

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

November 2-3, 2015

The Regents of the University of California met on the above date at the UCLA Lake Arrowhead Conference Center, 850 Willow Creek Road, Lake Arrowhead, California.

Members present: Regents Davis, De La Peña, Elliott, Gorman, Gould, Island, Kieffer, Lansing, Lozano, Napolitano, Ortiz Oakley, Oved, Pérez, Reiss, Ruiz, Sherman, Varner, and Zettel

In attendance: Regents-designate Brody, Ramirez, and Schroeder, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Chief Investment Officer Bachher, Provost Dorr, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Executive Vice President Stobo, Senior Vice Presidents Henderson and Peacock, Vice Presidents Budil and Humiston, Chancellors Blumenthal, Dirks, Gillman, Hawgood, Katehi, Khosla, Leland, Wilcox, and Yang, and Recording Secretary McCarthy

The meeting convened at 1:05 p.m. with Chairman Lozano presiding.

1. PUBLIC COMMENT

There were no speakers wishing to address the Regents.

2. REMARKS OF THE CHAIRMAN OF THE BOARD

Chairman Lozano welcomed the participants to the retreat, the first to include UC chancellors and senior administrators from the Office of the President in addition to the Regents. The Retreat would offer an opportunity to focus collaboratively on the larger, long-term issues facing UC. Chairman Lozano said she had asked President Napolitano to reflect on her first two years as President of UC and her goals for the University.

3. STRATEGIC OVERVIEW OF THE UNIVERSITY OF CALIFORNIA

President Napolitano expressed her hope that this first off-site Board retreat to be held in seven years would be a time to consider the University's future without the pressure of the typical business of a regular Board meeting. She would set forth her vision for the University, mindful that no one person dictates UC's future. The University is a collective of many important voices, including administration, faculty, students, alumni, State and federal officials, and the California public. The public is concerned about rising costs, and ensuring the accountability and high quality of the state's public research university.

President Napolitano stated that the University should be the best public research university in the world, including being best at creating an environment in which new knowledge is acquired and innovation is encouraged; best at marshalling the University's collective strength to address some of the world's most pressing problems; best at adapting to changing times and to different ways of thinking and learning; best at providing access to all academically qualified students; and best at providing its students the opportunity to find their passions and pursue them without the fear of graduating with a large amount of student debt.

UC is already the best in many areas, including in its mission as a public university. President Napolitano cited recent rankings, statistics, and initiatives demonstrating UC's leadership in providing access to qualified students from low-income families, and demonstrating the high quality of its faculty, research, and innovation. The collective power of UC's ten campuses is being leveraged to solve the world's most pressing problems, for example through UC's Global Food and Carbon Neutrality Initiatives. President Napolitano discussed UC's resilience, in spite of nearly \$1 billion in State funding cuts to UC's core operating budget during the 2008 financial crisis and following recession.

President Napolitano highlighted priority areas for improvement, including the diversity of UC's students and faculty; time-to-degree rates; delivery of education; business efficiencies; and over-reliance on State funding and tuition to support its core operating budget. Work is underway to enhance the University's diversity and early outreach programs for both students and faculty from underrepresented minority groups and to streamline the transfer process. Assessment is being conducted of ways to best deliver a high-quality education and ensure that students graduate on time, including exploring adaptive learning technologies; using data analytics to help identify at-risk undergraduates; expanding offerings of high-demand gateway courses; developing three-year degree pathways for some majors; and increasing opportunities for summer enrollment and online learning options. Efficiency reviews have led to reforms of procurement and insurance, and changes to underlying business practices. UC's revenue model is being reconsidered and alternative revenue streams are being expanded, such as technology transfer and philanthropy.

The University must prepare to meet future challenges of projected increased enrollment demand and possible reductions in federal research spending. President Napolitano would form a council of economic advisors to help assess the University's fiscal outlook. Public skepticism exists about all public institutions including UC. The University must compete for top talent with private institutions that are not subject to the same public scrutiny.

The meeting recessed at 1:40 p.m.

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The meeting reconvened on November 3, 2015 at 8:05 a.m. with Chairman Lozano presiding.

Members present: Regents Davis, De La Peña, Elliott, Gorman, Gould, Island, Kieffer, Lansing, Lozano, Napolitano, Ortiz Oakley, Oved, Pérez, Reiss, Ruiz, Sherman, Varner, and Zettel

In attendance: Regents-designate Brody, Ramirez, and Schroeder, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Chief Investment Officer Bachher, Provost Dorr, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Executive Vice President Stobo, Senior Vice Presidents Henderson and Peacock, Vice Presidents Budil and Humiston, Chancellors Block, Blumenthal, Dirks, Gillman, Hawgood, Katehi, Khosla, Leland, Wilcox, and Yang, and Recording Secretary McCarthy

4. PUBLIC COMMENT

There were no speakers wishing to address the Regents.

5. THE VALUE OF THE UNIVERSITY OF CALIFORNIA, THE UNIVERSITY'S FINANCIAL MODEL, AND INSTRUCTIONAL DELIVERY METHODS

Chairman Lozano briefly introduced the discussion of the value of the University, its financial model, and UC's instructional delivery methods. Ideas would be suggested at this meeting, and later reviewed to identify those which could be actionable over various time periods, with ultimate follow-up for action.

Regent Kieffer and Chancellor Dirks reviewed ideas about the value of the University of California. In advocacy efforts, a broad, specific communications plan must be tailored to various target audiences. Legitimate questions of the public and the Legislature must be addressed. Critical elements of the message about UC are its role in social mobility, innovation, and research. Underlying UC policies must also be addressed internally and communicated to external groups.

Chancellor Dirks enumerated suggestions of ways to better communicate the value of UC to a range of constituencies, including some that have been difficult to reach. Regent Kieffer emphasized that a communications strategy must include the difficult work of developing a specific plan for each constituency, customizing every possible tool for each group. First, the underlying data needed to develop this plan must be obtained, using polls, focus groups, and existing information that may be available to some portions of the University. Regents would welcome having information on major communications points. Some Regents would be willing, with specific plans, to assist in fundraising for the University; some Regents would be willing meet with legislators. Regents would welcome specific invitations to visit UC campuses for particular occasions, to participate with campus foundations, or with students in ways that the chancellors feel could be helpful. Chancellor Dirks affirmed that it would be very helpful to increase communication among chancellors and Regents, at times and places other than Board

meetings. Chancellor Dirks addressed the difficulty of communicating the value of UC research to the public and Legislature, which often do not appreciate how UC research directly affects them.

Chancellor Dirks observed that admission policy is a crucial area for messaging, including transfer access and out-of-state enrollment. Whether their children can gain admission to UC is clearly of utmost importance to California families and this concern involves underlying internal UC policy issues that must be honestly addressed. Regent Kieffer noted that students are often the most effective communicators about UC. New methods should be developed using social media, successful alumni, polling, focus groups, and private funding to support publicity campaigns. UC could use more spokespeople to communicate with the press, working in coordination with the President of the University or the Chairman of the Board.

Regent Kieffer reviewed suggested areas of action, such as encouraging lifelong loyalty among UC alumni and sharing related best practices among campuses. A rapid response team should be developed to deliver a confident response and hold the press accountable for inaccurate reporting.

Regent Lansing expressed her view that this campaign should be viewed as a movement to change the perception of UC by the public and the Legislature. The University already has the beginnings of a campaign, in short video pieces made for a prior campaign. Students are the best advocates for UC with the public and the Legislature.

Regent Reiss expressed support for a major campaign over several years, spearheaded by the Office of the President, and using students, social media, successful alumni, members of the agricultural community, and leaders of organizations involved in advocacy regarding climate change.

Regent Gould commented on the importance of using focus groups to determine existing attitudes as a starting point for a communication campaign, in order to gain an understanding of how UC is viewed by different groups. A broad communication message must be molded to address the different concerns of various groups.

Regent-designate Ramirez expressed her view that the core message to be communicated to prospective students is “UC is for Me” highlighting UC’s diversity.

Regent Kieffer commented that reports on UC’s health system should be separated from reports on UC’s core mission, to achieve clarity in communications.

President Napolitano summarized that the University must have modern tools necessary for a permanent campaign, including data about current attitudes from focus groups used over time. The Office of the President should prepare a specific budget for a communications campaign, possibly one conducted in conjunction with the other segments of California public higher education.

Regent Sherman related suggestions about UC's financial model. Compared with private colleges, UC's philanthropy is hurt by its inability to offer legacy admissions. Unrestricted gifts are the most beneficial. Proposals to consider included charging differential tuition for various majors according to their cost of instruction; securitizing revenue streams from intellectual property, or other UC assets such as housing or parking, to accelerate income without giving up ownership; maximizing indirect cost revenue; selling services that UC does well to third parties; enhancing entrepreneurship and technology transfer; maximizing ownership of and revenue from patents; using a portion of UC medical center revenue to support UC's general campuses; and developing a UC 529 plan managed by the Office of the Chief Investment Officer.

Chancellor Khosla added the proposal that UC should offer more master's degrees, which are needed by the California economy and could generate revenue for UC. Revenue from master's degree programs could help subsidize Ph.D. programs, freeing up funds for undergraduate education.

Regent Sherman commented on ideas relating to administrative efficiencies. Retiree benefits management, particularly post-retirement medical benefits, are a huge liability. UC must carefully examine its promises of future benefits. Other suggestions include managing construction and procurement costs systemwide; considering a program of voluntary repayment of financial aid through a recipient's career; integrating systems according to best practices; using public-private partnerships and new ways of structuring development contracts; determining the predictability of State funding. UC should continue to develop philanthropy and optimize asset management.

President Napolitano commented that as a public institution UC is subject to a much higher level of oversight regarding its management than private universities.

Regent Varner added that it would be beneficial to pursue opportunities for research to address specific needs of the private sector.

Regent Oved commented that sources of funding other than increasing tuition should be considered first.

Regent Sherman suggested that advantageous procurement contracts could be publicized.

Regent Ortiz Oakley said the University should be very clear about what it needs from the State to maintain UC's academic quality. The University should use its expertise to develop clear proposals to create predictable, reliable State revenue. The upcoming gubernatorial campaign would offer an opportunity to set a policy agenda for the next governor.

Executive Vice President and Chief Financial Officer Brostrom commented that efforts should be focused in areas that can yield the greatest revenue including philanthropy, management of financial assets, health benefits, and pensions. He asked the Regents to

remain cognizant of the monetary effect of even small changes in these areas when they consider items at Board meetings.

Regent Oved and Chancellor Gillman discussed suggestions regarding UC's educational delivery model. Regent Oved cited the need to balance competing goals such as maximizing graduation rates, while increasing accessibility and allowing students to take full advantage of their time at UC; access for freshmen versus transfer students; and reducing costs versus providing needed student services. Chancellor Gillman emphasized the great diversity of UC's student population. Recruiting strategies for students and faculty must focus on underrepresented groups. Suggested areas of action are to reach out earlier to high schools and community colleges, including through summer programs and internships. On-campus student advising should be robust and use predictive analytics to identify at-risk students. Curriculum and teaching could be adapted to improve student outcomes. Regent Oved noted student and faculty opposition to substituting online courses for a classroom experience; a hybrid model of online education could be used strategically and include personal interaction with teaching assistants. Students' interpersonal skills cannot be developed online.

Chancellor Gillman noted recommendations for sharing best recruitment, outreach, and student support practices among campuses. Gateway courses should be taught in a way that enables success of the largest possible number of students. Faculty should be drivers of change in areas that concern teaching. Staff are crucial in outreach and student support, enabling UC to maintain its high graduation rates. Online course options can be helpful for students who work or have family responsibilities. Bottleneck courses could be offered at more times, online, from another UC campus, or during summer session. Regent Oved added that summer courses are more expensive because students cannot use Pell Grant funds. Effort should be made to enroll UC students from a wider group of community colleges and to reach out earlier to potential transfer students. Chancellor Gillman added the suggestion that financial incentives could be used to encourage students to finish their degrees earlier, including reducing the price of summer session courses, providing financial aid for summer courses, and offering tuition breaks for students who graduate in four years. Providing more on-campus jobs would help students stay on track, particularly for students who work off campus and are at academic risk. Financial models would be more accurate if they accounted for the additional costs that campuses incur in supporting at-risk students. Focusing solely on reducing the cost of education can conflict with UC's core values of access and could put the future of the state at risk.

Chancellor Katehi commented on the need for increased post-graduation placement services for UC undergraduates, very important to students, their families, and California industry. Post-graduate placement services would also encourage ongoing alumni involvement with their campuses. A first step would be to measure how successfully UC undergraduates are being placed currently.

Regent Reiss commented that UC should be on the cutting edge of online education, and must determine how to incorporate credit from online courses taken from other

universities, and how to allocate UC tuition for students who take an online class from another UC campus. Bold new initiatives are needed to increase student and faculty diversity, particularly increasing outreach to students from low-income areas who think they cannot afford UC.

Vice President Humiston suggested linking higher education to economic development, by engaging with the University Economic Development Association, and linking with businesses using UC resources. Publicity efforts could engage UC's many powerful Agriculture and Natural Resources (ANR) programs such as 4-H, County Cooperative Extensions, master gardeners, master naturalists to link UC with economic development. A recently developed ANR volunteer management system could be used to help with UC advocacy.

Regent Lansing emphasized the importance of publicizing that students whose families earn up to \$80,000 per year pay no tuition at UC.

Regent Ortiz Oakley commented that many of these issues are the domain of faculty and recommended that the Regents engage the faculty in consideration of questions involving admissions and educational delivery systems.

Chairman Lozano commented that these suggestions would be prioritized. Many decisions involve trade-offs between competing values.

Regent Zettel noted that decision-making in a shared governance context can sometimes be slow and suggested incentivizing faculty who are leaders in areas of desired change. Regent Oved noted the importance of financial support for students from middle-income families.

Regent Island expressed his view that efforts to reduce time to degree must include analysis of which students take longer to complete their degrees and what factors contribute to delays. UC researchers could be used to obtain these data. Graduating in six years can be a tremendous accomplishment for certain UC students.

Regent Kieffer suggested that the Regents should ask the chancellors for specific ways that Regents could assist in chancellors' efforts on their campuses.

President Napolitano agreed with Regent Oved's concern about financial support for students from middle-income families. Controlling housing and food costs for all students should be a high priority. She also agreed with Chancellor Katehi's comments about increasing undergraduate placement services. President Napolitano suggested that Provost Dorr give a presentation to the Regents about available data on students who take longer than four years to graduate. President Napolitano suggested a presentation by the Board of Admissions and Relations with Schools (BOARS) to the Regents about the UC admissions process, including how factors such as the Scholastic Aptitude Test are used. It would be helpful to solicit suggestions about ways to measure UC's progress in improving diversity after Proposition 209. President Napolitano agreed that the current

structure of Regents' meetings does not facilitate discussion of larger issues or receiving input from the chancellors.

6. **BOARD OPERATIONS AND GOVERNANCE: DEFINING A STRATEGIC BOARD**

Chairman Lozano introduced the discussion of Regents' governance. Regent Gould reviewed suggested ways to improve Board operations. Regents would prefer to use meeting time to focus on significant policy issues, and receive transactional information in written reports or quick presentations that highlight key information the Regents need to know. Policy issues such as admissions, diversity, time to degree, and finance should be considered in the appropriate committees, but a major publicity campaign for UC should involve the whole Board. The number of Regents' committees could be reduced and committees reshaped to focus on the most important long-term issues. Committee chairs could identify two to three areas of intended focus each year to drive the University's agenda and monitor progress on these issues. These proposed areas of focus would be presented to the Chairman and the President of the University.

Regent Ortiz Oakley reviewed key suggestions regarding Board governance. The Board should be organized around its priorities, which are not reflected in the current Committee structure. Current Board meetings do not allow time to consider matters important to the Regents. Suggestions for improving Board organization include outlining priorities in a dashboard that would allow the Board to track its progress meeting-to-meeting on important issues; holding more focused committee meetings in between Board meetings or in place of full Board meetings; aligning the committees with the Board's priorities; and allowing time to delve more deeply into important issues. Regents' comments reflect a desire to spend more meeting time considering issues important to the future of the University. When a vacancy occurs on the Board, the Regents should communicate proactively with the Governor about what skills are needed on the Board. Regents would like to have a better understanding of the chancellors' needs and challenges in order to be more helpful. There is little opportunity for interaction between the Regents and the chancellors at current Board meetings.

Regent Davis reported the Regents' emphasis on the importance of increasing the diversity of UC students and faculty, including their desire for bold new campus diversity initiatives. Efforts to increase UC's already impressive graduation rate should be more measured, since a longer time to degree may be appropriate for important student constituencies. Additional priorities include affordability of housing and food, and increasing access for California resident students. Regarding Board governance, the current committee structure should be reevaluated, with altered responsibilities and more frequent meetings. The Board's oversight should be exercised strategically, primarily on systemwide issues, possibly through the Committee on Long Range Planning. Other suggestions included combining the Committees on Finance and Grounds and Buildings and re-organizing the work of the Committee on Compensation to focus primarily on oversight, analysis, and periodic reassessment of the market reference zones, rather than consideration of individual compensation packages. Other suggestions for procedural

changes include creating a greater role for chancellors at Board meetings such as providing opportunities for their comments on agenda items; leveraging Regents' expertise in public affairs by cultivating a more informed relationship between the UC Office of the President's communications and governmental affairs staff; making greater use of select task forces to address issues of singular concern; and taking advantage of continuing education offerings by national associations of university boards.

Regent Kieffer acknowledged the impediments of the public nature of Board meetings and the challenge of governing ten diverse campuses. He reported that Regents find the current meetings overly managed, and not organized to encourage engagement. The major role of the Regents should be to empower the chancellors to run their campuses. The Board meeting agendas allow insufficient time for meaningful discussion of large issues. Suggestions include having concurrent committee meetings; increasing use of smaller, off-cycle meetings; having shorter full Board meetings, with transactional items handled more quickly since the Regents can review those materials in advance; creating time for more interaction among Regents and the chancellors; and having outside speakers from the larger world of higher education.

Regent Island asked how the various suggestions would be used. Chairman Lozano responded that the suggestions would be organized and reviewed for possible action. President Napolitano added that many current practices were dictated by the Bylaws and other governance documents, and expressed her view that it would be beneficial to consider an optimal governance structure starting from scratch, rather than starting with the current governance documents. Chairman Lozano commented that some practical changes could be made relatively quickly in response to some suggestions.

Chancellor Leland agreed that it would be beneficial to arrange opportunities for more interaction between Regents and chancellors during Board meetings, and for chancellors to invite individual Regents to specific campus events.

Chancellor Wilcox commented that chancellors could request help from particular Regents in areas of their expertise.

Chancellor Dirks added that chancellors would welcome working with Regents in smaller groups prior to Board meetings regarding individual campus responses to various systemwide initiatives, since the ten UC campuses are very different.

Chancellor Katehi commented that materials presented during the public comment period at Board meetings often do not accurately reflect campus realities. It would be helpful for the Regents to gain perspective from the chancellors.

Regent Lansing expressed support for spending a large portion of each Regents meeting focusing on a larger issue.

President Napolitano commented that higher education is in a transitional period and it is important to develop consensus among stakeholders in UC governance.

The meeting adjourned at 10:55 a.m.

Attest:

Secretary and Chief of Staff