee recommended that The Regents adopt the following resolution pertaining to the University's respective Department of Defense and Department of Energy Facility Security Clearances, as follows:

WHEREAS, current Department of Defense and Department of Energy Regulations contain a provision making it mandatory that the Chairman of the Board, Chief Executive Officer, and those other officers and officials who are to have access to classified information meet the personnel clearance requirements established for a contractor's facility clearance; and

WHEREAS, said Regulations permit the exclusion from the personnel clearance requirements of certain members of the Board of Regents, provided that this action is recorded in the University Regents' Board Minutes;

NOW, THEREFORE, BE IT DECLARED that the Chairman of the Board, at least an official quorum of the Board of Regents, and the Chief Executive Officer at the present time do possess, or will be processed for, the required security clearance; and

BE IT RESOLVED that in the future, when any individual enters upon any duties as Chairman of the Board, as a replacement for one of the cleared quorum of the Board, or as the Chief Executive Officer, such individual shall immediately make application for the required security clearance; and

BE IT RESOLVED FURTHER that the following member of the Board of Regents shall not require, shall not have, and shall be effectively excluded from access to all classified information in the possession of the Corporation and does not occupy a position that would enable him to affect adversely Corporate policies or practices in the performance of classified contracts for the Department of Defense, U.S. Department of Energy, or contracts with other Federal User Agencies of the National Industrial Security Program:

<u>NAME</u>	<u>TITLE</u>
Max Espinoza	Regent

D. ***Authorization to Indemnify the Federal Government in Regard to University Use of Federal Land***

The Committee recommended that the President and his designees, after consultation with the General Counsel, be authorized to enter into agreements with, and to agree to the terms of land use permits required by, the federal Departments of Agriculture and Interior for use by the public of federal land in connection with such use by the University and its employees, students, invitees, and guests, notwithstanding the fact that such permits and agreements may require assumption by the University of liability for the conduct of persons other than University officers, agents, employees, students, invitees, and guests.

E. ***Adoption of Final 1998-99 Budget for Current Operations and Budget for Capital Improvements***

- (1) The Committee recommended that the 1998-99 Budget for Current Operations, as modified by actions of the Legislature and the Governor, be adopted.
- (2) The Committee reported its concurrence with the recommendation of the Committee on Grounds and Buildings that the 1998-99 Budget for Capital Improvements, as modified by actions of the Legislature and the Governor, be adopted.

F. ***Approval of Treasurer's 1998-99 Budget***

The Committee recommended that the following be approved:

- (1) The 1998-99 Treasurer's Office Budget in the amount of \$6,975,706, the investment portion (\$6,404,436) to be charged to the assets under Regental management and the finance portion (\$571,270) to be charged to outstanding Regental debt.
- (2) A one-time allocation of \$569,000, to be charged to the assets under Regental management, to fund a new investment accounting system in the amount of \$337,000, the cost of running the current investment accounting systems simultaneously until the cut-over date in the amount of \$60,000, a new private equity performance system in the amount of \$72,000, and an additional amount of \$100,000 to fund the remaining cost for the office move to 1111 Broadway.

Upon motion of Regent Miura, duly seconded, the recommendations of the Committee on Finance were approved.

4. REPORT OF THE COMMITTEE ON GROUNDS AND BUILDINGS**A. *Approval of Mitigated Negative Declaration and Approval of Design, San Rafael Student Housing Addition, Santa Barbara Campus***

Upon review and consideration of the environmental consequences of the proposed project as indicated in the Initial Study/Mitigated Negative Declaration, the Committee reported its:

- (1) Approval of the Initial Study/Mitigated Negative Declaration.
- (2) Adoption of the Findings and approval of the Mitigation Monitoring Program.
- (3) Approval of the design of the San Rafael Student Housing Addition, Santa Barbara campus.
- (4) Authorization of the President to make such changes as required by the California Coastal Commission to be consistent with the California Coastal Act.

[The Initial Study/Mitigated Negative Declaration, Findings, and Mitigation Monitoring Program were mailed to The Regents in advance of the meeting, and copies are on file in the Office of the Secretary.]

B. *Approval of Mitigated Negative Declaration, Amendment of Long Range Development Plan, and Approval of Design, Undergraduate Housing Expansion, Phase 1 - Middle Earth, Irvine Campus*

Upon review and consideration of the environmental consequences of the proposed project as indicated in the Tiered Initial Study/Mitigated Negative Declaration, the Committee recommended the following:

- (1) Approval of the Tiered Initial Study/Mitigated Negative Declaration.
- (2) Adoption of the Findings.
- (3) Amendment of the Irvine campus Long Range Development Plan to accommodate the project as proposed.
- (4) Approval of the design of the Undergraduate Housing Expansion, Phase 1 - Middle Earth, Irvine campus.

[The Tiered Initial Study/Mitigated Negative Declaration and Findings were mailed to all Regents in advance of the meeting, and copies are on file in the Office of the Secretary.]

C. ***Adoption of Final 1998-99 Budget for Capital Improvements***

The Committee recommended, subject to the concurrence of the Committee on Finance, that the 1998-99 Budget for Capital Improvements, as modified by actions of the Legislature and the Governor, be adopted.

Upon motion of Regent Nakashima, duly seconded, the reports and recommendations of the Committee on Grounds and Buildings were approved.

5. **REPORT OF THE COMMITTEE ON HEALTH SERVICES**

A. ***Authorization to Establish a Limited Liability Corporation with Mercy Hospital and Health System in Merced, School of Medicine and Medical Center, Davis Campus***

The Committee recommended that the President, in consultation with the General Counsel and Vice President of Clinical Services Development, be authorized to:

- (1) Execute documents to establish a limited liability corporation (LLC) to be capitalized up to \$3 million by each member, consisting of The Regents and Mercy Hospital and Health Services (Mercy), for the purpose of constructing and operating a community cancer center (Cancer Center) in conjunction with Mercy Hospital.
- (2) Execute a groundlease between the LLC and Mercy so that the facilities of the Cancer Center can be built and the facilities and equipment leased to Mercy.
- (3) Approve a management services agreement whereby management services are provided by the LLC to Mercy.
- (4) Approve a lease between the LLC and Mercy whereby Mercy leases employees to the LLC for the provision of all services to be provided at the Cancer Center, save and except for radiation and medical oncology services.
- (5) Execute an agreement between The Regents and Mercy whereby the UC Davis School of Medicine provides medical direction and professional services, including radiation oncology services.

B. *Approval of Resolution Supporting UC Health Sciences Clinical Enterprise Corporate Compliance Program*

The Committee recommended that The Regents approve the attached resolution in support of a Universitywide Health Sciences Clinical Enterprise Corporate Compliance Program.

Upon motion of Regent Ochoa, duly seconded, the recommendations of the Committee on Health Services were approved.

6. **REPORT OF THE NOMINATING COMMITTEE**

The Nominating Committee recommended the following appointments, effective immediately upon approval of the Board:

- A. Regent Gould be appointed to the Committees on Finance and Investments.
- B. Regent Kozberg be appointed to the Committees on Educational Policy and Grounds and Buildings.

Upon motion of Regent Leach, duly seconded, the report of the Nominating Committee was approved.

7. **SUPPLEMENTAL REPORT ON EXECUTIVE COMPENSATION**

The Committee recommended that:

- A. The 1998-99 salary rate be approved for the President of the University, as shown below, effective October 1, 1998, including merit and a market-based equity increase comparable to those of the Chancellors.

<u>Name and Title</u>	<u>Current Salary Rate</u>	<u>October 1, 1998 Salary Rate</u>
Richard C. Atkinson President of the University	\$263,500	\$310,900 ¹

¹ Includes merit and equity increase.

- B. Salary rates be approved for certain Officers of the University and Officers of The Regents, pursuant to Standing Order 100.3(b) and Bylaw 12.3(m)(1), as shown in Attachment 2, effective October 1, 1998.

Senior Vice President Kennedy recalled that, as discussed at the May meeting, a serious gap exists in the salaries of University of California chancellors as measured against the set of 26 institutions used for salary comparison purposes. In 1992, The Regents adopted a market assessment methodology which surveyed a group of 26 public and private universities, using the position of chancellor as a benchmark. The University's goal for the total average cash compensation of the chancellors is the mean of the comparison group. Annually, the California Postsecondary Education Commission reviews the University of California and the California State University salaries and reports its observations to the Legislature. Mr. Kennedy cited the following statement from the June 1998 CPEC report:

In analyzing the compensation paid to the University of California's campus chancellors and their national comparators over the last six years, the data presents a disturbing trend. The disparity that currently exists exacerbates the challenges for the system that the Commission discussed last year. Moreover, as indicated in the Commission's previous comments about the potential difficulties caused by the lag between the State University and its national comparators, the tripling of the University's disparity noted last year may result in a situation in which the two public universities in this state are simply unable to compete for the executive leadership vital to the future of California.

Vice President Kennedy noted that the CSU Board of Trustees recently approved an average increase of ten percent for the CSU presidents and increases for other CSU senior management. This is the second year of a three-year CSU plan to increase presidents' salaries by thirty percent. The recommendations pertaining to the UC chancellors' salaries begin a two- to three-year effort to raise their salaries to the average of the comparison institutions. Even with the Board's approval of the Committee's recommendation, the salaries of the chancellors will lag by 12.2 percent. Recommended salary increases for Officers of the University and Officers of The Regents, with a few exceptions, average 3.5 percent, the merit increase amount for all levels of staff personnel.

In response to a question from Regent Villaraigosa, Senior Vice President Kennedy reported that the report that was prepared by the outside consultant outlines the benefits which are available to the chancellors and those of comparison institutions. The report did not attempt to equate the value of these benefits with a cash equivalent. At the request of The Regents, the consultant has been asked to perform a cash comparison, but those data are not yet available, due mainly to the difficulty in comparing the University's retirement system with those of other universities. It appears from preliminary data that the comparison will not affect the lag between the University and its comparison institutions.

Regent Espinoza stated that, while he believed there were compelling reasons to approve the recommendations, he also felt that because they raised serious considerations related to the University's mission as a public institution, he would not be able to support the proposed salary increases.

Regent Parsky believed that the quality of the institution as a whole depends on both the quality of the faculty and the quality of the administration. Having served on a chancellorial search committee, he saw the need to give adequate weight to the University's ability to compete for the best talent. He recalled that from 1990 to 1994 the chancellors received no salary increases; during the past three years, the average salary increases ranged from 3.5 percent to 4 percent. Regent Parsky noted that the University still lags the Comparison 8 institutions which are used for purposes of comparing faculty salaries.

Upon motion of Regent Miura, duly seconded, the Supplemental Report on Executive Compensation was approved, Regents Espinoza and Villaraigosa voting "no."

8. **REPORT OF COMMUNICATIONS**

Secretary Trivette presented summaries of communications received subsequent to the July 1998 meeting. The residency appeals were referred to the General Counsel, and the remaining communications were referred to the President for review and response as appropriate.

9. **REPORT OF THE PRESIDENT**

President Atkinson reported that on the dates indicated, the following informational reports were mailed to The Regents or to Committees:

To Members of the Committee on Audit

- A. Report on the University's A-133 audit for fiscal year 1996-97. August 10, 1998.

To Members of the Committee on Educational Policy

- B. Report on Matters Relating to the California Postsecondary Education Commission. July 30, 1998. (Schedule of Reports)

To Members of the Committee on Health Services

- C. The UCSF Stanford Health Care Activity and Financial Status Report as of April 30, 1998 and a copy of material presented by Lawrence Furnstahl at the July 1998 Regents' meeting. July 24, 1998. (Schedule of Reports)

- D. Activity and Financial Status Report on Hospitals and Clinics for the fiscal year ended June 30, 1998. August 10, 1998. (Schedule of Reports)

- E. Activity and Financial Status Report on Hospitals and Clinics as of July 31, 1998. September 8, 1998. (Schedule of Reports)

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- F. Copy of *The Academic Senate of the University of California*, by Angus E. Taylor. July 23, 1998.
- G. Copy of the Kellogg Commission's report, "Returning to Our Roots: Student Access." July 30, 1998.
- H. Annual summary of rents to be charged in the next fiscal year for all University-operated housing. August 10, 1998.

The meeting adjourned at 10:40 a.m.

Attest:

Secretary