

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

May 15, 2003

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

Present: Regents Atkinson, Blum, Bustamante, Connerly, Davies, Hopkinson, Johnson, Kozberg, Lansing, Ligot-Gordon, Lozano, Marcus, Montoya, Moores, O'Connell, Parsky, Preuss, Sainick, Sayles, Terrazas, and Wesson (21)

In attendance: Regents-designate Murray and Seigler, Faculty Representative Pitts, Secretary Trivette, General Counsel Holst, Provost King, Senior Vice Presidents Darling and Mullinix, Vice Presidents Drake and Gomes, Chancellors Bishop, Carnesale, Cicerone, Dynes, Greenwood, and Tomlinson-Keasey, and Recording Secretary Bryan

The meeting convened at 12:55 p.m. with Chairman Moores presiding.

1. **APPROVAL OF MINUTES OF PREVIOUS MEETINGS**

Upon motion of Regent Johnson, duly seconded, the minutes of the meetings of January and April, 2003, were approved.

2. **REPORT OF THE PRESIDENT**

President Atkinson presented the report concerning University activities and individuals.

Upon motion of Regent Davies, 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.]

3. **RESOLUTION IN APPRECIATION – DEXTER LIGOT-GORDON**

Upon motion duly made and seconded, the following resolution was approved:

WHEREAS, on June 30, 2003, Dexter Ligot-Gordon will complete his term as the twenty-eighth student Regent, having carried out his responsibilities with enthusiasm, thoughtfulness, diplomacy, and dedication to the University; and

WHEREAS, throughout his years as an undergraduate student at UC Berkeley, he has made many lasting contributions to the campus, having served as an effective and valued student member of the Academic Senate Committee on Admissions, Enrollment and Preparation Education, and as Assistant Director of Recruitment for the Pilipino Academic Student Services; and

WHEREAS, his appreciation for the importance of public service has led him to give generously of his time and energy to many community organizations, including founding the Vallejo Youth Dialogue Committee and the Pilipino Youth Coalition to foster the coordination of youth programs and services for the lasting benefit of the community, winning recognition by the California State Legislature for his community involvement and activism; and

WHEREAS, he has been an exemplary citizen of the University, providing a valuable and thoughtful perspective as a member of the University's Outreach Advisory Board and working tirelessly to educate his fellow students and others throughout the University about tolerance, understanding, and respect for diverse viewpoints and perspectives; and

WHEREAS, in his role as a Regent, he has demonstrated a keen understanding of the many complex issues the University faces, contributing important insight to the deliberations of the Board, as well as to the Committees on Finance, Grounds and Buildings, and Investments;

NOW, THEREFORE, BE IT RESOLVED that the Regents wish to commend and thank Dexter Ligot-Gordon for his committed and forthright service to the University of California and its Board of Regents;

AND BE IT FURTHER RESOLVED that the Regents direct that a suitably inscribed copy of this resolution be transmitted to Dexter Ligot-Gordon, as an expression of the Board's best wishes for success in all his future endeavors.

Regent Johnson commented that Regent Ligot-Gordon would be missed by the Regents and that she hoped he would keep in touch with them.

Regent Ligot-Gordon expressed his appreciation for the support both of students and of the members of the Board. He spoke about his commitment to the University and to the job of student Regent, recalling that his guiding principles have been to serve, seek justice, and promote community. He recognized the support of his family, who he reported had taught him that it does not matter how much you have, it matters how much of what you have you are willing to give.

4. RESOLUTION IN APPRECIATION – FRED SAINICK

Upon motion duly made and seconded, the following resolution was approved:

WHEREAS, the Regents of the University of California wish to convey their deep and abiding gratitude to Fred Sainick, a devoted alumnus of the Irvine and Los Angeles campuses, who will conclude his term as a member of the Board of Regents on June 30, 2003, having served capably and faithfully for the past two years as a Regent-designate and Regent; and

WHEREAS, since receiving his Bachelor of Arts degree in History from the Irvine campus and his J.D. degree from UCLA, he has become a highly respected attorney and has given generously of his time and talents to the University, serving the UCI Alumni association as secretary, vice president of administration, vice president of finance, and president, as well secretary and president of the Alumni Associations of the University of California; and

WHEREAS, his incisive and inquiring mind, coupled with his keen sense of loyalty to his alma mater, have been of great assistance to the Board and to its Committees on Educational Policy, Grounds and Buildings, and Health Services, as well as to the Special Committee to Consider the Selection of a President, and in each of these capacities he has added a thoughtful perspective to the Board's deliberations and earned the respect of his fellow Regents; and

WHEREAS, throughout his tenure on the Board he has brought the same characteristic care and concern to this service as he has to all his endeavors, always keeping the long-term best interests of the academic enterprise at the forefront of his efforts and working diligently to ensure the University remains affordable and accessible for students from throughout the state; and

WHEREAS, his extraordinary integrity and public spirit have been the hallmarks of a distinguished career, in which he has also achieved a strong record of community service having served as a member of the Orange County Bar Association's Client Relations Committee, the Western Manufactured Housing Communities Association, and the Irvine Junior Olympics Steering Committee, among others;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California express to Fred Sainick their appreciation and deep gratitude for his able and loyal service on the Board and for his alumni, professional, and community leadership;

AND BE IT FURTHER RESOLVED that the Regents convey to Fred and Pamela Sainick their warmest good wishes for their future endeavors and direct that a suitably inscribed copy of this resolution be presented to them as a symbol of the Regents' warm regard and lasting friendship.

Regent Davies expressed the gratitude of the Regents for Regent Sainick's contribution to the University. He recalled that, when elected, Regent Sainick had stated that he had three goals while on the Board: to increase access to the University, to maintain the quality, and to keep the fees down. Regent Davies noted the strength of his meeting attendance record and his activities as a member of the Special Committee to Consider the Selection of a President. He described Regent Sainick as a model of behavior for any Regent.

Regent Sainick noted the commitment of the Regents to the University as a whole and the Board's great emphasis on both the University's public mission and on its pursuit of excellence. He was hopeful that the next president will be able to continue the period of openness and excellent communication between the Board and the University's senior management. He was troubled by the threat of rising tuition levels in the face of the State's tremendous budget deficit and urged alumni to work towards helping elected officials understand the need to continue to treat the University as a budget priority. He supported changing the rotation of alumni Regents to a schedule that was more equitable among all campuses.

5. **RESOLUTION IN APPRECIATION – ALFREDO TERRAZAS**

Upon motion duly made and seconded, the following resolution was approved:

WHEREAS, on June 30, 2003, Alfredo Terrazas will complete his term as a member of the Board of Regents of the University of California, having served for the past two years as a Regent-designate and Regent with vigor and a deep sense of dedication and commitment to the alma mater he loves so well; and

WHEREAS, a graduate of the Berkeley campus, this child of immigrant parents has always been keenly cognizant of the incredible array of opportunities an education can bring to California's underprivileged children, as well as of the challenges many of those children must overcome to gain the knowledge and ability necessary to succeed in the modern world, and he has worked tirelessly to ensure financial support is made available to the University's neediest students; and

WHEREAS, in his position as deputy attorney general for California's Department of Justice, he is widely regarded as an attorney of exceptional skill and as a dedicated public servant, who fulfills the highest standards of public trust in his efforts to advocate for and protect the health and well being of the people of California; and

WHEREAS, his dedication to justice and his indefatigable efforts on behalf of his fellow Californians is reflected not only in his professional life, but also in his private life where his boundless energy has been directed at civic and charitable causes to improve the lives of others;

WHEREAS, he has given unstintingly of his time and wise counsel to the Board of Regents as Chair of the Committee on Audit, contributing significantly to the Board's deliberations as a member of the Committees on Educational Policy, Health Services, and Oversight of the Department of Energy Laboratories, at all times demonstrating a firm commitment to the welfare of the University; and

WHEREAS, a highly visible, articulate, and enthusiastic advocate of the University and its students, his service on the Board of Regents has been marked by his good humor, manifest integrity, and abiding concern for maintaining and improving the quality of education received at the University;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California express their deep appreciation and gratitude to Alfredo Terrazas for having served as a valued colleague on the Board and as an alumnus who has displayed an unwavering sense of institutional loyalty;

AND BE IT FURTHER RESOLVED that the Board of Regents extend to Alfredo and Barbara Terrazas their best wishes for a rich and full life and direct that a suitably inscribed copy of this resolution be presented to them as a symbol of the Regents' esteem and affection.

Regent Hopkinson described Regent Terrazas as a huge contributor to the University both at Regents meetings and as a guiding force behind a redirected internal audit function as Chair of that committee. She believed that his passion and commitment had made a positive difference to the deliberations of the Board.

Regent Terrazas's remarks centered on questions about the kind of influence race relations will have on the State's future. He noted the declining numbers of Chicano/Latino students being admitted to the University. He believed that a series of events that included the passage of Propositions 13, which altered the tax structure, 209, which ended affirmative action, and 187, which denied State services to undocumented immigrants, had led to the marginalizing of non-whites and that the current proposal to end classification by race, ethnicity, color, or national origin by the State, if passed, would further undermine race relations. He supported The Regents' adoption of comprehensive review for freshman applicants, of eligibility in the local context, and of replacing the SAT I aptitude test with a test designed to measure a student's grasp of the curriculum as positive steps toward keeping the University accessible and preparing future leaders of California.

6. REPORT OF THE COMMITTEE ON FINANCE**A. *Establishment of Campus-Based Student Recreation Fee, Merced Campus***

The Committee recommended that a new Recreation Fee of \$146 per student per semester be established at the Merced campus, effective fall semester 2004.

B. *Authorization of Leases and Agreements for Seismic Corrections at Irvine Campus Teaching Hospital Facilities*

The Committee recommended that for the UCIMC Replacement Hospital project at the Irvine campus, subject to its inclusion in the amended Capital Improvements Budget and subject to adoption by the State Public Works Board of a resolution authorizing the issuance of State Public Works Board Lease Revenue Bonds and a resolution authorizing interim loans from the State's Pooled Money Investment Account or General Fund:

- (1) The President or the Secretary be authorized to
 - a. Execute an unsubordinated site lease from The Regents to the State Public Works Board (SPWB) for the project named above, said leases to contain provisions substantially as follows:
 - i. The site shall comprise the approximate size of the footprint for the building named above. Said lease shall also include a license to the SPWB for access from campus roads to the site during the term of the lease;
 - ii. The purpose of the lease shall be to permit construction of the project;
 - iii. The term of the site lease shall commence on recordation of the lease or the first day of the month following the meeting of the SPWB at which the resolution is adopted authorizing the lease, the issuance of bonds and interim financing for the project, whichever is earlier, and shall terminate on the date the bonds issued by the SPWB are paid in full, subject to earlier termination if such bonds have been retired in full;
 - iv. The rental shall be \$1 per year;

- v. The Regents shall have power to terminate the site lease in the event of default by the SPWB, except when such termination would affect or impair any assignment or sublease by the SPWB and such assignee or subtenant is duly performing the terms and conditions of the lease;
 - vi. The Regents shall provide to the SPWB and any assignee of the SPWB access to the site and such parking and utility services as are provided for similar facilities on the campus;
 - vii. The Regents shall waive personal or individual liability of any member, officer, agent, or employee of the SPWB;
 - viii. The Regents shall agree to pay assessments or taxes, if any, levied on the site or improvements attributable to periods of occupancy by The Regents; and
 - ix. In the event any part of the site or improvements is taken by eminent domain, The Regents recognizes the right of the SPWB to retain condemnation proceeds sufficient to pay any outstanding indebtedness incurred for the construction of the project.
- (2) Execute an agreement between the State of California, as represented by the SPWB, and The Regents for the project named above, said agreements to contain the following provisions:
- i. The SPWB agrees to finance construction of the project, as authorized by statute; and
 - ii. The Regents agrees to provide and perform all activities required to plan and construct said project.
- (3) Execute a facility lease from the SPWB to The Regents for the project named above, said leases to contain provisions substantially as follows:
- i. The purpose of the building's occupancy shall be to use it as a facility for acute care in-patient service and support-related functions in furtherance of the University's mission related to instruction, research, and public service;

- ii. The SPWB shall lease the financed facility, including the site, to The Regents pursuant to a facility lease;
- iii. The terms of the facility lease shall commence on recordation of the lease or the first day of the month following the meeting of the SPWB at which the resolution is adopted authorizing the lease, the issuance of bonds and interim financing for the project, whichever is earlier, and shall terminate on the date the bonds issued by the SPWB are paid in full, subject to earlier termination if such bonds have been retired in full;
- iv. If the SPWB cannot deliver possession to The Regents at the time contemplated in the lease, the lease shall not be void nor shall the SPWB be liable for damages, but the rental payment shall be abated proportionately to the construction cost of the parts of the facility not yet delivered;
- v. In consideration for occupancy during the term of the lease and after the date upon which The Regents takes possession of the facility, The Regents shall pay base rent in an annual amount sufficient to pay debt service on the bonds or other obligations of the SPWB issued to finance or refinance the facility and additional rent for payment of all administrative costs of the SPWB;
- vi. The Regents covenant to take such actions as may be necessary to include in the University's annual budget amounts sufficient to make rental payments and to make the necessary annual allocations;
- vii. During occupancy, The Regents shall maintain the facility and pay for all utility costs and shall maintain fire and extended coverage insurance at then current replacement cost or an equivalent program of self-insurance, and earthquake insurance if available on the open market at a reasonable cost;
- viii. During occupancy, The Regents shall maintain public liability and property damage insurance, or an equivalent program of self insurance, on the facility and shall maintain rental interruption or use and occupancy insurance, or an equivalent program of self insurance, against perils covered in (3)vii. above;

- ix. In the event of default by The Regents, the SPWB may maintain the lease whether or not The Regents abandons the facility and shall have the right to relet the facility, or the SPWB may terminate the lease and recover any damages available at law;
 - x. The Regents shall be in default if the lease is assigned, sublet, or transferred without approval of the SPWB, if The Regents files any petition or institutes any proceedings for bankruptcy, or if The Regents abandons the facility;
 - xi. The Regents shall cure any mechanics' or materialmen or other liens against the facility and, to the extent permitted by law, shall indemnify the SPWB in that respect;
 - xii. The Regents, to the extent permitted by law, shall indemnify the SPWB from any claims for death, injury, or damage to persons or property in or around the facility; and
 - xiii. Upon termination or expiration of the lease, other than for breach or because of eminent domain, title to the facility shall vest in The Regents.
- (2) The President be authorized to identify assets to be leased in lieu of facilities constructed pursuant to (1) and (3) above, and the President or the Secretary be authorized to execute documents necessary to lease such assets.

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

The Committee recommended adoption of 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:

NAME	TITLE
Haim Saban	Regent

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

7. **REPORT OF THE COMMITTEE ON GROUNDS AND BUILDINGS**

The Committee reported the following from its meeting of April 17, 2003:

A. ***Adoption of Mitigated Negative Declaration and Approval of Design, Molecular Foundry, Lawrence Berkeley National Laboratory***

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

- (1) Adoption of the Tiered Initial Study and Mitigated Negative Declaration.
- (2) Adoption of the Mitigation Monitoring and Reporting Program and Findings.

- (3) Approval of the design of the Molecular Foundry, Lawrence Berkeley National Laboratory.

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

(For speakers' comments, refer to the May 15, 2003 minutes of the Committee of the Whole.)

B. ***Adoption of Mitigated Negative Declaration and Approval of Design, Computer Science Building Unit 3, Irvine Campus***

Upon review and consideration of the environmental consequences of the proposed project as evaluated in the Negative Declaration, the Committee reported its:

- (1) Adoption of the Tiered Initial Study/Mitigated Negative Declaration.
- (2) Adoption of the Findings and Mitigation Monitoring Program.
- (3) Approval of the design of Computer Science Building Unit 3, Irvine campus.

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

C. ***Adoption of Mitigated Negative Declaration, Amendment of Long Range Development Plan, and Approval of Design, Student Resource Building, Santa Barbara Campus***

Upon review and consideration of the environmental consequences of the proposed action as evaluated in the Mitigated Negative Declaration, the Committee reported its:

- (1) Adoption of the Mitigated Negative Declaration.
- (2) Adoption of the Findings and Mitigation Monitoring Program.
- (3) Amendment of the Long Range Development Plan to add Building Site #37.

- (4) Approval of the design of the Student Resource Building, Santa Barbara campus.

[The Mitigated Negative Declaration, Findings, Mitigation Monitoring Program, and Long Range Development Plan were mailed to all Regents in advance of the meeting, and copies are on file in the Office of the Secretary.]

D. ***Adoption of Mitigated Negative Declaration and Approval of Design, Snidecor Hall Office Wing Seismic Replacement, Santa Barbara Campus***

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

- (1) Adoption of the Mitigated Negative Declaration.
- (2) Adoption of the Findings and Mitigation Monitoring Program.
- (3) Approval of the design of the Snidecor Hall Office Wing Seismic Replacement, Santa Barbara campus.

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

E. ***Adoption of Mitigated Negative Declaration and Approval of Design, Tercero Housing and Dining Expansion, Davis Campus***

Upon review and consideration of the environmental consequences of the proposed Tercero Housing and Dining Expansion project as indicated in the Tiered Initial Study/ Negative Declaration, the Committee reported its:

- (1) Adoption of the Negative Declaration for the project.
- (2) Adoption of the Findings.

- (3) Approval of the design of the Tercero Housing and Dining Expansion, Davis campus.

[The 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.]

Upon motion of Regent Marcus, duly seconded, the reports of the Committee on Grounds and Buildings were accepted.

8. **REPORT OF THE COMMITTEE ON INVESTMENTS**

The Committee presented the following from its meeting of April 22, 2003:

A. ***Revisions to UCRP and GEP Asset Allocation Benchmarks***

The Committee recommended, with the concurrence of Wilshire Associates, that the University of California Retirement Plan (UCRP) and General Endowment Pool (GEP) target benchmarks be revised as follows:

changes from current policy shown by highlighting

UCRP Recommended Asset Allocation

	<u>Recommended Target Allocation</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Current Policy</u>
U.S. Equity	50%	45%	58%	53%
Non-U.S. Equity	7%	5%	9%	7%
Fixed Income	28%	23%	35%	30%
TIPS	5%	3%	7%	5%
Private Equity	5%	3%	7%	5%
Real Estate	5%	0%	7%	0%
	100%			100%

GEP Recommended Asset Allocation

	<u>Recommended Target Allocation</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Current Policy</u>
U.S. Equity	42%	37%	50%	45%
Non-U.S. Equity	10%	8%	12%	10%
Fixed Income	28%	23%	35%	30%
Private Equity	10%	5%	12%	10%
Absolute Return	5%	0%	6%	5%
Real Estate	5%	0%	7%	0%
	100%			100%

B. ***Real Estate Investment Process and Guidelines***

The Committee recommended approval of the proposed real estate investment decision process (Attachment 1) and investment guidelines (Attachment 2).

Regent Parsky moved approval of the recommendations of the Committee on Investments, including approval of the investment guidelines as revised and of a further revision to those guidelines whereby page 3, paragraph (6) would be amended to read as follows: The Regents' investment in any one LLIV [limited liability investment vehicle] shall not exceed 50 20 percent of the total capital being raised for that investment.

The motion was duly seconded, and the report of the Committee on Investments was approved as amended.

9. **REPORT OF THE COMMITTEE ON OVERSIGHT OF THE DEPARTMENT OF ENERGY LABORATORIES**

Authorization to Approve and Execute Modifications to the Department of Energy Contract for Los Alamos National Laboratory to Add a Clause Identifying Los Alamos Area Manager as Contracting Officer

The Committee recommended that the President be authorized to approve and execute a modification to the provisions of contract W-7405-ENG-36 to incorporate the following clause:

G-3 GOVERNMENT CONTACTS

- (a) The NNSA Manager, Los Alamos Site Office (LASO), is the Contracting Officer responsible for this Contract. The LASO is the Contractor's focal point of contact for all matters, except as identified in (b) below, regarding this Contract. The Manager, LASO can be reached at:

U.S. Department of Energy
National Nuclear Security Administration
Manager, Los Alamos Site Office
528, 35th Street
Los Alamos, NM 87544

- (b) Items concerning patent, intellectual property, licenses, and technical data issues shall be addressed to the Assistant Chief Counsel for Intellectual Property, Office of Chief Counsel, DOE/NNSA Service Center, P.O. Box 5400, Albuquerque, New Mexico, 87185-5400.
- (c) Correspondence. To promote timely and effective administration, correspondence submitted under this Contract shall contain a subject line commencing with the Contract Number, as illustrated below:

“SUBJECT: Contract No. W-7405-ENG-36, e.g., “Request for subcontract placement approval.”

Upon motion of Regent Preuss, duly made and seconded, the recommendation of the Committee on Oversight of the Department of Energy Laboratory was approved.

10. **REPORT OF THE COMMITTEE ON AUDIT**

Approval of Additional Audit Procedures for the Department of Energy Laboratories for the Year Ending June 30, 2003

The Committee recommended that the audit procedures for the Department of Energy Laboratories described in the *External Audit Plan for the Year Ending June 30, 2003*, approved by interim authority on March 20, 2003, be amended by the addition of the following:

- Expanded review of balance sheet accounts at all laboratories.
- Review of corrective actions taken for the Los Alamos National Laboratory in the areas of procurement card; procurement; organizational study of the financial structure, including controls review; and property management structure.

Upon motion of Regent Terrazas, duly made seconded, the recommendation of the Committee on Audit was approved.

11. **REPORT OF THE NOMINATING COMMITTEE**

The Nominating Committee recommended as follows:

A. **CHAIRMAN OF THE BOARD**

That Regent John Moores be elected Chairman of The Regents of the University of California for the year commencing July 1, 2003.

B. **VICE CHAIRMAN OF THE BOARD**

That Regent Peter Preuss be elected Vice Chairman of The Regents of the University of California for the year commencing July 1, 2003.

C. **STANDING COMMITTEE ASSIGNMENTS**

That the following Standing Committee assignments for the year commencing July 1, 2003 be approved:

Committee on Audit

Regent Connerly, Chair
Regent Lee, Vice Chair
Regent Davies
Regent Hopkinson
Regent Lozano
Regent Pattiz
Regent Saban
Regent Blum
Regent Bodine

Committee on Educational Policy

Regent Kozberg, * Chair
Regent Lansing, Vice Chair
Regent Davies
Regent Connerly
Regent Sayles
Regent Bustamante
Regent Hopkinson
Regent Johnson**
Regent Marcus
Regent Lozano
Regent Bodine
Regent Murray

Committee on Finance

Regent Hopkinson, Chair
Regent Connerly, Vice Chair
Regent Lee
Regent Montoya
Regent Sayles
Regent Preuss
Regent Lozano
Regent Saban
Regent Wesson
Regent Murray

*ex officio as CPEC alternate

**ex officio as CPEC representative

Regent Montoya
Regent Bustamante
Regent Kozberg
Regent Hopkinson
Regent Johnson
Regent Murray
Regent Seigler

Committee on Health Services

Regent Davies, Chair
Regent Johnson, Vice Chair
Regent Lee
Regent Sayles
Regent Preuss
Regent Kozberg
Regent Lansing
Regent Marcus
Regent Saban
Regent Seigler

Committee on Investments

Regent Parsky, Chair
Regent Lee, Vice Chair
Regent Connerly
Regent Montoya
Regent Preuss
Regent Kozberg
Regent Pattiz
Regent Saban
Regent Blum

Committee on Grounds and Buildings

Regent Marcus, Chair
Regent Lozano, Vice Chair

Committee on Oversight of the
Department of Energy Laboratories

Regent Preuss, Chair
Regent Blum, Vice Chair
Regent Davies
Regent Montoya
Regent Parsky
Regent Marcus
Regent Pattiz
Regent Bodine
Regent Seigler

Except for the Chairman and the Vice Chairman, committee members are listed in order of seniority on the Board.

The President of the Board, the Chairman of the Board or in the Chairman's absence the Vice Chairman of the Board, and the President of the University are ex officio members of all Standing Committees, except that the President of the University is not a member of the Committee on Audit.

The Regents' representatives to the California Postsecondary Education Commission and the Superintendent of Public Instruction are ex officio members of the Committee on Educational Policy. Regent Johnson's term as The Regents' representative to CPEC and Regent Kozberg's term as the Regents' alternate representative to CPEC both end on June 30, 2004.

D. INVESTMENT ADVISORY COMMITTEE

That Regent Blum be appointed as a member of the Investment Advisory Committee to serve a four-year term from July 1, 2003 to June 30, 2007.

Upon motion of Regent Preuss, duly seconded, the recommendations of the Nominating Committee were approved.

12. **REPORT OF THE COMMITTEES ON GROUNDS AND BUILDINGS AND FINANCE**

A. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program for Tower II, Phase 4, Davis Campus***

With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommended that the 2002-03 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

Davis: Tower II, Phase 4 – preliminary plans, working drawings, construction, and equipment – \$25,794,000 to be funded from hospital reserves.

B. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing for UCI Medical Center Replacement Hospital, Irvine Campus***

- (1) With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommended that the 2002-03 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Irvine: UCI Medical Center Replacement Hospital – preliminary plans and working drawings – \$27,653,000 to be funded from hospital reserves.

To: Irvine: UCI Medical Center Replacement Hospital – preliminary plans, working drawings, construction, and equipment – \$336,681,000 to be funded from State lease revenue bonds (\$235,000,000), external financing (\$32,918,000), hospital reserves (\$472,000), capitalized leases (\$20,791,000), and gift funds (\$47,500,000).

- (2) The Committee on Finance recommended that external financing be obtained not to exceed \$32,918,000 to finance construction and related costs of the UCI Medical Center Replacement Hospital, Irvine campus, subject to the following conditions:
- a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the preliminary plans, working drawings, and construction periods;
 - b. Repayment of the debt shall be from hospital revenues; and
 - c. The general credit of The Regents shall not be pledged.
- (3) The Committee on Finance recommends that standby financing be obtained not to exceed \$10.6 million and interim financing not to exceed \$19.4 million to finance the gift-funded portion of construction and related costs of the UCI Medical Center Replacement Hospital, Irvine campus, subject to the following conditions:

- a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the preliminary plans, working drawings, and construction periods;
 - b. Repayment of any financing shall be from gift funds, and in the event such gift funds are insufficient, from income from the Dean's assessment on clinical practice revenue (\$15 million) and Opportunity Funds (\$15 million); and
 - c. The general credit of The Regents shall not be pledged.
- (4) The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
 - (5) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

C. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing for Student Academic Services Facility, San Diego Campus***

- (1) With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommended that the 2002-03 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

San Diego: Student Academic Services Facility – preliminary plans, working drawings, construction, and equipment – \$29,692,000 to be funded by State funds (\$21,708,000), campus funds (\$2,984,000), and external financing (\$5,000,000).
- (2) The Committee on Finance recommended that external financing be obtained not to exceed \$5,000,000 to finance a portion of the Student Academic Services Facility project, 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. Repayment of the debt shall be from San Diego campus Opportunity Funds; and

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

Upon motion of Regent Marcus, duly seconded, the recommendations of the Committees on Grounds and Buildings and Finance were approved.

13. **COMMITTEES ON EDUCATIONAL POLICY AND FINANCE**

Proposal to Oppose California State Ballot Initiative: CRECNO (Classification by Race, Ethnicity, Color, or National Origin)

The Committees recommended that The Regents oppose the Classification By Race, Ethnicity, Color, or National Origin (CRECNO) initiative, to be included on the March 2004 statewide primary election ballot.

Upon motion of Regent Kozberg, duly seconded, the recommendation of the Committees Educational Policy and Finance was approved, Regents Connerly, Davies, and Preuss voting “no” and Chairman Moores abstaining.

14. **REPORT OF THE SPECIAL COMMITTEE TO CONSIDER THE SELECTION OF A PRESIDENT**

Regent Davies reported that the Special Committee had met four times with advisory groups and had consulted widely with members of the University community. The Committee has appointed an executive search firm to assist in the recruitment efforts. The Academic Advisory Committee has met four times on its own and three times jointly with the Selection Committee. He reported that the two will meet again this week and are working through the more than 200 nominees that came through the advertisement, the website, and contacts with higher education leaders throughout the country. He recognized especially the efforts of the Academic Advisory Committee, whose members are highly regarded faculty, for putting in the long hours required to this point. The Committee is pleased with its progress and anticipates recommending a candidate in time for an orderly transition before the departure of President Atkinson.

15. SUPPLEMENTAL REPORT ON EXECUTIVE COMPENSATION**A. *Salary for Joseph P. Mullinix as Senior Vice President–Business and Finance, Office of the President***

The Committee on Finance recommended that an annual salary rate of \$350,000 be approved for Joseph P. Mullinix, effective May 1, 2003, with additional non-base-building incentive pay of \$20,000 to be awarded annually based on the President's assessment of his contribution to the management of the University.

B. *Salary for Anne C. Broome as Vice President for Financial Management, Office of the President*

The Committee on Finance recommended that an annual base salary rate of \$215,200 with an administrative stipend of \$21,500 (10 percent), for a total annual salary of \$236,700, be approved for Anne C. Broome as Vice President for Financial Management, Office of the President, effective retroactive to January 6, 2003 through June 30, 2003, or until the assignment is completed, whichever is later.

Upon motion of Regent Hopkinson, duly seconded, the recommendations of the Committee on Finance were approved, Regents Bustamante and Ligot-Gordon voting "no."

16. REPORT OF INTERIM ACTIONS

In accordance with authority previously delegated by The Regents, Secretary Trivette reported that interim action was taken on routine or emergency matters as follows:

A. The Chairman of the Board and the President of the University approved the following recommendations:**(1) *Authorization to Issue Variable Rate Bonds and Executive Interest Rate Swap to Refinance UC Davis Medical Center Revenue Bonds***

a. The President be authorized to issue variable rate bonds to refinance all or a portion of the outstanding UC Davis Medical Center Revenue Bonds, subject to the following:

i. Repayment of the debt shall be from gross revenues of the UC Davis Medical Center; and

- ii. The general credit of The Regents shall not be pledged.
 - b. The President be authorized to employ floating-to-fixed interest rate swaps based on receiving 67 percent of LIBOR to achieve a fixed rate for the variable rate bonds issued in (1).
 - c. The Officers of The Regents be authorized to provide certification to the lenders that interest paid in connection with the refinancing is excluded from gross income for purposes of federal income taxation under existing law.
 - d. The Officers of The Regents be authorized to execute all documents necessary in connection with the refinancing, including an indenture and all documents related to the variable rate bond issuance and interest rate swap.
- (2) ***Authorization to Approve and Execute Modifications to the Department of Energy Contracts for the Los Alamos National Laboratory and Lawrence Livermore National Laboratory to Add Clause***

That the President be authorized to approve and execute a modification to the provisions of contracts W-7405-ENG-36 and W-7405-ENG-48 in order to incorporate Clause I.104 DEAR 952.211-71 Priorities and Allocations (Domestic Energy Supplies) (JUN 1996) (Alternate I).

- (3) ***Approval of Action Items from the Cancelled March 19-20, 2003 Regents Meeting***

That items from the cancelled Regents meeting, originally scheduled to take place March 19-20, 2003, be approved under interim authority and that item 902 on the March 13, 2003 Committee on Audit agenda also be approved under interim authority, since a quorum was not achieved during that meeting.

The items are:

2-GF	Action	Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing for Parking and Transportation Improvements Program, Step 6, Irvine Campus
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503	Action	Proposed Authority for UC to Become a Founding Member of the Nonprofit Corporation, Integrated Ocean Drilling Program Management International, Incorporated
505	Action	Establishment of Loan Portfolio Sale Program for the University of California Supplemental Home Loan Program
1-EF	Action	University Indemnification of Donors for Claims Unrelated to Donor Activity
302	Action	Establishment of College Ten, Santa Cruz Campus
303	Action	Proposed Public Phase of Fundraising Campaign, San Diego Campus
902	Action	Approval of External Audit Plan for the Year Ending June 30, 2003

(4) ***Approval to Enter into an Agreement with California Institute of Technology to Form CELT Development Corporation***

- a. That the President and his designees, after consulting with the General Counsel, be authorized to execute an agreement with the California Institute of Technology to form a nonprofit public benefit corporation under the name CELT Development Corporation (CELT) for the initial purpose of developing a preliminary design for a 30-meter-class telescope. Ultimately, CELT's mission may be broadened to include not only the preliminary design phase, but also a final design, construction, and commissioning and operation of an observatory.
- b. That after consultation with the General Counsel, the President and his designees be further authorized to approve and execute any other contract or ancillary documents that do not substantially modify the above terms.

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

Approval of UCRP Amendments to Implement the Staff and Academic Reduction in Time (START) Program

That the University of California Retirement Plan be amended to facilitate a voluntary reduction of time and salary plan, to be called the Staff and Academic Reduction in Time (START) program.

- C. The Chairman of the Board, the Chair of the Committee on Grounds and Buildings, the Chair of the Committee on Finance, and the President of the University concurred in the following recommendations:

(1) ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing for Campus Surge Building, Irvine Campus***

Pursuant to Standing Order 100.4(q)

- a. That the President, subject to the concurrence of the Chairman of the Board, the Chairman of the Committee on Grounds and Buildings, and the Chairman of the Committee on Finance, amend the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program to include the following project:

Irvine: Campus Surge Building – preliminary plans, working drawings, and construction – \$12,860,000 to be funded from external financing.

Pursuant to Bylaw 21.4(d) and Standing Order 100.4(nn)

- b. That the President be authorized to obtain financing not to exceed \$12,860,000, subject to the following conditions:
- i. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - ii. Repayment of the debt for the Campus Surge Building shall be from the Irvine campus' share of the University Opportunity Fund.

- iii. The general credit of The Regents shall not be pledged.
 - c. That the Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
 - d. That the Officers of The Regents be authorized to execute all documents necessary in connection with the above.
- (2) ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing for La Jolla Playhouse Play Development and Education Center, San Diego Campus***

Pursuant to Standing Order 100.4(q)

- a. That the President amend the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program as follows:

From: San Diego: La Jolla Playhouse Play Development and Education Center – preliminary plans, working drawings, construction, and equipment – \$14,736,000, total project cost to be funded from gift funds.

To: San Diego: La Jolla Playhouse Play Development and Education Center – preliminary plans, working drawings, and construction – \$14,974,000, total project cost to be funded from gift funds.

Pursuant to Bylaw 21.4(d) and Standing Order 100.4(nn)

- b. That the President approve standby financing to be obtained not to exceed \$7 million prior to awarding a construction contract for any gift funds not received by that time and subject to the following conditions:
 - i. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;
 - ii. Repayment of any financing shall be from gift funds, and in the event such gift funds are insufficient, from the UC San Diego campus' share of the University Opportunity Fund; and

- iii. The general credit of The Regents shall not be pledged.
 - c. That the Officers of The Regents be authorized to provide certification that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
 - d. That the Officers of The Regents be authorized to execute all documents necessary in connection with the above.
- (3) ***Approval of the Acquisition of and External Financing and Common Area Lease and Related Documents for Laureate Court Property, Santa Cruz Campus and Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing and Approval of the Subdivision, Lot Lease, and Related Documents for Hagar Court Apartments, Santa Cruz Campus***

I. Laureate Court

- a. That The Regents approve the purchase of 700-752 Nobel Drive in Santa Cruz (the Laureate Court Property) from Laureate Court Partnership for a purchase price not to exceed \$15,400,000 plus estimated closing costs not to exceed \$100,000.
- b. That the President be authorized to obtain financing not to exceed \$15,500,000 to finance the purchase listed in (1) above, subject to the following conditions:
 - i. For external financing of \$7,044,259, as long as the debt is outstanding, the rental rates at the Laureate Court Property shall be established at levels to provide excess net revenues to pay the debt service and to meet the related requirements of the financing, and if such income is insufficient, from Telecommunications reserves (a campus auxiliary department);
 - ii. For interim financing of \$8,455,741, repayment shall be from the rental income of the Laureate Court Property and the sale of condominium units at the Laureate Court Property and the Hagar Court Apartments in an amount to provide to pay the debt service and to meet the related requirements of the financing, and if these are insufficient, from Telecommunications reserves; and

- iii. The general credit of The Regents shall not be pledged.
- c. That the President, or designee, in consultation with General Counsel, be authorized to execute the Condominium Common Area Lease, the Declaration of Covenants, Conditions, and Restrictions, the Home Purchase Contracts, and other related documents as necessary for the completion and sale of condominium units in the Laureate Court Property. These documents shall contain the following provisions:
- i. Condominium Common Area Lease to be between the Homeowners Association and The Regents with a term of 60 years;
 - ii. The Condominium Common Area Lease to provide for the Association to sublease an undivided interest to the buyers of the Laureate Court units;
 - iii. The Homeowners Association to initially pay annual ground rent of \$720 per year for each owner (other than the University) of a Laureate Court unit for expenses associated with the Santa Cruz faculty and staff housing program, subject to annual increases at the discretion of the University by an amount not to exceed 8 percent of the previous year's rent. The Association will pass through the ground rent to the owners and may request that it be paid by payroll deduction;
 - iv. The initial purchasers of the Laureate Court units to be selected from University-affiliated persons determined to be eligible by the Chancellor of the Santa Cruz campus;
 - v. Upon the resale of a Laureate Court unit, the owner must offer the unit to buyers in the priority established by the Chancellor of the Santa Cruz campus, at a price which conforms to vii. below;
 - vi. At any time when fewer than 45 years remain on the Lease, the Homeowners Association may request a new Condominium Common Area Lease. If in the opinion of the University, the Faculty for Sale Housing Program will benefit thereby, a new Condominium Common Area Lease may be entered into for a term not to exceed 60 years;
 - vii. To ensure that Laureate Court units remain affordable by members of the University community, resale prices shall be limited to the lesser of:

- (i) the price negotiated between the buyer and the owner;
or
 - (ii) the sum of:
 - the original purchase price of the unit paid by the owner, plus
 - the product of the original purchase price of the unit paid by owner and the fractional change in that one of the following indices which shall result in the largest product: (x) the National Consumer Price Index (all items), or (y) the Faculty Salary Index (as published by the Office of Loan Programs), using the value for each Index published for the month immediately preceding the date on which the owner originally purchased the condominium and the value for each Index last published prior to the date of the offer to sell, plus
 - (iii) the cost of all capital improvements to the unit made by the owner or the Homeowner's Association, but only to the extent that each such capital improvement to a unit exceeds \$1,000 in cost (including such costs as may be distributed to an owner's unit as a result of qualified capital improvements made by the Homeowner's Association) and was certified by the University at the time such improvement was completed, less
 - (iv) the cost of correcting damage to the unit in excess of normal wear and tear.
- (d) That The Regents accept title to the Laureate Court property described above, to be conveyed by deed from the seller and consent to recordation of said deed.

II. Hagar Court Apartments

- (a) That the President be authorized to obtain interim financing not to exceed \$3,036,000 to finance the cost of renovating the Hagar Court Apartments, subject to the following conditions:
 - i. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period;

- ii. Repayment shall be from the rental income of Laureate Court and proceeds of the sale of units in the Hagar Court Apartments in an amount to pay the debt service and to meet the related requirements of the financing, and if these are insufficient, from Telecommunications reserves; and
 - iii. The general credit of The Regents shall not be pledged.
- (b) That the President or designee be authorized to designate, describe, and subdivide that portion of the Santa Cruz campus previously approved by The Regents as the site for the Hagar Court Apartments into condominium units including separately designated units, common area, and condominium owners exclusive use areas, and to prepare a legal description indicating such subdivision, with said legal description to be filed with the Recorder of the Santa Cruz County as evidence of the action.
- i. The initial purchasers of the Laureate Court units to be selected from University affiliated persons determined to be eligible by the Chancellor of the Santa Cruz campus;
 - ii. Upon the resale of a Laureate Court unit, the owner must offer the unit to buyers in the priority established by the Chancellor of the Santa Cruz campus, at a price which conforms to iii. below;
 - iii. To ensure that Laureate Court units remain affordable by members of the University community, resale prices shall be limited to the lesser of:
 - (i) the price negotiated between the buyer and the owner; or
 - (ii) the sum of:
 - the original purchase price of the unit paid by the owner, plus
 - the product of the original purchase price of the unit paid by owner and the fractional change in that one of the following indices which shall result in the largest product: (x) the National Consumer Price Index (all items), or (y) the

Faculty Salary Index (as published by the Office of Loan Programs), using the value for each Index published for the month immediately preceding the date on which the owner originally purchased the condominium and the value for each Index last published prior to the date of the offer to sell, plus

- (iii) the cost of all capital improvements to the unit made by the owner or the Homeowner's Association, but only to the extent that each such capital improvement to a unit exceeds \$1,000 in cost (including such costs as may be distributed to an owner's unit as a result of qualified capital improvements made by the Homeowner's Association) and was certified by the University at the time such improvement was completed, less
 - (iv) the cost of correcting damage to the unit in excess of normal wear and tear.
- (c) That the President, or designee, be authorized to execute new documents for the formation of a separate Faculty for Sale Housing Project, with the same applicable restrictions and provisions as the existing Faculty for Sale Housing Project.

III. General Provisions

- (a) That the President or his designee be authorized to provide certification that the interest paid by The Regents on financing obtained pursuant to I(b) and II(a) above is excluded from gross income for purposes of federal income taxation under existing law.
- (b) That the President, in consultation with the General Counsel, be authorized to execute all documents, including all amendments as may be necessary or appropriate related to changing circumstances or unforeseen conditions, as long as such amendments or other documents do not contravene the basic meaning or purpose of provisions approved by the Regents in connection with the above.

16. REPORT OF PERSONNEL ACTIONS

In accordance with Bylaw 14.7(b), Secretary Trivette reported the following personnel action taken at the January 15, 2003 meeting and previously included in the report for the meeting that was scheduled for March 20, 2003. There was no roll call vote on this action.

Appointment of George P. Nanos as Interim Director of the Los Alamos National Laboratory, 100 percent, effective January 6, 2003.

17. REPORT OF COMMUNICATIONS

Secretary Trivette presented summaries of communications received subsequent to the January 2003 meeting. The residency appeals will be referred to General Counsel Holst, and the remaining communications will be referred to President Atkinson for response as appropriate.

18. 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 audit of Hastings College for the year ended June 30, 2002. March 31, 2003.

To Members of the Committee on Educational Policy

- B. Statistical Summary of Students and Staff for Fall 2002. March 20, 2003. (Schedule of Reports)

To Members of the Committee on Health Services

- C. The Activity and Financial Status Report for the UC Medical Centers as of February 28, 2003. April 7, 2003. (Schedule of Reports)
- D. 2003 Staff Physician and Dentists Salary Structure. April 9, 2003.

The Regents of the University of California

- E. Undergraduate Access to the University of California After the Elimination of Race-Conscious Policies. March 11, 2003.
- F. Safeguards and Security Strategic Plan. April 17, 2003.

- G. 2000-2001 Annual Report on Student Financial Support at the University of California. March 25, 2003.

The meeting adjourned at 1:20 p.m.

Attest:

Secretary