The Regents of the University of California

COMMITTEE ON FINANCE
May 19, 2010

The Committee on Finance met on the above date at UCSF–Mission Bay Community Center, San Francisco.

Members present: Regents Bernal, Island, Makarechian, Schilling, and Varner; Ex officio members Gould and Yudof; Advisory members DeFreece and Simmons; Staff Advisors Abeyta and Martinez

In attendance: Regents De La Peña, Kieffer, Lansing, Maldonado, Marcus, Nunn Gorman, O'Connell, Reiss, Stovitz, and Zettel, Regents-designate Cheng and Hime, Faculty Representative Powell, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Provost Pitts, Executive Vice Presidents Brostrom and Taylor, Senior Vice Presidents Dooley and Stobo, Vice Presidents Beckwith, Broome, Duckett, Lenz, and Sakaki, Chancellors Birgeneau, Block, Blumenthal, Desmond-Hellmann, Drake, Fox, Kang, Katehi, White, and Yang, and Recording Secretary Harms

The meeting convened at 10:00 a.m. with Committee Vice Chair Varner presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of March 24, 2010 were approved.

2. **UPDATE ON THE GOVERNOR'S MAY REVISION TO THE 2010-11 BUDGET**

Vice President Lenz informed the Regents that the State legislative budget subcommittees would conclude their deliberations that week or the following week. The University has worked with the Governor's administration and the California Department of Finance and has succeeded in securing support for $355 million for capital facilities projects. Budget deliberations in Sacramento have emphasized job creation. The University has collaborated with the California State University (CSU) on an overall lease revenue bond package which the University believes will create over 5,600 jobs directly associated with these construction projects. He expressed optimism that the Legislature would support the administration's recommendation on these projects.

Mr. Lenz referred to the recent day of advocacy in Sacramento, a joint effort with CSU and the community colleges. He thanked the Governor for his commitment to UC, an action which is rare this early in the budget process. He recognized the role of Regent

Reiss on that day as Secretary of Education in outlining the issues faced by UC. The State is at a critical juncture concerning its investment in higher education.

The Governor's administration faces many difficult choices in this budget, and there are many competing issues of concern. It is difficult to compete with programs such as the California Work Opportunities and Responsibility to Kids (CalWORKs) program or the California Department of Child Support Services. However, the State can recognize the importance of higher education and the fact that the budget needs to maintain balance and vision.

Mr. Lenz emphasized the importance of collective advocacy for UC. He thanked the Academic Senate, the students, and other members of the UC family who have collectively gone to the Capitol to educate legislators and their staff and engaged in discussions with the Legislative Analyst and members of the administration to clarify UC's needs. He underscored that UC is asking for an effort to maintain quality and asked Regents to contact members of the Legislature to secure their support for higher education.

Mr. Lenz outlined the next steps in the budget process. The legislative subcommittees would finalize their actions, followed by a two-house conference committee that would deliberate the overall budget.

Regent Reiss recognized the advocacy efforts of the student Regent, the student leaders, and the chancellors. Prior to the May revision, they convinced the Governor of the importance of Cal Grants and their advocacy led to the restoration of Cal Grants to his State budget proposal.

3. **APPROVAL OF FISCAL YEAR 2010-11 BUDGET FOR OFFICE OF THE PRESIDENT**

The President recommended that the University of California Office of the President fiscal year 2010-11 appropriations be approved.

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Committee Vice Chair Varner called attention to the improvements and clarifications made in the presentation of the Office of the President (UCOP) budget in the last several years. These clarifications are helpful to the Regents in evaluating the costs and operations at UCOP.

Executive Vice President Brostrom observed that this presentation to the Regents was the fourth of its kind. It was designed to provide greater clarity about the purpose and the expenditures of the University's central administration. For the first time, the presentation makes a distinction between systemwide academic programs, core administrative functions, the Regents' direct reports, and the Academic Senate.

The proposed budget requests $438 million for UCOP for the upcoming fiscal year. This includes $242 million for systemwide academic programs, or 55 percent of the total budget. The budget proposal also requests $161 million, or 37 percent of the total budget, for core administration. This includes not only the immediate offices of the central administrative leadership, but a number of systemwide non-academic functions, such as administration of the UC Retirement Plan (UCRP) and UC benefits, administration of the systemwide budget, the Division of Health Sciences and Services, the Department of Financial Management, and the Division of External Relations. Smaller amounts are budgeted for the Regents' direct reports and the Academic Senate.

The current budget proposal is the culmination of a process that began in 2007, when UCOP presented its first stand-alone budget to the Regents in response to the adoption of Regents Policy 5101, Policy Regarding Approval of Annual Budget for the Office of the President. In a few years, UCOP has moved from having no real separate budget proposal to one which exhibits clarity, rigor, and comprehensive oversight. Key milestones in the process have been steady reductions achieved through UCOP restructuring; stringent controls on travel, personnel, entertainment, and other expenses; and a steadily improved understanding of the unique funding structure of UCOP, which is built on a combination of restricted, unrestricted, and "pass through" fund sources.

This complex funding structure was described by President Yudof in a September 2008 white paper. This document explained why the University, unlike a private company, is severely constrained in its ability to shift funds. Many of the hundreds of different fund sources which support UCOP are restricted to an intended purpose and are not fungible for other uses. Other fund sources flow through UCOP to the campuses or to multicampus research units. For this reason, the most valuable funds are those which are unrestricted and can be spent for a variety of purposes. Under President Yudof's leadership, the University has made a concerted effort to shift the use of unrestricted funds from administrative services to teaching and research priorities. In the first part of the restructuring process, only 38 percent of unrestricted funds were spent on these priorities; in 2010-11, this has increased to 57 percent. These funds have been used to meet a range of commitments, such as $6 million in operating support to UC Merced, and to avoid deep reductions to critical operations while making budget reductions mandated by the State. Mr. Brostrom presented a chart which showed a decrease in UCOP reliance on unrestricted funds in the period from fiscal year 2007-08 to fiscal year 2009-10.

The current budget proposal was developed to reflect UCOP's unique funding structure as well as to provide a full description of how and why functions are distributed throughout the organization. In addition to serving a clear core administrative function, UCOP over time has also acquired responsibility for the administration of dozens of systemwide academic programs, including activities such as the UC Press, the California Digital Library, the UC Education Abroad Program, and K-12 academic preparation. In some cases, administration of these programs has been provided centrally, to achieve maximum efficiency; in others, the goal is to provide neutral oversight over programs used by several different campuses.

The proposed UCOP budget represents 2.01 percent of the overall UC budget, while the part of the budget for core administration comprises only 0.74 percent of the total UC budget. This compares favorably to other public university systems, most of which do not have responsibility for functions such as systemwide retirement and benefits, centralized undergraduate admissions, and administration of National Laboratories.

Mr. Brostrom reported that a new funding stream initiative announced by President Yudof will return most State funds which support UCOP to the campuses and will allow campuses to retain almost all the fees they generate. In place of these funds there will be a low, broad-based tax on campus revenues. In order to carry out this initiative effectively, the UCOP budget must be transparent and there must be a robust debate about all UCOP functions.

The proposed budget reflects the results of three years of restructuring, during which UCOP has reduced the number of full-time employees through layoffs, voluntary separations, and vacancy eliminations. Since fiscal year 2007-08, UCOP has reduced its adjusted core budget by $85 million. Thirty million dollars of that amount represents transfer of programs to campuses; the remainder has been achieved through consolidations and restructuring. The number of FTE employees has been reduced by 28 percent during that time.

Mr. Brostrom outlined a few specific items in the proposed budget. While the University continues to focus on achieving additional administrative efficiencies, it faces new obligations. These include employee benefit costs, in particular the resumption of contributions to the UCRP, which began the previous month. The budget also reflects an obligation for multi-year State research funding of $19 million. In the past, the budget reflected only the annual expenditures, not the total appropriation. The current budget provides a more complete picture of this program. The budget restores funding for the successful Discovery Grants program, which is designed to strengthen and expand California’s economy through jointly sponsored industry-University research partnerships. The budget also proposes $4 million in one-time investments to support major systemwide information technology initiatives, including the undergraduate admissions “Apply UC” program, and a shared research computing services network. In addition to a previous commitment of $3.9 million, this represents a total of almost $8 million in information technology initiatives. These initiatives are projected to produce annual systemwide savings of at least $4 million, representing a return on investment of over 50 percent in a payback period of less than two years. Most of these increases have been made in restricted funding. They have been partially offset by additional reductions, including $5.6 million in permanent ongoing budget cuts achieved the previous year and cuts to be achieved in the coming year.

Mr. Brostrom expressed his commitment to an ongoing analysis of systemwide programs for their value and their opportunities to achieve greater efficiencies and to adequate reporting systems to track expenses and trends, as well as to impose high accountability standards. He reported that the UCOP Budget Office will implement a new budget tool acquired through the UCLA campus to allow for better projection and integration of costs. The UCOP budgets which have been presented to the Regents have reflected an evolving understanding of how UCOP is funded and have steadily moved to an increasing reliance on restricted funding sources. The UCOP budgets have provided greater clarity on how UCOP functions, both as a central administrative unit and as a unit which oversees administrative programs operated on behalf of the entire UC system.

Committee Vice Chair Varner stated that this budget proposal accomplished what the Regents had requested in the form of a concise, thorough, and accurate report.

President Yudof introduced UC Student Association (UCSA) president Victor Sanchez. Mr. Sanchez heralded the prioritization of higher education funding by the Governor in the May State budget revision and the preservation of Cal Grants. Students attribute this victory directly to their work. The joint advocacy efforts of UCOP and UCSA are productive and should be cultivated. Nothing is certain until the State budget is signed; students will continue to pressure the Legislature as negotiations proceed.

Mr. Sanchez decried recent incidents of racial intolerance and other forms of hate bias at UC, which have left a mark on the University's reputation. He noted that meetings have since taken place between students and administrators to discuss the incidents. He outlined some student demands, including the centralization of the UC police and the establishment of a liaison between UC police and students to avoid racial profiling and increased criminalization of communities of color, and the demand for funding to subsidize the work of student-initiated outreach and retention centers on UC campuses. Students feel skepticism about the University's response to its diversity crisis.

Mr. Sanchez expressed student concerns in light of certain recommendations put forward by the UC Commission on the Future, including concern about the possibility of an overreliance on student fees as a source of revenue to balance any future budget shortfalls and the wish for more dialogue with the University community, because the changes being contemplated will affect everyone at UC. He cited the item that would come before the Regents later that day, the amendment of the UC Student Fee Policy, as a positive example of consultation and openness and shared governance between students and administration.

Finally, Mr. Sanchez urged the University to exercise leadership on the issue of institutional financial aid for undocumented students at UC. These students have paid into the return-to-aid system without benefiting from it. They struggle to stay enrolled, work multiple jobs, manage to maintain high grade point averages, and contribute to their communities. Mr. Sanchez expressed students' support for such institutional aid and stated that this issue represents an opportunity for the Board to make a decision that is bold and progressive.

President Yudof expressed agreement with Mr. Sanchez about the effectiveness of student participation in UC advocacy efforts. He voiced support for establishment of a liaison between UC police and students. He reported that he had met with African

American student leaders and stated that the University would examine the situation of student-initiated outreach and resource centers.

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

4. **REPORT ON FINANCIAL AND ADMINISTRATIVE RESTRUCTURING AT THE UNIVERSITY OF CALIFORNIA**

Executive Vice President Brostrom reported that the Office of the President is launching an initiative to help drive and coordinate the myriad financial and administrative restructuring efforts taking place systemwide. Through this initiative, UC aims to maintain and strengthen its core values by redirecting savings from administrative costs to teaching and research. The University will streamline operations and implement operational efficiencies that will improve the quality of services to students, faculty, and staff. This effort is critical to building a sustainable financial future for the University. The UC Commission on the Future has also provided impetus to this effort. Two of the Commission's working groups cited administrative efficiencies as a key component to building a sustainable University in the coming decade.

The initiative has an obvious financial and budgetary imperative. Even with fee increases, other measures, and the Governor's proposed budget, the University finds itself with a budget gap close to $250 million in the coming fiscal year. Mr. Brostrom cautioned that this gap could grow to billions of dollars in the next decade if the University does not take action. Another imperative for this initiative is the fact that most UC campuses are already undertaking significant restructuring efforts. The Office of the President can play a valuable role by facilitating best practices and providing common solutions.

The initiative is taking place at three levels. The campuses are undertaking their own initiatives to various degrees. Campuses are also working together to examine regional opportunities for consolidation of financial, human resources, and procurement systems. There are also systemwide efforts to consolidate payroll systems, streamline business processes, and reduce the organizational complexity of UC as a whole.

Mr. Brostrom outlined four areas of focus in the campus restructuring initiatives. The first is organizational simplification, an examination of ways to streamline organizations and cluster services for greater productivity. The second area is procurement. The University is considering "e-procurement," an automated procurement system at the campuses to secure better contracts. The University has over 180,000 employees and over 220,000 students; it should be able to leverage these numbers for the most advantageous contracts in California. The third area is information technology, an area in which the University is decentralized and fragmented. Campuses have developed their systems autonomously. The University will pursue information technology consolidation on the campuses, regionally, and systemwide. The fourth area is energy efficiency. Efforts in this area have already borne significant savings for UC. The University is seeking to expand its strategic energy partnership with the utility companies in order to save tens of millions of dollars in the coming decade with energy efficiency projects on existing buildings and in new construction.

Chief Financial Officer Taylor noted that over the last ten years, the University has produced nine separate studies on administrative efficiency; six were generated by the administration and three by faculty. The UC Commission on the Future Funding Strategies Working Group recognizes that the time for another committee is long past. It is now time to move toward implementation. The current initiative seeks to leverage and share effective practices already in place at the campuses. For example, UCLA's financial system is also used to run the UC Merced and Office of the President financial reporting systems. This system could be leveraged for other campuses as well. UC Berkeley's Career Compass and human resources system is currently used by UC San Francisco; this could also be shared more broadly so that campuses do not invent new systems on top of existing systems. In procurement, Mr. Taylor reported that, the previous week, the University reached an agreement for a pooled graduate student health system. The current systems are haphazard, inconsistent, and costly. A pooled system for nine of the ten campuses will now provide better health care for graduate students, including for the first time vision and dental care, and generate savings of over $1 million annually. In information technology, a culture change is under way. Mr. Taylor observed that when he arrived at the Office of the President, there were 600 printers for 700 employees. Four hundred printers have been eliminated, saving over $300,000 annually. While this is a modest saving, it serves as an example of culture change and the redirection of resources to UC's academic mission.

Mr. Taylor then discussed the strategic investment program. One of the nine administrative efficiency studies he mentioned earlier examined the issue of applying resources to new initiatives. With a slight change to the design suggested in this study, the University will use its strong market access and low borrowing cost to set up an internal loan program for campuses for a broad range of purposes. Within the next month, the University hopes to launch a capital equipment leasing program. The University has over $408 million in leases outstanding at this time systemwide, at vendor interest rates as high as 9.75 percent. This program will allow campuses to lease equipment at the University's borrowing cost, which is less than half that for outside vendors. In the area of cross-campus collaborations, no-interest loans will be made available to campuses, payable over three to seven years, to cover up-front costs for a number of these programs.

A number of elements of this initiative build on already existing programs. Mr. Taylor recognized the efforts of Vice President Broome and others to promote best practices at the Office of the President and systemwide. These efforts are now paying dividends. Currently the University can document approximately $232 million in annual savings achieved through a variety of such programs; the goal now is to scale up these programs and increase savings. For example, in the area of financial restructuring, the University has expanded its Commercial Paper (CP) program, allowing it to avoid costly bank lines of credit and saving $9 million. The University has established the Total Return Investment Pool (TRIP), which has added $130 million in value in the current year. The University has implemented the Treasury Workstation software application, which allows it to invest money more efficiently overnight; this has produced $10 million in additional revenue in the current fiscal year.

Mr. Taylor next commented on the University's procurement initiatives. UC has achieved $48 million in annual savings through its strategic sourcing program and believes it can increase these savings significantly. The University has already documented $3 million in savings through implementation of Connexxus, a systemwide travel program, and anticipates possible savings of $15 million in the next fiscal year. Mr. Taylor drew attention to the fact that six California State University campuses and seven National Laboratories are participating in this program. With more participants, the University can secure better deals for itself and its sister institutions. In risk management, the University-controlled insurance program will save $17 million in the current year. UC is spending less on insurance by securing better bargains.

Mr. Brostrom observed that the University must build on its strengths, and one of these strengths is private philanthropy. There has been consistent growth in private philanthropy over the past few decades, but many gifts have been restricted and have not supported core qualities of the University – access and excellence. UC is examining other philanthropic models which honor and recognize the intent of the donors, but use gifts to support undergraduate access, faculty salaries, and graduate student fellowships. The University is examining all its processes. One example is extramural fund accounting. Five campuses have come together to adopt an open-source extramural fund accounting management system.

Mr. Brostrom concluded that this is an ambitious initiative, but that it comes at an appropriate time, when there is a financial imperative, a unique and strong consensus among the campuses, strong executive leadership, access to capital, and commitment to the University's core values.

Committee Vice Chair Varner praised Mr. Brostrom and Mr. Taylor for their work on the initiative and for achieving efficiencies without sacrificing quality.

Chairman Gould expressed support for the initiative and emphasized the importance of commitment by the campuses, and of UC faculty and staff recognizing the value of changing their practices in support of the greater good. In this case, the greater good is the return of support to academic programs. In spite of the Governor's tremendous commitment to UC, it was clear that there would be a substantial funding gap. This initiative would help to fill some of that gap and maintain UC's quality.

Regent Stovitz expressed his view that UC administrative and support services are too decentralized. He asked if there has been a consideration of whether this initiative will require increases in personnel, and if there has been a consideration of quality control. As an example, he asked if the University can ensure that campus departments will be able to procure necessary supplies without excessive paperwork. Mr. Brostrom responded that a substantial investment will be required for any of the proposed projects in order to realize savings. For example, the project to consolidate the UC payroll system over ten campuses and five medical centers will require the hiring of a project manager. The Berkeley campus is engaged in a comprehensive project and will set up a program office to administer it. Investments are necessary up-front to realize longer-term savings. Mr. Brostrom noted that many projects under consideration do not affect employee numbers. In the procurement area, a systemwide automated procurement system and better value in UC's contracts will lead to savings of tens of millions of dollars which will not affect a single employee. The same is true of energy efficiency projects.

Regent Schilling noted that some of the proposed projects have been discussed for a long time. She expressed surprise that they had not yet been implemented. She urged the University to take action on this initiative as quickly as possible. Mr. Brostrom responded that many actions have already been taken, particularly in financial matters. The Regents would receive regular reports on specific projects.

Staff Advisor Martinez emphasized the significance of cultural change. She expressed the hope that, as the initiative proceeds, there will be continued transparency and communication with UC staff about the proposed changes.

5. **RISK SERVICES UPDATE**

Chief Financial Officer Taylor referred to the preceding discussion on administrative efficiencies, which had mentioned savings achieved through the University's strong risk management program. The present discussion of the UC Risk Services program would demonstrate how UC can be strategic and innovative, and provide a good example of the process of needs and resource identification, new thinking, problem-solving, and work with external partners.

Chief Risk Officer Crickette provided an update on the University's Risk Services program, focused on UC insurance programs, mission continuity, safety and security, and enterprise risk management. The University has been moving from traditional risk management to strategic risk management, lowering its cost of borrowing, creating efficiencies, reducing cost of risk, and reducing information technology redundancy. In developing their ratings, rating agencies such as Standard & Poor's expressly take into account an organization's approach to managing enterprise or holistic risk.

The University's cost of risk is analyzed by an independent actuary. This analysis includes all retained losses, premiums, loss control costs, loss prevention costs, and administrative costs. Cost of risk has been reduced through investment in loss prevention and loss control programs as part of UC's overall enterprise risk management strategy. UC has achieved cost savings of $420 million in this area. The avoidance of even one claim can have a significant effect. The University's Enterprise Risk Management Information System (ERMIS) is able to provide timely information on risk to the leadership responsible for managing that risk. ERMIS provides a variety of qualitative and quantitative tools to help UC locations identity their risk and determine where to deploy resources strategically. ERMIS can define, highlight, and predict risk and risk trends. It can be adapted for various programs and operations. ERMIS automates manual processes and thus creates efficiencies; its flexibility reduces information technology redundancy.

Ms. Crickette presented an example of one risk management tool included in ERMIS, a "dashboard reporting" system which can show the types of claims occurring in a particular location, and in which departments employee injuries occur. With budget constraints and limited resources, it is critical that campuses and medical centers know where to deploy resources.

On a larger scale, this program allows the development of systemwide strategies to reduce the cost of risk. One example is the Be Smart About Safety program, a program for reducing employee injuries.

Strategic programs can produce dramatic results. Through strategic loss prevention and loss control, the University has reduced workers' compensation claim costs by 50 percent in four years. More importantly, employee injuries have been reduced by 39 percent in four years.

Similar strategies are being applied to other areas of risk, in particular in the University's general liability and professional liability programs. There has been an increase in frequency of incidents, primarily due to better reporting by the campuses, and because these programs have been expanded to cover other areas of risk. There has been an increase in severity in some areas.

Employment practices liability costs have increased due to increased reporting and because these costs now include non-litigated claims. Most employment claims with the University are not litigated. The University has formed an Employment Practices Improvement Committee, charged with developing strategies to mitigate this risk. There has been an increase in general liability program costs primarily due to threat and security claims.

Ms. Crickette noted that the automobile program costs have increased due to improvement in the reporting of automobile losses; University drivers' skills have not deteriorated. To address this challenge, a systemwide work group has formed which has developed a variety of preventive activities.

There has also been an improvement in the reporting of property claims. Property and other insurance program costs have increased because the assessed value of UC buildings and UC library and art collections has increased.

The University's medical malpractice claims have decreased. The number of claims has decreased by 34 percent. In severity, claims have decreased by 30 percent relative to exposure; however, the program costs have risen. The primary cause is the cost of medical care in the U.S., as lifetime medical care is often required to resolve these claims.

The University Controlled Insurance Program (UCIP) was recently implemented for insuring construction projects with values over $25 million. The University anticipates savings of 40 percent to 60 percent compared to contractor-provided insurance.

In the wake of the global financial crisis, significant attention is being paid to catastrophic risk and emerging risk. The University's enterprise risk management program can provide advance notice concerning emerging risk. UC's approach recognizes the need to be nimble and prepared and to develop tools to address issues large and small. Such tools include tools to ensure mission continuity, media and crisis communication programs, decision-making training, and scenario modeling exercises.

Mission continuity planning is in progress at all UC locations, not only at the location level, but also at the department level. "UC Ready," an award-winning continuity planning tool developed at UC Berkeley, is being used systemwide. Emergency preparedness continues to be an important focus. All UC locations have now completed an enterprise risk management plan which outlines current and projected activities. All but one location have developed a maturity rating aligned with Standard & Poor's.

UC regularly receives inquiries from private industry and public entities who wish to emulate the University's risk management program. This communication can help the University develop relationships and leverage the budgetary value of this program. Ms. Crickette emphasized the value of integrating enterprise risk management into strategic planning and looked forward to sharing more information with the Regents as the program matures.

Committee Vice Chair Varner expressed the Regents' appreciation for the UC risk management program.

Regent-designate Hime requested confirmation that the increasing automobile program costs were due to better reporting of accidents, not a greater number of accidents. Ms. Crickette responded in the affirmative. There had been a significant underreporting of losses, with minor incidents often not reported.

In response to another question asked by Regent-designate Hime, Ms. Crickette confirmed that UC was paying for these losses although they were not reported. A similar situation had existed for property losses. At many locations, facilities and maintenance staff were not educated about how the University's program would cover these losses. Campuses were paying premiums but operations-level employees were not reporting claims. The losses were paid for from a different campus budgetary source. The enterprise risk management program has corrected this situation and educated employees about how the program works.

In response to an observation by Regent-designate Hime, Ms. Crickette confirmed that increased reporting allows the University to control costs more effectively. If problems are not reported, the University cannot correct them.

6. **ADOPTION OF ENDOWMENT ADMINISTRATION COST RECOVERY RATE**

The President recommended that an endowment administration cost recovery rate of 45 basis points (0.45 percent)[1] be approved to apply to the distributions from the General Endowment Pool (GEP) to be made after July 1, 2010, from the eligible assets invested in the GEP. The funds recovered shall be used to defray, in part, the cost of administering and carrying out the terms of endowments on the campuses and at the Office of the President.

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Executive Vice President Brostrom recalled that the Regents annually adopt a rate for endowment administration cost recovery. These funds are used to cover the cost of compliance with gift terms, reporting, and other activities necessary to carry out the terms of endowments. The current recommendation was to increase the cost recovery from 40 basis points to 45 basis points; this proposed action would still not cover the total cost of endowment administration, but it would reduce the amount by which campuses are subsidizing endowment activities. Based on the most recent survey of the campuses, the University believes that the actual cost would be approximately 57 basis points. Mr. Brostrom remarked that this was an important step for the University's overall budget. Although the proposed change is only five basis points, it would provide an increase of over $2 million, bringing the total endowment administration cost recovery to approximately $21 million. This in turn would free up critical funding to support other University activities, such as additional advancement efforts to raise more private support for research, teaching, and public service.

Regent Schilling asked why the rate was not being increased to 57 basis points. Mr. Brostrom responded that, because of the sharp downturn in the General Endowment Pool in 2008, such an increase would result in a reduction in payout to individual endowment holders. A decision was made for an incremental increase this year to maintain a payout that is slightly higher than in previous years. The University intends to increase this rate, perhaps to 60 basis points, when market conditions allow.

Regent Schilling asked about the endowment administration cost recovery rates of UC's peer institutions. Mr. Brostrom responded that there is a wide range of rates. Some are as high as 75 basis points, while some are lower than UC's. The University has made a dramatic increase from about 15 basis points to 45 basis points in the last several years. The University's goal is to reach a rate where it can cover legitimate costs, around 60 basis points.

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

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[1] One basis point is 0.01 percent of yield (i.e., one hundred basis points equals one percent); 45 basis points are the equivalent of $45 on endowment assets with a 60-month average market value of $10,000.

7. **REPORT OF NEW LITIGATION**

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

General Counsel Robinson presented his **Report of New Litigation**, shown in Attachment 1. By this reference the report is made part of the official record of the meeting.

The meeting adjourned at 11:10 a.m.

Attest:

Secretary and Chief of Staff

Attachment 1

NEW LITIGATION AND ARBITRATION PROCEEDINGS

Report Period: 2/20/10 – 4/12/10
Regents Meeting
May 2010

Plaintiff	Location	Nature of Dispute Alleged by Plaintiff	Forum
		Employment Cases	
Dedo, Herbert H.	UCSFMC	Wrongful termination	San Francisco County Superior Court
Perez, Sandra	UCLAMC	Discrimination (hostile workplace)	Los Angeles County Superior Court
Ramirez, Anthony	UCLAMC	Discrimination (race, disability) and retaliation	Los Angeles County Superior Court
		Professional Liability Cases	
Ali, Kidus Abel, a minor, Yordanos Negewo, guardian ad litem	UCLAMC	Medical malpractice	Los Angeles County Superior Court
Bodden, Henry	UCSF-GHMC	Medical malpractice	San Francisco County Superior Court
Desmond, Pamela Jane	UCSFMC	Medical malpractice, wrongful death	Santa Rosa County Superior Court
Dunn, Nancy	UCSFMC	Medical malpractice	San Francisco County Superior Court
Ellspermann, Greg	UCLAMC	Medical malpractice	Los Angeles County Superior Court
Ferrer, Omni Maverick, a minor, Kayleen M. Ferrer,	UCSF-FRESNOMC	Medical malpractice	Fresno County Superior Court

guardian ad litem			
Gabelich, Debbie	UCDMC	Medical malpractice	Sacramento County Superior Court
Hakim, Alfred	UCLAMC	Medical malpractice	Los Angeles County Superior Court
Hamoui, Taha	UCIMC	Medical malpractice	Orange County Superior Court
Hu, Jiayin	UCLAMC	Medical malpractice	Los Angeles County Superior Court
Irizzary, Joseph (decedent), Gloria Irizzary	UCLAMC	Medical malpractice, wrongful death	Los Angeles County Superior Court
Laing, Christopher (decedent) Sasha Laing	UCLA-Santa Monica MC	Medical malpractice, wrongful death	Los Angeles County Superior Court
Moore, Mary	UCLAMC	Medical malpractice	Los Angeles County Superior Court
Mugica, Robert	UCIMC	Medical malpractice	Orange County Superior Court
Pegg, Ina Mae	UCLA-Santa Monica MC	Medical malpractice	Los Angeles County Superior Court
Pifari, Teresa	UCDMC	Medical malpractice	Alameda County Superior Court
Pogue, Leon H.	UCDMC	Medical malpractice	Sacramento County Superior Court
Reese, Alonzo D.	UCSFMC	Medical malpractice	San Francisco County Superior Court
Sain, Kanwair (decedent) Sudarshan Sain	UCLAMC	Medical malpractice, wrongful death	Los Angeles County Superior Court

Sattler, Sharon (in pro per)	UCSDMC	Medical malpractice	San Diego County Superior Court
Scott, Mekia	UCLAMC	Medical malpractice	Los Angeles County Superior Court
Servisair, LLC (Vergara, Andrew, Jr.)	UCLAMC	Medical malpractice cross-complaint	Los Angeles County Superior Court
Sreekanth, Ajay	UCSFMC	Medical malpractice	San Francisco County Superior Court
Trejo, Anthony	UCDMC	Medical malpractice	Sacramento County Superior Court
Weismuller, Nancy	UCSDMC	Medical malpractice	San Diego County Superior Court
Welch, Tiffany	UCSFMC	Medical malpractice	San Francisco County Superior Court
Wood, Caleb	UCDMC	Medical malpractice	Alameda County Superior Court

Other Cases

Coalition to Defend Affirmative Action	Systemwide	Constitutionality of Proposition 209	U.S. District Court, Northern District Of California
FTR International, Inc. (2 separate cases)	UCR	Breach of contract	Los Angeles County Superior Court
Liu, Su-Yang	UCLA	Dangerous condition of public property, negligence	Los Angeles County Superior Court
Matteson, Donald	UCD	Motor vehicle negligence	Yolo County Superior Court
Schram Construction (2 separate cases)	UCSF	Breach of contract	San Francisco County Superior Court

Stand Up For Berkeley! and Council of Neighborhood Associations	UCB	California Environmental Quality Act and Alquist-Priolo Earthquake Fault Zoning Act - California Memorial Stadium West project (seismic retrofit and program improvements)	Alameda County Superior Court
Zinn, Annette	UCDMC	Dangerous condition of public property, negligence	Sacramento County Superior Court

<u>Public Employment Relations Board ("PERB")</u>
<u>Unfair Practices Alleged by Charging Party</u>

Mraz, Christopher SA-CE-277-H	UCD	Charge alleges that employee was laid off in retaliation for his protected activity in opposing the UCD furlough plan and organizing his fellow employees to oppose the plan.	PERB
CUE (Coalition of University Employees) SF-CE-931-H	UCI	Charge alleges UC discriminated against CUE-represented employees by providing bonuses to non-represented staff while failing to offer any bonuses to represented employees and unilaterally imposing temporary layoffs.	PERB
CUE SF-CE-932-H	UCSF	Charge alleges UC made a unilateral change in job duties and work loads of specified classifications of employees and failed to bargain over the changes. Alleges UC also failed to provide information to the union about progress of promised equity fee adjustments.	PERB

CUE SF-CE-933-H	Systemwide	Charge alleges UC violated its duty to bargain by unilaterally imposing a required ethics training program for all represented employees without giving CUE notice and opportunity to bargain about changes to training policies.	PERB
CUE SF-CE-934-H	UCB	Charge alleges CUE employee was terminated because of his protected union activities.	PERB
CUE SF-CE-935-H	UCSF	Charge alleges UC has committed unfair labor practices, namely when it failed to bargain with CUE over the discontinuance of the FAS Bonus Program.	PERB
UPTE (University Professional and Technical Employees) and Smith, Tanya SF-CE-936-H	UCB	Charge alleges the layoff of union activist and elected bargaining representative Tanya Smith was in retaliation for her union activity.	PERB
CUE SF-CE-937-H	Systemwide	Charge alleges UC violated its duty to bargain with CUE by unilaterally changing the terms of certain employee benefit plans by increasing contributions and altering the terms of coverage of available plans.	PERB
CUE SF-CE-938-H	UCSF	Charge alleges UC violated its duty to bargain in good faith by unilaterally reducing the hours of its clerical and allied services employees without providing notice or opportunity to bargain over this decision.	PERB

CUE LA-CE-1092-H	UCSD	Charge alleges UC made unilateral changes to and added new layoff units without proper notice or bargaining with CUE, violating its duty to negotiate in good faith.	PERB
CUE LA-CE-1094-H	UCSD	Charge alleges that UC violated its duty to bargain in good faith over changes to terms and conditions of employment. During the status quo period after the expiration of the collective bargaining agreement but before impasse, UC imposed layoffs on unit employees without providing notice.	PERB
AFSCME (American Federation of State, County and Municipal Employees) LA-CE-1095-H	UCSD	Charge alleges UC refusal to provide information necessary to represent membership adequately, failure to schedule meetings to discuss working conditions, and refusal to abide by contract provision requiring establishment of staffing committees.	PERB