

The Regents of the University of California

**COMMITTEE ON FINANCE**

November 28, 2011

The Committee on Finance met on the above date by teleconference at the following locations: UCSF–Mission Bay Community Center, San Francisco; Activities and Recreation Center Ballroom, Davis campus; James West Alumni Center, Los Angeles campus; Kolligian Library, Room 232, Merced campus.

Members present: Regents Blum, Crane, Island, Kieffer, Mireles, Pérez, Reiss, Varner, and Wachter; Ex officio members Gould, Lansing, and Yudof; Advisory members Mendelson, Powell, and Stein; Staff Advisor Smith

In attendance: Regents De La Peña, Hallett, Marcus, Newsom, Pattiz, Ruiz, Schilling, and Zettel, Regent-designate Rubenstein, Faculty Representative Anderson, Secretary and Chief of Staff Kelman, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Provost Pitts, Executive Vice President Brostrom, Chief Financial Officer Taylor, Senior Vice Presidents Dooley and Stobo, Vice Presidents Darling, Duckett, Lenz, and Sakaki, Chancellors Block, Blumenthal, Drake, Fox, Katchi, Leland, White, and Yang, and Recording Secretary Johns

The meeting convened at 11:15 a.m. with Committee Chair Varner presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of September 14-15, 2011 were approved, Regents Blum, Crane, Gould, Island, Kieffer, Lansing, Mireles, Pérez, Reiss, Varner, Wachter, and Yudof (12) voting “aye.”<sup>1</sup>

2. **APPROVAL OF UNIVERSITY OF CALIFORNIA 2012-13 EXPENDITURE PLAN FOR CURRENT OPERATIONS AND 2012-13 BUDGET FOR STATE CAPITAL IMPROVEMENTS**

The President recommended that:

- A. The Committee on Finance recommend to the Regents that the expenditure plan included in the document, *2012-13 Budget for Current Operations*, be approved as the University’s request to the State for 2012-13 funding.

---

<sup>1</sup> Roll call vote required by the Bagley-Keene Open Meeting Act [Government Code §11123(b)(1)(D)] for all meetings held by teleconference.

- B. The Committee on Finance concur with the recommendation of the Committee on Grounds and Buildings to the Regents that the 2012-13 Budget for State Capital Improvements be approved.

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

Committee Chair Varner explained that this item represented the University's request for State funding in 2012-13. This request, if approved by the State, would restore a significant amount of State funding to the University. The current item would be reviewed again in January 2012, following issuance of the Governor's January budget proposal. Committee Chair Varner emphasized that the elements of this expenditure plan had been carefully considered.

Vice President Lenz discussed a report on the State's fiscal outlook released that month by the California Legislative Analyst's Office. The report indicates that the State faces a \$3 billion budget deficit in the 2011-12 fiscal year. The Legislative Analyst's Office also projects a \$9.8 billion State operating shortfall in 2012-13.

Mr. Lenz recalled that State support for the University had been reduced by \$650 million in 2011-12. State funding for UC was now at a base of \$2.37 billion. When the Legislative Analyst's Office released its 2011-12 revenue assumptions, the California Department of Finance indicated that it would activate a budget "trigger"; this would result in a \$100 million reduction in support for the University. Mr. Lenz noted that the University was negotiating with the Department of Finance to have this treated as a one-time reduction, in the hope that the \$100 million would be restored in the University's 2012-13 budget.

Mr. Lenz briefly outlined the University's 2011-12 budget shortfall of over \$1 billion, which includes the \$650 million reduction in State support and approximately \$362 million in mandatory costs. The University has addressed 26.3 percent of this shortfall with tuition increases; the remaining shortfall amount of \$746 million would have to be absorbed by the campuses. The Office of the President is seeking out alternative revenue sources, cost saving measures, and cost avoidance measures. The University's Working Smarter initiative aims to achieve a goal of \$500 million in savings in the coming four to five years.

Executive Vice President Brostrom stated that the 2012-13 expenditure plan addresses UC funding needs for increased pension contributions, employee health benefits, and collective bargaining agreements, as well as deferred maintenance, class size, faculty size, and other factors essential to preserving and enhancing the quality of the institution. The expenditure plan proposes a one percent growth in undergraduate enrollment in 2012-13, an increase of approximately 2,100 students, and seeks additional funding for nursing students and \$15 million for the UC Riverside School of Medicine. The University's entire request for increased expenditures amounts to approximately

\$412 million. Mr. Brostrom noted that if the University received this increased support from the State, there would be no need for an increase in tuition.

Committee Chair Varner praised the administration's work on the expenditure plan and noted that the plan reflected efficiencies which have been successfully implemented by the University.

The Committee recessed at 11:30 a.m.

.....  
The Committee reconvened at 12:40 p.m. with Committee Chair Varner presiding.

Members present: Regents Blum, Crane, Island, Kieffer, Reiss, Varner, and Wachter; Ex officio members Gould, Lansing, and Yudof; Advisory members Mendelson, Powell, and Stein; Staff Advisor Smith

In attendance: Regents De La Peña, Hallett, Marcus, Newsom, Ruiz, Schilling, and Zettel, Regent-designate Rubenstein, Faculty Representative Anderson, Secretary and Chief of Staff Kelman, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Provost Pitts, Executive Vice President Brostrom, Chief Financial Officer Taylor, Senior Vice Presidents Dooley and Stobo, Vice Presidents Darling, Duckett, Lenz, and Sakaki, Chancellors Block, Blumenthal, Drake, Fox, Leland, White, and Yang, and Recording Secretary Johns

3. **APPROVAL OF UNIVERSITY OF CALIFORNIA 2012-13 EXPENDITURE PLAN FOR CURRENT OPERATIONS AND 2012-13 BUDGET FOR STATE CAPITAL IMPROVEMENTS, CONTINUED**

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Blum, Crane, Gould, Island, Kieffer, Lansing, Reiss, Varner, Wachter, and Yudof (10) voting "aye."

4. **UNIVERSITY OF CALIFORNIA RETIREMENT PLAN – UNIVERSITY AND MEMBER CONTRIBUTION RATES BEGINNING IN PLAN YEAR 2013-14**

The President recommended that:

- A. University contribution rates for the University of California Retirement Plan (UCRP) beginning in Plan Year 2013-14 be at the rate of 12 percent, with the University contribution rate for the historical Tier Two program (15 active members as of July 1, 2011) remaining at one half of the University contribution rate for other members.
- B. Member contribution rates beginning in Plan Year 2013-14 for non-Safety active members on June 30, 2013 be at the rate of 6.5 percent, the rate of 7.5 percent for

Safety members and remain at zero percent for the historical Tier Two program, subject to collective bargaining for represented members.

- C. The University contributions and the member contributions for the Lawrence Berkeley National Laboratory (LBNL) segment of UCRP be made on the same basis as in A. and B. above, subject to the terms of the University's contract with the Department of Energy and subject to collective bargaining for represented members at LBNL.
- D. Authority be delegated to the Plan Administrator to amend the Plan documents as necessary to implement these changes.

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

Committee Chair Varner briefly introduced the item.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Blum, Crane, Gould, Island, Kieffer, Lansing, Reiss, Varner, Wachter, and Yudof (10) voting "aye."

5. **GRANT OF THIRD PARTY INDEMNITY FOR CALIFORNIA COASTAL COMMISSION PERMIT FOR THE LAGOON RESTORATION PROJECT, SANTA BARBARA CAMPUS**

The President recommended that:

- A. The Regents approve acceptance of risks and grant of indemnity in connection with the Santa Barbara campus' receipt of the Notice of Impending Development for the Lagoon Restoration Project from the California Coastal Commission for the Lagoon Restoration Project, which permit is conditioned on the Regents (i) assuming the risks to the project of injury or damage from hazards of storm waves, surges, bluff erosion and flooding, and (ii) indemnifying and holding harmless the Commission, its officers, agents and employees with respect to any liability arising from the Commission's approval of the project.
- B. The President, or designee, after consultation with General Counsel, be authorized to approve and execute any documents necessary in connection with the above.

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

Committee Chair Varner briefly introduced the item.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Blum, Crane, Gould, Island, Kieffer, Lansing, Reiss, Varner, Wachter, and Yudof (10) voting "aye."

The meeting adjourned at 12:45 p.m.

Attest:

Secretary and Chief of Staff