

The Regents of the University of California

COMMITTEE ON GOVERNANCE

January 16, 2008

The Committee on Governance met on the above date at Covell Commons, Los Angeles campus.

Members present: Regents Gould, Lansing, Pattiz, Preuss, and Schilling

In attendance: Regents Allen, Blum, Bugay, Dynes, Hopkinson, Island, Kozberg, Lozano, Marcus, Ruiz, and Varner, Regents-designate Scorza and Shewmake, Faculty Representatives Brown and Croughan, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Provost Hume, Executive Vice Presidents Darling and Lapp, Vice Presidents Beckwith, Dooley, Foley, and Sakaki, Chancellors Birgeneau, Bishop, Block, Blumenthal, Drake, Fox, Kang, Vanderhoef, and Yang, Acting Chancellor Grey, and Recording Secretary Bryan

The meeting convened at 10:55 a.m. with Committee Chair Lansing presiding.

1. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of November 15, 2007 were approved.

2. **PROPOSED TECHNICAL AMENDMENT OF STANDING ORDER 100.4 – DUTIES OF THE PRESIDENT OF THE UNIVERSITY – REGARDING AUTHORITY TO WRITE OFF BAD DEBT CONSISTENT WITH REGENTS’ ACTION OF MARCH 2006**

The President recommended that, following service of appropriate notice, Standing Order 100.4(w) be amended as follows:

Deletions shown by strike out, additions by underscore

100.4 Duties of the President of the University

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- (w) The President is authorized to write off bad debts, provided reserves for that purpose are adequate or that specific income or an appropriation is available for that purpose. ~~A report on bad debt write offs shall be submitted annually to the Committee on Finance.~~

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In March 2006, the Regents agreed to delete the annual bad debt write-off report. The proposed action would memorialize that decision within Standing Order 100.4(w).

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

3. **DATES OF REGENTS MEETINGS FOR 2009**

The President recommended that the following dates of Regents meetings for 2009 be approved:

2009

January 13-15

March 17-19

May 19-21

July 14-16

September 15-17

November 17-19

Regent Hopkinson noted that many Regents have scheduling conflicts because of their obligations with respect to other boards. Committee Chair Lansing observed that establishing the Regents' schedule far in advance provides the opportunity for Regents to arrange their other commitments around it.

Regent Gould believed that the Regents needed more time to consider the proposal. Committee Chair Lansing proposed that the Secretary and Chief of Staff make an attempt to find dates amenable to as many Regents as possible and resubmit a recommendation. She emphasized that, in order to ensure that Regent Garamendi would be available to attend Regents meetings, it was the sentiment of the Board that dates for the meetings be established that do not conflict with the meeting schedule of the CSU Board of Trustees.

4. **AMENDMENT AND CLARIFICATION OF REGENTS' POLICY ON APPOINTMENT OF CHANCELLORS**

The President recommended that the Regents' Policy on Appointment of Chancellors be amended, as shown below.

The President noted that amendments to paragraphs (2) and (3) reflect and affirm current practices regarding selection and duties of members for the committee appointed to advise the President during the search for a new Chancellor.

* * *

Deletions shown by strike out, additions by underscore**POLICY ON APPOINTMENT OF CHANCELLORS**

Approved May 15, 1981

- (1) The President of the University will conduct a continuous search for promising candidates for Chancellorships. This process is included as an important complement to the systematic nationwide search which will be undertaken each time a vacancy occurs.
- (2) When a vacancy occurs or is imminent, a ~~joint Regents-Faculty~~ committee will be appointed to advise the President of the University. The Committee will consist of five Regents appointed by the Chairman of the Board, as well as the Chairman of the Board and the President of the University, who serve ex officio. ~~Additional committee members will be selected as follows:~~ five faculty members appointed by the President of the University – one shall be either the Chair or the Vice Chair of the Academic Council, one shall be a faculty member from a campus other than the one that is the subject of the search, chosen from a panel submitted by the campus Academic Senate's Universitywide Committee on Committees, and the Chairman of the Board and the President of the University, ex officio. ~~and three shall be campus faculty members chosen from a panel submitted by the campus Academic Senate Committee on Committees.~~ A graduate and an undergraduate student appointed by the respective graduate and undergraduate student associations of the campus, an alumni representative appointed by the alumni association of the campus, a Foundation representative chosen by the President from a panel of names submitted by the Campus Foundation, and a staff employee representative of the campus selected ~~in accordance with the procedures established by the President~~ by the Campus Staff Assembly shall be invited to attend all meetings of the Committee with full participation in discussion and debate. The President of the University will convene the Committee.
- (3) The five faculty members on the Committee, working with the President of the University or the President's designee will submit to the Committee for evaluation not less fewer than five ~~nor more than fifteen names of~~ promising candidates ~~whom the President considers promising.~~ The Committee will evaluate these nominations ~~of the President~~ and may consider or suggest other names. It may interview candidates. It will solicit the opinions of other interested groups in whatever manner it considers appropriate.
- (4) Both the committee and the President shall be mindful of the University's firm commitment to ~~affirmative action~~ diversity in the employment of women and minorities in seeking out the most qualified candidates.

- (5) After the Committee has completed its evaluations and advised the President of the University, the President will make his recommendation to The Regents for consideration and approval.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

5. **REPORT OF THE WORKING GROUP ON THE ROLES OF THE OFFICE OF THE PRESIDENT**

Committee Chair Lansing recalled that the Working Group on the Roles of the Office of the President was convened to make recommendations regarding the roles, decision-making authority, and accountability of the President in relation to the Board of Regents and the campuses, and to provide principles for the organizational redesign of the Office of the President (OP). With the search for a new President and the budget crisis in mind, the group has been working for the past six months on defining more clearly the role of the President in relation to the Board of Regents and the campuses. Its report is a work in progress but is expected to be final soon.

Regent Lansing noted that, as the Regents began to define their role and conduct, it became apparent that more orientation for new Regents was necessary and that it might be beneficial to hold a retreat and establish mentoring and Board evaluation programs.

Provost Hume presented the report of the Working Group and described how its recommendations are guiding ongoing efforts to refashion the Office of the President, making it more responsive to the needs of both the Regents and the campuses. He recalled that he had charged the group and that it had been convened by Chancellor Vanderhoef. It was convened originally in response to the diagnostic report developed by The Monitor Group assessing the effectiveness and efficiency of administrative and financial functions across the University but focusing in particular on the Office of the President. The assessment that Monitor did, which was presented to the Regents in September, highlighted a number of critical problems internal to the Office of the President, including that decision-making processes were slow, overly complex, and lacking in transparency. There was a tendency for the Office to act as a gatekeeper rather than as a partner with the campuses, policing instead of enabling, imposing administrative and business practices that were not sensitive to campus needs, and in some cases adding to campus costs. There was a lack of clarity about the role of the Office of the President in relation to the Regents and the campuses.

Provost Hume reported that the Working Group tackled these issues by focusing on the role of the President with respect to those of the Regents and Chancellors and then on the functions of the President's Office in support of that role. The report advises how to strengthen interfaces between the President and the Regents and between the President and the Chancellors, which is essential to the good governance of the institution.

Chancellor Vanderhoef reviewed the Working Group's findings. The Group articulated the following core principles that characterize the University and guide the manner in which it is governed. The University:

- Is the designated research university within the public higher-education system of the State of California.
- Is an institution in the land grant tradition, with responsibilities to the people of the State of California for advancing their welfare, as well as pursuing scholarly and scientific inquiry. It is the University's obligation to pursue solutions to societal problems.
- Operates under shared governance, with specific authorities, by the Regents, President, and Academic Senate. This requires ongoing consultation among the three.
- Is a single federation of campuses, benefitting from a balance between distinctive campus excellence and autonomy and the interests of the institution as a whole.
- Is an institution in which the Regents delegate authority for management of the University's affairs to the President, supported by the administrative structure that he or she puts in place.

Chancellor Vanderhoef reported that the Group identified four complementary dimensions of the President's role: academic leader of the institution; chief executive officer; primary external advocate; and guardian of the public trust.

As academic leader of the institution, the President must develop, inspire, and support the long-range vision for the University and must lead the University in realizing its vision. In this role, the President will also be responsible for fulfilling the historic public service obligations of the University, ensuring its continuing contribution to the social and economic welfare of the people of California. The K-12 educational initiative is the most recent example of this kind of contribution, which necessarily focuses the creative energies and the resources of the whole University. The President must give leadership to such activities. The President will always promote and support educational access, affordability, and quality.

As the chief executive officer, the President selects, supports, and evaluates the Chancellors. The Chancellors are responsible for the academic quality and effective administration of the campuses. The President is the sole authoritative contact with the Regents. Campuses formally communicate with the Regents only through the Office of the President, and vice versa. This is essential to ensuring consistent and clear communication and the smooth running of the organization. The Working Group concluded that the rules of this communication seem to have been lost during the last few years. In the role of chief executive, the President allocates systemwide funds, another critical function of the University that supports individual campuses as well as the University as a whole.

In a third dimension of the role, the President is the primary external advocate for the University and for higher education generally, responsible for representing the University

to the State and federal governments, and for pursuing a single budget for the University from the State of California.

Lastly, the President, as the guardian of the public trust, must set clear policies and monitor compliance with them, provide appropriate and timely information on the University's activities, and protect the University by pro-actively identifying and managing the risks that are always present in a large and complex institution.

Having established the President's role, it is easier to understand the related roles of the Regents and Chancellors. The Regents have a solemn responsibility as the fiduciaries of the University. In that role, they set policies and standards and provide direction for setting priorities and long-range goals. They select, support, and evaluate the performance of the President. They approve major systemwide operating decisions. They delegate authority to the President as appropriate, with effective oversight mechanisms. The Chancellors play a pivotal dual role as leaders of their campuses and primary colleagues and advisors to the President. Each Chancellor is responsible for leading faculty, students, and staff in pursuit of a campus vision. They are responsible for selecting, supporting, and ensuring the good performance of senior campus administrators and for representing their campuses within the University, with the Office of the President, and externally. Like the President, the Chancellors must be guardians of the public trust, ensuring campus compliance with University policies and exercising sound stewardship of resources. Chancellors also assist the President in, and share responsibility for, establishing and achieving Universitywide goals. In this regard, they are responsible not only for their campuses but for all of those things that the President decides must be done as a system. It is the Chancellors' responsibility to make sure that the campuses are involving themselves in these Universitywide goals.

The Working Group defined the appropriate functions of the President's Office, given the respective roles of the President, the Regents, and the Chancellors. There are functions required by law to be in that office and functions that support the four dimensions of the President's role as leader, CEO, advocate, and guardian. There are other functions, however, located at the Office of the President that support the system by coordinating or supporting campus efforts in, for example, technology transfer and student admissions, or by providing systemwide services such as the California Digital Library that it does not make sense to replicate ten times. The Working Group found that, over time, the Office of the President has accumulated a variety of support functions and combined these organizationally with those directly supporting the President. As a consequence, the Office has grown larger. In some cases it has become slower, and in some it has lost its focus.

To support the redesign of the Office of the President, the Working Group recommended several organizational design principles. These include a preference for a strong President with a lean and well-focused staff; sensitivity to the need to strike a balance between campus autonomy and the interests of the institution as a whole; the assurance that the President, Chancellors, and respective staffs have clear roles and thereby clear mechanisms for

accountability; and the establishment of integrated information and risk management systems that not only support good decision-making on the campuses but also in OP and that help manage risk and promote transparency and accountability. Several of these features have been deemed lacking in recent years.

Provost Hume commented that the Working Group's report had provided valuable advice in ways that will become apparent in more detail when the new budget for OP is presented at the March meeting. In accordance with the Working Group's recommendations, the administration has worked to distinguish the functions in OP that support the President directly from those that support the system as a whole. With regard to the former, work continues on developing the appropriate scale, organization, and integration of support that will make OP more effective and reduce its costs. With regard to the services that support the system, new models of governance and oversight are being considered to ensure that those services are truly responsive to campus clients. Systemwide support services are being identified that do not need to be located in Oakland – that would work better on a campus or if provided by a third party. Some activities have been identified that neither support the President directly nor provide systemwide services. In those cases there are two options: move the activity to a campus or eliminate the function.

Restructuring the Office of the President, while difficult, is relatively straightforward. Clarifying the respective roles and responsibilities of the Regents and the Chancellors relative to the President and ensuring that effective accountability measures are put in place requires the active participation of the Board and close communication with the Chancellors. The Working Group made specific recommendations for strengthening the interface between the President and the Regents and the President and the Chancellors. The Working Group recommends reaffirming the Regental focus on fiduciary and priority issues, formalizing the Presidential performance evaluation process, and establishing and adhering to practical protocols for communications. With regard to the interface between the President and the Chancellors, the Working Group recommends greater delegation of administrative and business functions from the President's Office to the Chancellors when appropriate, clearer mechanisms for accountability of the Chancellors for their specific authorities and responsibilities, stronger performance management systems, and transparent and effective two-way communication processes.

Regent Marcus noted that the environment in which the University exists has changed dramatically in recent years. Some fundamental and simple things must be recognized. The Committee on Governance, the Regents, the Office of the President, and the Chancellors must address the role of a centralized versus a decentralized model. The absence of an Executive Vice President for Development and Alumni Relations indicates a misunderstanding of the current environment when the State is facing a \$400 million shortfall. He emphasized that the model that is established will need to last into the future.

Regent Gould acknowledged the importance of the Working Group at a time when the delineation of the respective roles and the evaluation of functions and resources and their use

have become essential. Also, it sets some guidelines by which the Regents can assess their own performance as well as the performances of the President and Chancellors. Discussing these respective roles and functions provides a road map for determining whether those roles are being adhered to.

Regent Schilling noted the efforts under way for Regents' orientation. She supported the recommendations to establish a mentoring program and a code of conduct for the Regents and to hold a retreat. She believed that the Committees specifically could benefit from this and urged that it move forward as soon as possible. Regent Lansing expressed her hope that a retreat could be scheduled for the spring.

Regent Bugay recalled comments about support services and administrative roles that might, under a different structure, be performed elsewhere in the system and the potential cost savings projected. He requested further detail about what financial benefit could be gained by the realignment of services. Provost Hume responded that 10 percent reduction in expenditures within the Office of the President was targeted. As the budget is recast, however, the administrative structure is also being recast in order to simplify and coordinate those services that support the President in the execution of his work. He reported that by March he expected to be in a position to provide a dollar figure. He noted that many of the areas that provide support to the campuses are funded by other mechanisms. Those areas also have been asked to reduce their administrative costs by at least 10 percent to put more of their services towards the functions that they deliver. He recalled that a program to induce voluntary separations and early retirements in the Office of the President requires participants to declare their participation by the end of this month. At that time, the level of savings and therefore the need for layoffs can be assessed. As the restructuring continues, decisions will be made about the necessity for further action.

Regent Hopkinson believed that the three most important things that Regents can do are to define their roles, set priorities, and establish methods to assure accountability. She believed that the roles of the Regents had changed over time in ways that have become unworkable. Committee Chair Lansing emphasized that reestablishing Regental roles is essential in order to delineate a new President's responsibilities and the interface of that individual with the Board. She urged the Regents to continue their dialogue so that the process can move forward expeditiously.

Regent Island commended the Working Group for its focus on the use of Regental approval for transactional decisions. He believed, however, that the subject deserved a more in-depth analysis. He noted that there are policies, processes, and procedures that bring to the Board for approval transactional decisions that should not rise higher than the Office of the President. He believed that the Regents had no basis upon which to make many of these decisions. He urged the Working Group to examine whether recently adopted policies or practices should be eliminated so as to give the Board adequate time to address broader issues. Regent Schilling urged the Regents to provide their input to the Working Group with respect to such considerations. Regent Lansing acknowledged the Regents' responsibility

for creating some unworkable procedures. She suggested that recommendations for making changes in the way the Regents function be channeled through the Secretary and Chief of Staff.

Regent Kozberg noted that there are established principles for non-profit organizations and suggested that these be reviewed and shared with the Regents. She observed that, because there are not campus governing boards, the Chancellors do turn to the Regents, and they require a simple way of communicating that will not hinder action. She also advocated establishing a schedule for the periodic assessment of the respective roles.

Regent Preuss noted that the role of President also has changed in recent years, to emphasize a focus on University- and state-centric concerns. UC presidents have not been known to be nation-centric. He envisioned appointing a new President who will be more actively involved in national policies concerning education and attuned to political emergencies and the moral status of the country. The appointment of a national figure who is immersed in such issues may result in a need for the Regents and the Office of the President to adopt a wider range of responsibilities.

Regent Marcus agreed with the remarks of Regent Island concerning transactional decisions. He stressed the importance of lining up the regulatory basis for Regental behavior so that compliance is made possible and issues such as retaining talent and supporting research can be addressed.

Regent Varner believed that new Regents would benefit from having the role of the Regents defined. He noted that often, when asking for advice from other Regents, he had received conflicting answers.

Regent Allen acknowledged the necessity of re-thinking the Regents' oversight role. He suggested adding more members to the Committee on Governance so as to improve the likelihood of securing a quorum. He stressed the importance of acknowledging the hard work of staff in OP, considering that morale there had reached a new low. He was hopeful that the restructuring of OP would not impair or eliminate vital functions such as community college outreach, institutional relationships, and student service work.

Regent Pattiz acknowledged that the role of Regents had changed substantially during his tenure. He cautioned that in the haste to delineate the responsibilities among the various constituencies at the University the Regents must take into account that in the minds of many the Board has the ultimate responsibility for everything. Because of the difficulties of the past few years, Regents have become involved in areas in which they had not previously been involved, sometimes inappropriately. He acknowledged, however, the impact of Sarbanes-Oxley and the fact that the public has become increasingly interested in the Board's decisions. The Regents must not abdicate their responsibility for assuring that the University operates correctly in a variety of areas.

Regent Parsky also acknowledged the changes in Regental roles. He advocated examining each Committee to ensure that its responsibility includes oversight in its substantive area. An appropriate measure of Regental involvement needs to be determined, but he believed that the involvement should be extensive. There is also the need to have Regents understand that being on the Board carries with it a substantial commitment of time. He commented that there is a need for a level of support to enable Regents to carry out their responsibilities. He stressed the direct responsibility of the Regents to oversee the safety and soundness of the University's financial condition, including the pension plan and the endowment.

In response to Regent Bugay's request for a timeline for action, Committee Chair Lansing reported that the Committee's work would proceed with Regent Kozberg continuing her work with the Secretary and Chief of Staff to develop the orientation and mentoring programs and Regent Schilling working with the Secretary and Chief of Staff to develop the code of conduct. The recommendations will be made available to the Regents in advance of the March meeting so that action may be taken. She reiterated the need to view the final document as being a living document that would be re-evaluated over time.

Regent Ruiz noted that the Board's committee structure posed challenges because of the open meeting law. He believed that the Regents' inability to participate in true committee meetings added to the Board's dysfunction.

Regent Hopkinson stated that she would find it useful to have General Counsel Robinson summarize the implications of Sarbanes-Oxley for the University.

Regent-designate Shewmake stressed the need for an accelerated orientation for those Regents with two-year terms. He believed that a summary of the major issues covered during the past ten or fifteen years would enhance their overall understanding of issues.

Regent Marcus recalled that the Board is a constitutional body. He was unclear, however, as to the role of the Legislature in relation to the duties and responsibilities of the Regents. He referred to SB 190, which modified Regental conduct and suggested that at the next meeting General Counsel Robinson briefly explain that relationship.

The meeting adjourned at 12:05 p.m.

Attest:

Secretary and Chief of Staff