

**THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
MEETING AS A COMMITTEE OF THE WHOLE**

March 28, 2012

The Regents of the University of California met on the above date at UCSF–Mission Bay Community Center, San Francisco.

Members present: Regents De La Peña, Hallett, Island, Kieffer, Lansing, Lozano, Makarechian, Mireles, Newsom, Pattiz, Pelliccioni, Reiss, Ruiz, Varner, Wachter, Yudof, and Zettel

In attendance: Regents-designate Mendelson, Rubenstein, and Stein, Faculty Representatives Anderson and Powell, Secretary and Chief of Staff Kelman, Associate Secretary Shaw, Deputy General Counsel Birnbaum, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Provost Pitts, Executive Vice President Brostrom, Chief Financial Officer Taylor, Senior Vice Presidents Dooley and Stobo, Vice Presidents Allen-Diaz, Beckwith, Darling, Duckett, Lenz, and Sakaki, Chancellors Birgeneau, Block, Blumenthal, Desmond-Hellmann, Fox, Katehi, Leland, White, and Yang, and Recording Secretary McCarthy

The meeting convened at 8:40 a.m. with Chairman Lansing presiding.

1. REMARKS OF THE CHAIRMAN OF THE BOARD

Chairman Lansing congratulated UC students on their successful March 5th rally in Sacramento and noted the positive impression made by thousands of students from UC, the California State University, and the community colleges banding together to let State officials know of the importance of public investment in higher education. She expressed her opinion that the combining of the Governor's tax initiative with the Millionaires Tax of 2012 was a result of the voices of so many students getting the attention of legislators.

Chairman Lansing stated that, to build on the success of the students' rally, the Regents and students would meet jointly with legislators to communicate that higher education should be a priority, with no further funding cuts and immediate reinvestment in higher education. The promise of the California Master Plan for Higher Education was to provide the highest quality public education and the broadest opportunities for California's future leaders. This promise cannot be realized if the State continues to enact massive cuts to UC funding.

2. REMARKS OF THE PRESIDENT OF THE UNIVERSITY

President Yudof stated that, while he normally does not take a position on political matters, he believes that the Governor's tax initiative proposal for the November ballot is the best opportunity for the State to recover from its recent period of fiscal uncertainty and move forward into a better, more prosperous future. He stated that he intends to

support the measure personally and that he would recommend to the Board at a future meeting that it support the measure as well. He stated that the tax initiative would help not only UC, but also the California State University, the community colleges, K-12 education, health care, public safety, parks, and libraries. It would help to restore California's place as a monument to the value of a commonwealth society, willing to invest in the present to ensure a brighter future for generations to come. President Yudof acknowledged that the Regents do not all share similar points of view, but expressed certainty that all Regents care deeply about the future of California and UC. The Governor's initiative would not be a panacea, but would offer the best promise to recover from an epoch of dismal decline in State support for higher education going back more than two decades.

President Yudof reported that progress had been made in discussions with Sacramento leadership about a long-term financial plan for State funding for UC. He expressed hope that Executive Vice President Brostrom, Senior Vice President Dooley, Vice President Lenz, and others would continue to make progress toward an agreement. One item being discussed is a buyout of any tuition increase for the 2012-13 fiscal year. President Yudof expressed cautious optimism that an agreement could be reached, although the support of the Governor, the Assembly, and the Senate would be required for any agreement.

3. PUBLIC COMMENT

Chairman Lansing explained that the Board had been convened as a Committee of the Whole in order to permit members of the public an opportunity to address University-related matters. The following persons addressed the Board concerning the items noted:

- A. Mr. Jonathan Ly, external vice president of the Associated Students of the University of California at Merced and vice chair of the University Affairs Committee of the Associated Students of the University of California, expressed optimism about the possibility of a buyout of tuition increases for the upcoming fiscal year. He urged the Board to keep student leaders informed regarding these discussions.
- B. Mr. Kevin Huang, UC Santa Cruz undergraduate student, while noting potential benefits of current negotiations regarding State funding for UC, expressed concern about the possibility of regular future tuition increases. He stated that the proposed Millionaires Tax of 2012 would eliminate the burden of continued fee increases for students. He stated that student tuition is too high and urged the Board to adopt an agreement with the State only if it included no mandatory future tuition increases.
- C. Ms. Lana El-Farra, UCLA undergraduate student and member of the board of directors of the United States Student Association, stated that she had recently returned from a conference in Washington, D.C. where 300 students, including 90 UC students, marched to the Capitol to call attention to the high level of student debt and its effect on students. She asked why students from a public

university would need to lobby Congress about the effects of student loan debt. She stated that there is an increasing gap between the level of tuition and available student aid, particularly for middle-class students. She noted that Speaker Pérez had introduced a Middle Class Scholarship Plan, which would reduce tuition by up to two-thirds for families making less than \$150,000 annually by closing a corporate tax loophole. Ms. El-Farra stated that the UC Student Association supports the Plan, which would help up to 42,000 UC students; she urged the Regents to support it as well.

- D. Mr. Chris LoCascio, third-year UC Riverside student and president of FixUC, stated that FixUC had released its student investment proposal the past January, outlining a funding model that would eliminate tuition for all UC students, and substitute a system under which students would pay the University a small percentage of their post-graduation income for 20 years. He stated that this model would allow any student to attend UC with no financial burden, while substantially increasing revenue for UC. Mr. LoCascio stated that on this day FixUC would release a second model, incorporating a \$30,000 annual income threshold for contributions and a cap on contributions for income above \$200,000 annually. In addition, the new model includes a process through the Internal Revenue Service for the collection of graduate contributions for American universities that would choose to adopt similar funding models. He expressed hope that FixUC would be able to continue to work with the Office of the President and the Board on this proposal.
- E. Mr. Kam Hekmat, a Westwood real estate developer, urged the Board to defer approval of the UCLA Luskin Conference Center budget amendment to allow time for consideration of issues raised in opposition to the project. He expressed his opposition to the project because of what he characterized as questionable financial projections, including understated costs and overstated potential revenues. Mr. Hekmat also stated his view that the proposed location of the conference center would be unsuitable for both UCLA and Westwood. He commented that it would not be necessary for the conference center to have a hotel that would create unfair competition for local hotels. He also stated his opinion that approval of the budget amendment at the current time would be prohibited by provisions of the California Environmental Quality Act (CEQA).
- F. Ms. Suzanne Mellen, senior managing director of HVS, a global hospitality consulting firm, stated that her firm was retained by Laura Lake of Save Westwood Village to prepare an independent forecast of income and expenses, specifically a forecast after debt service and the full cost of capital, for the proposed Luskin Conference Center at UCLA. She stated that, although her firm is not in complete agreement with the occupancy and average rate forecasts used in the project plan, HVS was comfortable enough with the figures to use them as a basis for its forecasts. She stated that there is not too great a discrepancy between HVS's forecast of income and expenses and that of PKF Consulting USA, the

company she stated was retained to perform a market study regarding the project for UCLA.

Ms. Mellen stated that HVS prepared a forecast of debt service based upon the project's funding. HVS then calculated an additional cost of capital to provide for the buyout of the parking garage, which she stated her company had been told was necessary to take into account when considering the financing of the project. She stated the parking garage buyout would be \$32 million, based upon a specified cost per space. HVS concluded that cash flow to the project after debt service and full cost of capital would be negative until year 20 of the forecast.

Her firm's economic valuation of the proposed project concluded that the project would be worth \$310,000 per room on the date of opening, and approximately \$416,000 per room in the tenth year. These figures compare with a project cost of \$780,000 per key, including the parking buyout. Without the parking buyout, the project cost would be \$650,000 per key. Ms. Mellen characterized these costs as extraordinary for any hotel. She stated that currently, hotel conference centers are rarely developed anywhere in the United States, because of the development and operational risk together with the challenge of sustaining a sufficient occupancy rate to support the full cost of the project.

- G. Ms. Pamela Palmer, UCLA alumna and landscape architect, expressed her hope that the Regents would alter UCLA's planned sale of the Hannah Carter Japanese Garden. She stated that in 1964 former Regent Edward Carter donated his home and funds for the garden, with the agreement that UCLA would maintain the garden in perpetuity. She stated that UCLA now plans to sell the garden, the explanation being that the garden is not used for educational or research purposes. Ms. Palmer stated that the garden's beauty and cultural significance have inspired her and many other UCLA students. She urged the Board to consider the alternatives that are being developed by many local groups who have offered to partner with UCLA to manage the garden.
- H. Mr. Jon Welner, of the law firm of Jeffer, Mangels, Butler, and Mitchell LLP, stated that he represented five hotels located near UCLA, the Hotel Association of Los Angeles, and Save Westwood Village. He expressed his view that consideration of the UCLA Luskin Conference Center item was premature under CEQA rules. He also expressed disagreement with the proposal's assumptions about the Conference Center's exemption from liability for local hotel taxes, transient occupancy taxes, and federal taxes. He urged the Regents to postpone a decision regarding the Luskin Conference Center so they could consider these issues.
- I. Mr. Victor Quintanar, a UC Irvine graduate student in biomedical engineering, thanked the Regents for their acknowledgment of issues surrounding the student health centers, such as privacy and possible cost increases. He stated that, since polls have revealed strong taxpayer support for higher education, the Governor's

tax initiative would be more likely to pass if it included a provision that would guarantee that the measure's tax proceeds go to higher education. He also urged the Board to support AB 1500, which would provide financial support to middle class students.

- J. Mr. Matt Williams, UC Berkeley student and member of the Coalition to Defend Affirmative Action, Integration, and Immigrant Rights and Fight for Equality By Any Means Necessary (BAMN), expressed concern about the University's use of pepper spray on students who were protesting cuts to funding for higher education.
- K. Mr. Todd Senigar, a native of the Bayview-Hunters Point district in San Francisco and former employee of UCSF, noted the importance of UC to academics and medicine, but stated that he and some fellow UCSF employees were retaliated against for protesting civil rights violations at UCSF. He expressed his view that there is a systemic problem that has a chilling effect on those who would stand up for their rights.
- L. Mr. Harrison Weber, president of UC Santa Barbara Associated Students, expressed concern that the 1.698 percent tax from the Office of the President would unfairly affect student-initiated referenda.
- M. Mr. Benjamin Lynch, assistant research physicist at UC Berkeley and member of BAMN, stated his dissatisfaction with the conclusions of the report issued the prior week regarding the police action of November 2011 at the Berkeley campus. He stated that the report found that police should have been able to use pepper spray on student protestors, and he expressed his opposition to the use of pepper spray. Mr. Lynch expressed his view that the University's pursuit of charges and stay-away orders against student protest leaders is against the ideals of UC.

4. **REMARKS OF THE CHAIR OF THE ACADEMIC SENATE**

Faculty Representative Anderson reported that Academic Senate members would vote this spring on a Memorial to the Regents. He explained that a Memorial is the Senate's most formal way to convey the views of Senate members to the Regents, and is used only sparingly for matters of great importance. This Memorial notes the consequences of the State's disinvestment in higher education, including the 80 percent increase in tuition in recent years, and the fact that student fees currently provide more revenue to UC than the State does. The reduction in State funding has outpaced the growth in tuition revenue resulting in a higher student/faculty ratio, larger classes, reduced depth and breadth of course offerings, staff layoffs, and a lack of investment in critical infrastructure. Mr. Anderson stated that the State's disinvestment in higher education has created a crisis for UC which threatens its survival as the world's leading public university. He stated that the Memorial identifies the two causes of reduced State funding for higher education: falling State revenues combined with the decreasing fraction of the State's budget devoted to higher education.

The Memorial calls for action to address both of these causes, and calls on the Regents to support specific ballot measures and legislation that would increase State revenues and prioritize funding for higher education. Mr. Anderson urged his colleagues on all ten UC campuses to cast a vote on the Memorial. UC is at a crossroads and faculty voices must be heard on this issue critical to the survival of the University. He would report the outcome of the faculty vote to the Regents at the May meeting.

The meeting adjourned at 9:20 a.m.

Attest:

Secretary and Chief of Staff