The Regents of the University of California

COMMITTEE ON FINANCE
July 20, 2016

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

Members present: Regents Blum, Gould, Island, Kieffer, Makarechian, Ortiz Oakley, Ramirez, and Reiss; Ex officio members Lozano and Napolitano; Advisory member Hare; Staff Advisors Richmond and Valdry

In attendance: Regents Brody, De La Peña, Pattiz, Pérez, Schroeder, Sherman, Varner, and Zettel, Regents-designate Lemus, Mancia, and Monge, Faculty Representative Chalfant, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, 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 Brown, Budil, and Humiston, Chancellors Block, Blumenthal, Dirks, Gillman, Hawgood, Khosla, Leland, Wilcox, and Yang, Acting Chancellor Hexter, and Recording Secretary Johns

The meeting convened at 9:35 a.m. with Committee Chair Kieffer presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of May 11, 2016 were approved.

2. **UPDATE ON THE UNIVERSITY'S 2016-17 BUDGET**

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

Executive Vice President and Chief Financial Officer Brostrom provided an update on the outcome of the 2016-17 State budget and its implications for the UC budget. The final State budget was adopted by the Legislature on June 15 and signed by the Governor on June 27. The budget included nearly $171 billion in total expenditures. General Fund expenditures were over $122 billion, an increase of about six percent over the previous year.

The budget reflected total revenues that were about $6.5 billion higher than 2015-16 budget projections, but $1.5 billion below the Governor's budget proposal put forward in January. The budget included a $3.3 billion contribution to the Budget Stabilization Account. With this contribution, the State would have reserves totaling $8.5 billion,

$6.7 billion in the Budget Stabilization Account, and $1.8 billion in the Special Fund for Economic Uncertainties. The budget included significant one-time support for infrastructure, affordable housing, and drought mitigation, and an increase of about $3 billion in Proposition 98 funding for K-14 schools.

The budget provided a four-percent increase to UC's funding base, about $125.4 million, and continued the one-time funds, scheduled to be $436 million over three years, to reduce unfunded liability in the UC Retirement Plan (UCRP). For 2016-17, this would be a contribution from Proposition 2 funds of $171 million. The budget included $91 million in one-time General Fund support for a number of programs: $35 million for deferred maintenance, which would be directed to high-priority campus projects; $22 million for innovation and entrepreneurship; $20 million for support services for underrepresented minority and low-income students, particularly students from Local Control Funding Formula school districts; $5 million for a firearms research center; $4 million for UC Scout, a program that develops high-quality online classes for high school students to help satisfy UC's "a-g" subject requirements; $2 million to support best practices for enhancing faculty diversity; $2 million for marine mammal stranding networks; $500,000 for the Underground Scholars Initiative, which assists formerly incarcerated UC students; and $100,000 to support the UC Davis whale disentanglement program. The budget also provided $3 million in other support for UC's Institutes for Transportation Studies, and $10 million in funding for precision medicine, to be administered by UCSF, for innovative projects that target existing therapies more safely and effectively, not only at UC campuses but at other public and private universities in California.

Mr. Brostrom then discussed provisions for enrollment growth in the State budget, $25 million for an increase of 5,000 California resident undergraduates in 2016-17 compared to 2014-15, and $18.5 million for further growth of 2,500 California undergraduates in 2017-18. Regrettably, the budget did not provide funding for graduate student enrollment growth, although both houses of the State Legislature included this item in their versions of the budget.

There were new reporting requirements from the State for the University. The Regents were requested to review the University's policies and procedures related to outside board service for senior managers and to report any changes in those policies. The University was also required to report on the resources that would be required to increase the number of UC degrees awarded by 250,000 by 2030. UC had already begun to address another requirement, the inclusion of a new standard methodology for calculating the cost of instruction.

Under the provisions of AB 94, the University directs a small portion of its State appropriation to capital projects. The State had not issued a general obligation bond since 2006 and no lease revenue bond for UC since 2011. The University has been redirecting up to $15 million annually for capital projects. This year UC would redirect only $8 million, and all of this would be spent on the Merced 2020 Project. Finally, Mr. Brostrom noted that the University had not received $25 million in cap and trade funds that were to be directed to energy efficiency projects. The State's cap and trade auctions were falling below expectations and the program was in flux.

President Napolitano referred to the list shown earlier of programs that would receive one-time funding, such as the innovation and entrepreneurship initiative and the support services for underrepresented minority and low-income students, and announced that the University now had implementation teams determining how these monies would be spent, to ensure that the use of these funds is aligned with the intent of the Legislature and the University's original intent when it requested the funds.

Regent Gould requested more detail about the resources UC sought for graduate students, who represent an important part of the University. Both houses of the Legislature supported this request. He asked about actions taken by the Governor. Mr. Brostrom responded that the University had submitted a request for graduate student support based on the same calculation of the marginal cost of instruction it uses for undergraduates, \$10,000 per student. For 600 graduate students, the University requested \$6 million. He recalled the importance of graduate students for undergraduate education, which would be affected negatively if the University adds 5,000 undergraduates but not a commensurate number of graduate students to take on graduate student advisor and teaching assistant roles. Both the State Assembly and Senate included support for UC graduate students in their original versions of the budget, but this item was removed in the Conference Committee. Mr. Brostrom speculated that the Governor's administration has for a long time wanted to move away from the notion of marginal cost in favor of block grants; this question is part of the University's discussion with the administration. Regent Gould urged the University to treat State funding for graduate students as a high priority for the next year's budget.

Chairman Lozano expressed gratitude to the Legislature and the Governor, stating her view that this was a positive budget for the University and one that demonstrated a commitment to fund UC's highest priorities. The one-time funding provided for a number of programs represented recognition of the special value the University provides to the state.

Regent Ortiz Oakley noted that not all elements of the budget framework agreement were reflected in the State budget and asked if there would be an update on the status of this agreement. It was clear that there would be no State support in the foreseeable future for facilities construction at UC and the California State University (CSU). He suggested that UC should discuss with CSU the possibility of a ballot measure for funding this need. He asked how the \$2 million in one-time funds to enhance faculty diversity would be deployed. Mr. Brostrom responded that UC was making significant progress on the provisions of the budget framework agreement. He acknowledged that there were glaring capital program needs on the campuses, especially for academic buildings, which often do not provide revenue. Funding for these buildings must come from operating budget surplus. He concurred that the University should be formulating a strategy to place a general obligation bond on the ballot. He referred to President Napolitano's earlier remark on the implementation teams; one such team would be working on the deployment of funds for faculty diversity.

Regent Island asked about the process of securing the $91 million in one-time General Fund support for various programs, which was part of a total budget of $3,351,000,000 in State support. He asked if the University negotiated each program or item, or if these were embedded in a larger budget. Mr. Brostrom responded that several of these items were the result of direct budget requests by UC, while others reflected specific interests and wishes of the Legislature, such as the funding for a firearms research center.

Regent Island asked if the University must negotiate these items every year. Mr. Brostrom responded that one-time funds are negotiated year by year.

Regent Zettel referred to the Proposition 2 funds that would address the unfunded liability in the UCRP and asked how they would affect the UCRP deficit as a whole, and how the $35 million for deferred maintenance would change the overall status of deferred maintenance at UC. Mr. Brostrom responded that the UCRP unfunded liability was approximately $11 billion. The Proposition 2 funds would provide about one-third of the amount needed to reach the Annual Required Contribution. He noted that the current year was not a good one for investments. The University was carrying out a systemwide assessment of deferred maintenance needs, which were expected to amount to several billion dollars. He recalled that UC had issued $500 million in century bonds the previous year, taking advantage of low interest rates. Campuses have been using this resource to set up revolving loan funds to address deferred maintenance. Interest rates were near all-time lows; this was a reason to seek a bond issue, as suggested by Regent Ortiz Oakley. It would be appropriate for UC to borrow as much as possible now to address long-term needs.

Regent Makarechian observed that $35 million for deferred maintenance was in fact a paltry sum compared to the University's need in terms of square feet of building space, only pennies per square foot. He referred to information provided by Mr. Brostrom earlier, according to which the State budget included significant one-time support for affordable housing. He asked if the University could seek support for its student housing programs from this fund source. Mr. Brostrom expressed agreement with Regent Makarechian's assessment of UC's deferred maintenance and capital renewal needs. Much of the proceeds from a general obligation bond would be directed to these needs. The University was aware of the need for affordable housing for students and staff.

Regent Makarechian asked which office at UC would work with the State on this matter. Mr. Brostrom responded that his office would follow up on this matter with the appropriate agencies. In addition, he noted that there are efforts by various cities and school districts to ensure that teachers, police officers, and firefighters can live in their own communities. UC might pursue a similar effort for its staff.

Regent Ramirez emphasized that UC must inform the State of the value of graduate students and use evidence-based information to argue convincingly for the need to support graduate students.

Regent Pattiz voiced concern that this budget provided insufficient funding for programs, especially in light of the requirement that UC admit more students.

Regent Reiss evoked the long-term questions and outlook concerning State support for UC. She acknowledged that this budget was much more favorable than budgets in previous years when the University had experienced devastating reductions, but expressed concern that the University was not a higher priority for the State in a year when State revenues had grown by about six percent. It was important for UC to redouble its efforts with the State to maintain the University's quality.

Committee Chair Kieffer stated that UC must examine the approaches used by other public institutions that have also faced budget cuts to issues like tuition, grants, and student aid. Mr. Brostrom responded that on a per-student basis, UC receives about \$1,000 less in tuition than its comparators, while it receives about \$2,000 more per student from the State than its comparators. The greatest difference is found in the percentage of nonresident students at UC versus the comparator institutions. The data for fall 2014 showed that the percentage of nonresident students systemwide at UC was about 15 percent, while the average for comparator institutions was 30 percent, with percentages of 40 percent at the University of Wisconsin, 45 percent at the University of Michigan, and 34 percent at the University of Virginia. He underscored that these states are different from California, which has a growing high school population and higher high school completion rates than in the past.

Committee Chair Kieffer noted that future presentations on this topic would need to include detailed information on State grants and student aid for UC and the comparator state universities over time. UC began its history with a philosophy of no tuition, while other universities began with a policy of charging tuition. Mr. Brostrom underscored that California is a leader in the amount of financial aid it provides.

In response to questions by Regent Pérez, Mr. Brostrom confirmed that UC's nonresident students are concentrated disproportionately on a few campuses.

Committee Chair Kieffer emphasized his view that this State budget was a step in the right direction by the Legislature, much appreciated by the University, and it might be a turning point. At the same time, he articulated a concern that California was not meeting a commitment to ensure that current students receive an education of the same quality as have past generations of students. The faculty-student ratio and support for graduate students were very different than they had been in the past. The recognition of the University, its brand, depends largely on the reputation of its faculty.

The Committee recessed at 10:15 a.m.

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The Committee reconvened at 11:10 a.m. with Committee Chair Kieffer presiding.

Members present: Regents Island, Kieffer, Makarechian, Newsom, Ortiz Oakley, Ramirez, and Reiss; Ex officio members Lozano and Napolitano; Advisory member Hare; Staff Advisors Richmond and Valdry

In attendance: Regents Brody, De La Peña, Lansing, Pattiz, Pérez, Schroeder, Sherman, Varner, and Zettel, Regents-designate Lemus, Mancia, and Monge, Faculty Representative Chalfant, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, 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 Brown, Budil, and Humiston, Chancellors Block, Blumenthal, Dirks, Gillman, Hawgood, Khosla, Leland, Wilcox, and Yang, Acting Chancellor Hexter, and Recording Secretary Johns

3. **CAMPUS OVERVIEW, SAN FRANCISCO CAMPUS**

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

Executive Vice President and Chief Financial Officer Brostrom began the discussion by noting that the data that would be presented that day for the San Francisco, Merced, and Santa Cruz campuses were drawn from UC's corporate financial reporting system, which supports the annual audited financial statements. For this reason, the figures would include many non-cash items, most significantly depreciation, and in some cases campuses might show a negative operating performance but growing cash balances. Systemwide pension and retiree health liabilities are accounted for on UC's central administrative balance sheet. Many campus fund sources either legally or by custom are restricted and not fungible, so campuses may show positive results in the aggregate but financial strains in core budgets or specific departments or programs. The campus presentations would focus mostly on operating budgets rather than on capital needs, which represented a great challenge for UC in the coming years.

Provost Dorr briefly remarked on some differences among the three campuses that would make presentations. UC San Francisco's programs are almost entirely in the health sciences, with 3,000 graduate students and no undergraduates. UCSF has a different mix of faculty titles than is found on a general campus, due to the health sciences focus. UC Merced, the youngest campus, has over 6,000 students, of whom 90 percent are undergraduates. About 80 percent of the degrees awarded at Merced are in the science, technology, engineering, and mathematics (STEM) fields. UC Santa Cruz has nearly 18,000 students, also 90 percent undergraduates. Compared to UC Merced, the disciplinary offerings at UCSC are more mixed, with 40 percent of undergraduate degrees and 50 percent of graduate degrees in the STEM fields. Founded in 1965, UCSC is "middle-aged" among UC campuses.

Chancellor Hawgood noted that as a result of its singular focus on the life and health sciences, UCSF is the smallest of the UC campuses with respect to enrollment, with only graduate students and postgraduates. UCSF offers master's, doctoral, and professional degree programs. Its four professional Schools of Dentistry, Medicine, Nursing, and Pharmacy, and its graduate division, consistently rank as top programs nationwide. The global health sciences program involves more than 200 faculty from across the four schools. UCSF hosts more than 1,000 postdoctoral scholars in the life sciences. The fact that UCSF has a small student body and a small alumni body affects the campus' fundraising strategy.

UCSF currently experiences more than one million patient visits annually, and sees an additional one million patients through its affiliations with San Francisco General Hospital and the San Francisco Veterans Affairs Medical Center. UCSF is recognized globally for innovative treatments, advanced technology, and pioneering research applied to patient care. UCSF's team of almost 2,000 physicians includes leading experts in virtually all specialties. UCSF Health had experienced a doubling in revenue over the last six years. Its research expenditures in 2015 exceeded $800 million. Only 15 percent of UCSF faculty are ladder-rank, and this means that 85 percent receive no State support for their salaries. One-third of UCSF faculty are not members of the systemwide Academic Senate.

Associate Vice Chancellor Teresa Costantinidis explained that the Benioff Children's Hospital Oakland (BCHO) was not included in the financial figures that would be discussed, but would be considered in future reports and presentations. BCHO adds about $500 million dollars to both the balance sheet net position and to UCSF's operating funds. UCSF's overall cash position was strong. The number of days' cash on hand, in the low 40s, was below UCSF's goal of 60, but the campus projected that it would reach this target level in the next four years. The ownership of cash is dispersed across the campus. UCSF was developing new approaches to make better use of this cash, including more self-borrowing rather than borrowing in the market, and investing cash that is not needed in the short term in longer-term investments, such as the Total Return Investment Pool and the General Endowment Pool. Ms. Costantinidis presented a slide showing the increase in capital assets from 2013 to 2015 and noted that the campus would focus on its deferred maintenance backlog in the coming years. The UCSF endowment had also grown. At the end of 2014-15, UCSF had $2.3 billion in debt, and it planned to take on an additional $1.5 billion in debt over the next ten years for various seismic, life safety, program, and housing projects. UCSF projected that in this time period, it would continue to meet all debt capacity tests and maintain adequate debt capacity for unforeseen needs and future needs beyond this ten-year period. UCSF would access its general, auxiliary, and Medical Center credit pools and consider public-private partnerships options. She underscored that UCSF has equity in its campus physical assets, so that capital asset value is roughly twice the amount of debt.

Ms. Costantinidis then discussed revenues and expenses. More than 80 percent of UCSF's revenue comes from two highly restricted sectors, patient care and research. Funding from these sources is purpose-restricted. State appropriations and student tuition and fees combined make up only five percent of UCSF's revenue. Due to this distinct revenue profile, UCSF must aggressively pursue indirect cost recovery and philanthropy. Salaries and benefits account for the largest part of UCSF's expenditures. Operating results for the previous three years showed rapid growth in both revenues and expenses; fortunately, revenue growth has outpaced expense growth by about one percent. Revenue growth has resulted from increased net patient revenues, private gifts, and increases in private contract and grant activity. The factors that increase revenue have also resulted in programmatic expense increases, and both were above inflationary levels, about a 17 percent growth in revenue and a 16 percent growth in expenses. UCSF's projections for the coming years indicated a few years with relatively low net income, due to the opening of the Mission Bay Hospital, which was also the reason for UCSF's assumption of an increase in depreciation higher than for other campuses. Operations for 2014-15 showed campus net income of $115 million, while the Medical Center broke even. Ms. Costantinidis anticipated that UCSF would experience increasing revenues in coming years from the Mission Bay Hospital and the backfilling of space on the Parnassus campus.

Chancellor Hawgood noted that UCSF's rankings across a variety of measures are consistently high. In 2014-15, UCSF ranked fourth in philanthropy among U.S. universities and was the only public institution in the top ten. The campus and UCSF Health have developed a culture of process improvement, achieving operational efficiencies in all areas of activity. UCSF has successfully negotiated increases in its indirect cost recovery rate from 54.5 percent in 2012 to 58.5 percent in 2016. UCSF's primary campus financial and administrative support organization has declined from 12 percent of the campus expense to 9.9 percent. UCSF faces a number of challenges. Eighty percent of UCSF's revenue is generated from two highly competitive markets, healthcare delivery and research, and UCSF Health's operating performance is highly and increasingly dependent on government payers, particularly Medi-Cal. Regional competition is fierce. Faculty morale and satisfaction are challenged by demands for clinical productivity. High housing costs in San Francisco are challenging for the recruitment and retention of faculty, staff, and students, and for UCSF's capital needs. While UCSF's endowment is strong relative to public peer institutions, it lags private competitors. Donors to UCSF tend to have specific interests, and unrestricted philanthropy available for strategic uses on the campus is modest. There are challenges in funding information technology investments to support instruction, research, patient care, and business activities.

Executive Vice Chancellor Daniel Lowenstein expressed UCSF's pride in the strong completion rates for its academic and professional programs. Eighty percent of Ph.D. students who entered UCSF between 2000 and 2002 completed their programs within ten years. The most recent data indicated that more than 84 percent of those who entered between 2002 and 2006 completed their degree within ten years, and an additional five percent earned a master's degree. UCSF completion rates were ahead of recent national comparison data, which indicated that only 65 percent of life sciences Ph.D. students at private institutions, and 62 percent at public institutions, complete their degrees in ten years. Dr. Lowenstein speculated on the reasons why approximately 15 to 20 percent of

UCSF students do not complete Ph.D. degrees. Some pursue employment opportunities or entrepreneurial ventures earlier; others may leave programs for personal or health reasons. UCSF enjoys exceptionally strong completion rates in its professional degree programs, above 95 percent for M.D., D.D.S., and Pharm.D. programs. The completion rate for the nursing master's program is 89 percent. Among other efforts to support the success of UCSF students, the campus has long-term plans to expand on-campus housing. In the meantime, UCSF has established a temporary program that provides supplemental stipends for students who are not able to live on campus, to address the high cost of living in San Francisco. Dr. Lowenstein concluded with remarks on campus diversity and inclusion. UCSF was experiencing improvement in the enrollment and hiring of women and underrepresented minorities. He enumerated programs currently under way to promote diversity, equity, inclusion, and a positive campus climate.

Regent Makarechian requested clarification of the term "patient complexity index," shown on a slide during the discussion. Chancellor Hawgood explained that this is a nationally recognized scale for measuring the severity of patient conditions. A patient complexity index score of 2.07, the number for UCSF, is very high. A standard community hospital would have a score closer to one, and the California median was 1.24. This index helps in the formulation of correct assessments of expenses and staff ratios for different hospitals.

Regent Makarechian referred to information on another slide showing a large projected increase in revenue in 2020. He asked about the cause of such an increase. Chancellor Hawgood responded that the projected increase would be caused mainly by volume growth, driven by investments currently being made in UCSF Health to expand patient capacity. Chief Executive Officer Mark Laret recalled that UCSF had formed a partnership with John Muir Health to form the Canopy Accountable Care Organization, which would link hospitals and physician groups with an insurance license. A significant part of the projected revenue would come from that insurance product.

Regent Makarechian referred to other information presented about the net income from the campus versus the Medical Center. While the Medical Center was shown to break even, in fact monies were taken from the Medical Center to support the campus. Chancellor Hawgood concurred, noting that he saw this as an investment rather than strategic support. Because physician salaries are on the campus, this is an investment in the clinical enterprise, both in the health system and in academic programs.

Regent Makarechian requested clarification of the "other expenses" category, 17 percent of UCSF's expenses. Ms. Costantinidis explained that UCSF subcontracts out some research to other universities, as well as the funds for that research, and this falls in the category of "other expenses." This is essentially allocation of UCSF research to partner universities who work on UCSF's behalf. Contract and grant funding received by UCSF is counted as revenue. Chancellor Hawgood noted that the "other expenses" category includes expenses other than research subcontracting as well.

Regent Zettel referred to the Chancellor's Council on Campus Climate, Culture and Inclusion, one of UCSF's efforts to improve campus climate, and asked if this Council would increase the retention of doctoral candidates. She asked if the retention numbers were being tracked. Chancellor Hawgood responded that the numbers were being tracked. He stressed his view that the completion rate of 85 percent was not associated with campus climate issues; instead, UCSF finds itself in a very entrepreneurial environment, and many Ph.D. students move into the biotechnology industry or start their own companies before they complete their degrees. Dr. Lowenstein concurred that there would certainly be a certain number of students who seek out other opportunities.

Regent Zettel asked if UCSF was monitoring why students leave doctoral programs. Chancellor Hawgood responded that the campus was only now beginning to track this. In response to another question by Regent Zettel, he confirmed that UCSF Ph.D. students have advisors who mentor and train them. He reiterated that the completion rate for these students was 85 percent, while the national average for the same kind of Ph.D. degrees was in the mid-60s.

Regent Island requested more detail on student and faculty diversity. Dr. Lowenstein presented a chart showing the progression of underrepresented minority student enrollment in UCSF's graduate academic and professional programs from fall 2000 to fall 2015, which was clearly an upward trend. Another slide showed the current representation of various racial and ethnic groups among UCSF's students, postdoctoral scholars, and faculty, although it did not include faculty in the clinical arena, where diversity was somewhat higher. He noted that over time there had been a modest improvement in Hispanic-Latino hires. UCSF data for the last two years showed that ladder-rank hires of underrepresented minorities were about five percent of faculty, but at ten percent if one included the "In Residence" and "Clinical X" categories. Chancellor Hawgood added that UCSF's faculty annual turnover rate was about five to six percent. Because of this low rate, it would take some time for UCSF's diversity efforts in hiring to show results, but there had been some increase.

Regent Island requested clarification of ladder-rank status versus non-ladder-rank. Chancellor Hawgood explained that the term "ladder-rank" refers to tenure, and about 15 percent of UCSF's total faculty. This is a low percentage of tenured faculty, a situation which is not uncommon among medical schools, but very different from an undergraduate campus. Another distinction among faculty is between Academic Senate faculty and non-Senate faculty. There are three Senate faculty tracks at UCSF, ladder-rank and two other tracks that are not tenured but are still Senate faculty with some additional security of employment. Health sciences tracks, where the predominant role is that of clinician, although often with teaching and research responsibilities, accounted for about 30 percent of UCSF's faculty. Due to systemwide rules that UCSF is in fact opposed to, these faculty are not members of the Academic Senate. Chancellor Hawgood stressed that UCSF values all its faculty members equally and does not distinguish among these various tracks in striving for diversity.

Regent Pérez emphasized the distinction between ladder-rank and non-ladder-rank faculty in guarantee of employment. Having a base of diverse faculty with guaranteed employment would make a difference to the culture of a campus. He asked about the number of hires for the past two years. Chancellor Hawgood responded that for the past two years, from June 2014 to June 2016, faculty hires for underrepresented groups accounted for five percent for new ladder-rank faculty and 11.1 percent of the total faculty. Of the current UCSF ladder-rank faculty, 5.6 percent were from underrepresented groups; of the total UCSF faculty, 5.9 percent were from underrepresented groups.

Regent Pérez referred to a chart presented earlier that showed a marked increase in underrepresented minority student enrollment between 2005 and 2010, but little movement between 2010 and 2015. He asked about reasons for the difference between those two periods. Chancellor Hawgood responded that between 2005 and 2010 there was recognition of this situation across the campus and a concerted effort that led to this success. Incremental increases were becoming more difficult and competition was fierce, because medical schools across the country were focused on this issue. He noted that UCSF conducts intensive surveys of students who are offered admission but who elect to study elsewhere. The competitor institutions are most often private schools which can cover the total cost of attendance for some students. Among students from underrepresented groups, the cost of attendance is the predominant reason for choosing an institution other than UCSF.

Regent Pérez emphasized the importance of underrepresented minority tenured faculty for recruiting students from those groups. Chancellor Hawgood concurred but drew attention to the special situation of UCSF, with its large proportion of clinical faculty; the faculty members that students interact with most are non-tenured faculty.

Regent Ortiz Oakley suggested that there be a discussion at a future meeting to clarify for the Regents the various categories of faculty, such as Senate versus non-Senate. He urged the University to use language with more explicit intentions and to set goals when speaking about diversity. He asked how UCSF is supporting underserved communities. In response to Regent Ortiz Oakley’s comment about goals, Chancellor Hawgood responded that the UCSF School of Medicine, where 85 percent of the faculty are located, has set specific numerical goals and accountability for every department chair, as well as a commitment of tens of millions of dollars to meet those goals. In response to the question about public service, he provided two examples of such service by UCSF. First, UCSF provides all the physician services at San Francisco General Hospital, the safety net hospital in San Francisco. Every underserved patient admitted is seen by a UCSF physician. Second, UCSF has a student education partnership program, now celebrating its 30th year. UCSF graduate students and faculty provide pro bono “teach the teacher” science support for 95 percent of all public schools in San Francisco County.

Regent Blum praised UCSF, emphasizing its quality and stature among medical schools in the United States.

Regent-designate Monge suggested that UCSF's supplemental stipend program for students to offset the high cost of living in San Francisco could be adapted for other campuses. He asked how stipend recipients are selected, if the program is annual or if stipends are one-time, emergency disbursements, and how many students would be served by the program. Dr. Lowenstein responded that the campus takes into account the cost of on-campus housing and the average cost of living in San Francisco; the difference between the two is the amount provided per year. The program covers all years of a student's attendance at UCSF; it is not an emergency fund. The program is based on need. For the first year, an arbitrary cap was set at 1,500 students, because the campus did not know how many students would apply. At this point about 1,350 students had done so. UCSF planned to continue this program on an interim basis as campus housing is built and becomes available in the coming years. All students are eligible for the program. In addition, UCSF was developing a "relocation allocation fund," $4,500 for all incoming graduate students to address first-time payment costs for an apartment.

Regent Ramirez asked about cultural competency training for faculty, doctors, and nurses. Dr. Lowenstein responded that UCSF has had programs in place for a number of years to address this matter. Beginning in the current year there would be a new "Bridges" curriculum in the School of Medicine, which would provide diversity, equity, and inclusion training to faculty.

In response to a question by Staff Advisor Richmond, Chancellor Hawgood confirmed that UCSF tracks staff diversity data. Ms. Dorr explained that there would be a discussion at a future meeting devoted entirely to staff.

Regent Sherman referred to the context of campus operations and asked what costs are not allocated to the campuses but managed centrally at the Office of the President, and about the magnitude of those costs. Mr. Brostrom responded that the most significant campus costs that are managed centrally are liabilities for the UC Retirement Plan (UCRP) and other post-employment benefits, about $29 billion in total. In addition, a small amount of debt is managed centrally and not included on the campus balance sheets.

Regent Sherman asked about the annual amount of Office of the President expenses that are not allocated to the campuses. Mr. Brostrom responded that this would be addressed in the two items to be discussed later in the meeting on the Office of the President budget. The funding methodology for the Office of the President is backed by an assessment to the campuses.

Regent Sherman complimented UCSF on its philanthropic successes, in spite of a small alumni network. He asked what activities had generated this success. Chancellor Hawgood explained UCSF's success in philanthropy first by its location in a region that was currently prospering economically. He also credited the tremendous efforts of UCSF's fundraising team, and UCSF's focus on institutional priorities and development of a vision that is attractive to donors.

Committee Chair Kieffer recalled that UCSF's goal for days' cash on hand was 60 days. He asked if this was an appropriate goal, or if 60 was too low a number in the context of industry norms. Mr. Brostrom responded that rating agencies would expect 180 days' or six months' cash on hand for a stand-alone hospital. Two factors that rating agencies consider favorably are UCSF's blending of the cash of the campus and the Medical Center, and the University's self-imposed minimum balance of $5 billion in the Short Term Investment Pool. As the University considers borrowing for UCRP, or self-borrowing at UCSF, it must ensure that it has enough liquidity.

Committee Chair Kieffer expressed discomfort with the current number of days' cash on hand at UCSF, 45 to 50 days. He asked if depreciation was included in the operating amounts presented earlier. Mr. Brostrom responded in the affirmative. Depreciation was the most significant contributor to UCSF's reduction in net income after the opening of the Mission Bay Hospital. Depreciation is a measure of what one should reinvest in renewal of assets.

Committee Chair Kieffer stated that UC is forecasting the maintenance needs of the campuses through depreciation. He emphasized the importance of being aware of these needs.

Chairman Lozano praised the financial management of UCSF, congratulating the campus on high-level growth in revenues, strong management of expenses, and clear examination of challenges and pressures.

The Committee recessed at 12:25 p.m.

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The Committee reconvened at 1:35 p.m. with Committee Chair Kieffer presiding.

Members present: Regents Gould, Island, Kieffer, Makarechian, Newsom, Ortiz Oakley, Ramirez, and Reiss; Ex officio members Lozano and Napolitano; Advisory member Hare; Staff Advisors Richmond and Valdry

In attendance: Regents Brody, De La Peña, Lansing, Pattiz, Pérez, Schroeder, Sherman, Varner, and Zettel, Regents-designate Lemus, Mancia, and Monge, Faculty Representative Chalfant, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Provost Dorr, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Senior Vice Presidents Henderson and Peacock, Vice Presidents Brown, Budil, Duckett, and Humiston, Chancellors Block, Blumenthal, Dirks, Gillman, Hawgood, Khosla, Leland, Wilcox, and Yang, Acting Chancellor Hexter, and Recording Secretary Johns

4. **CAMPUS OVERVIEW, MERCED CAMPUS**

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

Chancellor Leland recalled that UC Merced was founded with the awareness that UC has a history of improving levels of educational attainment and economic prosperity wherever its campuses are located in California. Since opening in 2005, UC Merced has made remarkable progress. In only a decade, enrollment has grown from 878 students to 6,600. Sixty-seven percent of UC Merced's students are first-generation college students, and 61 percent come from low-income families. Merced is the most ethnically diverse campus in the UC system. Roughly one-third of UC Merced students come from Southern California, one-quarter from the greater San Francisco Bay Area, and the rest from the Central Valley. In January, UC Merced received its inaugural designation as a "doctoral-granting university with higher research activity" in the Carnegie Classification of Institutions of Higher Education, joining a group of 107 American doctoral institutions. UC Merced is by far the youngest institution in this group. In fiscal year 2016, Merced received undergraduate and graduate training grants from three federal agencies, significant awards from the National Institutes of Health, the National Science Foundation, and the National Aeronautics and Space Administration. The campus was currently focused on developing the capacity to serve additional students with a major capital expansion, the Merced 2020 Project.

Vice Chancellor Daniel Feitelberg observed that UC Merced's balance sheet reflected a young and growing organization and significant investments by the University and the State of California. UC Merced currently had capital assets, net of depreciation, of $565 million. The campus' debt, currently totaling $498 million, reflected the issuance of general revenue bonds, limited project revenue bonds, and State lease revenue bonds to finance its facilities. The difference between the two figures, $67 million, represented UC Merced's net capital assets. The figures from the previous few years reflected recent investments by the UC system in Merced's second classroom and academic office building, recently opened. This building was the first in the UC system to be financed through the new AB 94 process. Over the past two years, the campus had increased cash and investments to $128 million. The campus' long-range financial planning model would be based on several key goals: to build a life-cycle model incorporating operating and capital requirements, to achieve a steady state of approximately 10,000 students, so that the campus' financial future is not predicated on additional capital investment following completion of the 2020 Project, and to plan in the long term for a budget that balances revenue and expenditures, including non-cash items such as depreciation. This financial model would allow UC Merced to achieve financial stability and remain cash flow-positive.

For fiscal year 2015, campus revenue was less than expenses, even though cash and investments increased by $5 million. State General Fund appropriations, along with student tuition and fees, net of financial aid, accounted for 70 percent of the campus' revenue. In order to implement a long-term, steady-state financial model with balanced revenue and expenditures, continued growth of these core revenue streams, commensurate with enrollment and inflation, would be critical. But it would also be critical for the campus to diversify its revenue streams as it grows. UC Merced was focusing on continued growth in contracts and grants, auxiliaries, philanthropy, and new programs. The greatest share of UC Merced's revenue was spent on financial aid, salaries, and facilities costs. Mr. Feitelberg drew attention to one chart showing annual expenditures of $13.5 million for scholarships and fellowships. But because the campus' financial reports display tuition and fees net of financial aid, this figure does not include the off-the-top tuition dollars returned for financial aid. This additional $44 million, when included in revenue and expenditures, indicated that nearly 20 cents of every dollar that comes to UC Merced is directed toward financial aid. Salaries, wages, and benefits, including changes in pension liabilities, accounted for 55 percent of expenditures. Life cycle facilities costs, including depreciation, interest, utilities, and other operations and maintenance expenses, account for 20 percent of expenditures. As a result, much of the control of expenses in the future would be achieved through effective management of infrastructure and staffing.

Over the previous two years, the campus had remained cash flow-positive and had worked to set the stage for the transition to a more mature institution in a financially sustainable way. In fiscal year 2015, the campus increased revenue from contracts and grants, auxiliaries, gifts, and investment income by about ten percent, while increasing investments in instruction and research, including ladder-rank faculty hires. Merced's second science and engineering building and fourth housing building also opened in fiscal year 2015. The campus' projections for the future derived from a funding model developed with the Office of the President, taking into account operating and capital requirements to finance the 2020 Project. This life cycle financial model would fund both depreciation and other non-cash items, so that on an accrual basis, the campus can become and remain income-positive over time. The plan would keep the campus cash flow-positive and build modest reserves, which would grow from approximately six months to nine months over time. The projections were based on a number of long-term assumptions. Mr. Feitelberg acknowledged that actual results and future assumptions were subject to change, but this model allowed the campus to look beyond the next fiscal year. Key factors in this long-range financial model were facilities maintenance and the hiring of new faculty and staff. Over the past year, the campus had been carrying out a workforce planning exercise to determine the most important functions and to eliminate redundancies. The financial model envisioned growth to approximately 10,000 students in the early 2020s. After that point, the campus was projected to reach a steady state with positive net income and cash flow. Revenues and expenses were projected to continue increasing with the rate of inflation.

Regent Makarechian asked if the financial information and projections being presented took the 2020 Project into account. Mr. Feitelberg responded in the affirmative; the projections included the increase in debt. In addition to the information and projections presented that day, the campus had projections for the years beyond 2020, incorporating the debt that would be issued as a result of the 2020 Project.

Regent Makarechian stated that it was important for the Regents to understand what the campus would look like, assuming that the Merced 2020 project would be approved. Chancellor Leland responded that the campus had carefully developed this financial model in order to determine its capacity to bear debt.

Regent Kieffer suggested that in a year's time the Regents receive a status report, a synopsis for each of the campuses, San Francisco, Merced, and Santa Cruz, to see how the campuses were tracking with their financial projections. Chancellor Leland emphasized the campus' assumption that increases in State revenue would match increases in inflation. If this turned out not to be the case, the campus would have to readjust its model.

Regent Kieffer asked Executive Vice President and Chief Financial Officer Brostrom for his view on the Merced campus' situation. Mr. Brostrom responded that the campus was very well managed. UC Merced was receiving a higher subsidy in terms of State allocation per student than other campuses; this was appropriate for a younger campus. The UC system was providing significant support for the 2020 Project. He recalled that in the past, when other campuses such as UC Santa Cruz were growing, the State had provided more support for capital projects. Currently, the University must use more of its own operating income to support the growth of UC Merced.

Chancellor Leland outlined some of the strengths of UC Merced. The relative youth of the campus was a strength insofar as Merced remained less entrenched in institutional history and was capable of seizing opportunities for innovation. The campus was using its newly developed financial model to plan strategically the size of its workforce and the extent of the facilities it would build. UC Merced's first undergraduate alumni, from the class of 2009, were just reaching 30 years of age and at the beginning stages of their professional careers. As they advanced, so would their capacity to support Merced. Chancellor Leland expressed her confidence in this long-term philanthropic opportunity.

UC Merced also faced certain challenges. Some were related to the campus' fiscal discipline. In every scenario that did not affect the hiring of faculty who are required to sustain growth in the student body and to build UC Merced's graduate and research programs, fiscal discipline required a decline in the ratio of staff to faculty, already one of the lowest in the UC system. The danger in this situation was that the low staffing ratio might affect research productivity, student success, and campus operations. UC Merced was striving to achieve new efficiencies and new models of service delivery in order to mitigate this danger. Another challenge was related to the campus' mission. Given Merced's demographic profile, the success of its students requires an intensive array of support services, without which these students are less likely to graduate in four years or to take advantage of accelerated degree programs. With the loss of federal support for summer Pell Grant funding, UC Merced experienced a predictable decrease in summer enrollment, and this had affected time to degree for Pell Grant-eligible students. The Office of the President has provided funding for summer scholarships for Pell Grant-eligible students who have deficiencies in mathematics and writing. Chancellor Leland identified a third challenge in the lack of sufficient resources for the upfront costs of major initiatives that would reduce operating costs or increase revenue, such as upgrading the campus' information technology infrastructure.

The relative youth of the campus, its large first-generation student population, and its location in the economically challenged San Joaquin Valley would be perennial factors in the campus' success. Chancellor Leland expressed pleasure in the fact that UC Merced's retention and graduation rates were at appropriate or higher levels, based on industry predictive models, but the campus would strive to outperform these predictive models. Data showed that the Hispanic students not retained at UC Merced tend to drop out after the freshman year, while African American students who are not retained drop out at the same rate through the junior year. Based on these data, the Merced campus could create targeted retention intervention strategies specific to those groups of students. Based on frequent feedback from students, Chancellor Leland noted that student advising was one of their major concerns. The campus had an external review conducted of its academic advising system and would implement a number of recommended changes. Most students who do not complete their degrees at UC Merced do so for financial reasons, despite the fact that many of them receive Cal Grants, Pell Grants, and support through the Blue and Gold Opportunity Plan. UC Merced would continue to develop additional resources, through fundraising and grants, to provide increased scholarships and emergency aid for students.

UC Merced was the most diverse campus in the UC system, but there was a notable gap with African American students; even though the Merced campus led the system in the percentage of these students, the numbers were low across the system. The number of African American students at UC Merced had increased, but the percentage had declined slightly over the past two years. There had been a greater increase in Hispanic student enrollment than in African American student enrollment. UC Merced has hired recruiters to aggressively target high schools and community colleges with large African American student populations. The campus has partnered with several student organizations to promote its welcoming and supportive environment. UC Merced's goal by 2020 was to move African American student enrollment from five percent to ten percent. The African American population in the San Joaquin Valley varied by community: about six percent in Merced, about 13 percent in Stockton, and in Fresno about 11 percent; Chancellor Leland stated that the campus enrollment should be somewhere in that range. UC Merced had made gains in faculty diversity, but needed to make further progress in having a faculty that reflected the diversity of its student body. Job candidates now submit diversity statements, which are evaluated along with the individual's research and teaching qualifications. Faculty search committees are provided with advisors on best practices. UC Merced takes advantage of the President's Postdoctoral Fellowship Program in a number of ways.

Regent Ortiz Oakley described UC Merced as an experiment, a campus that directly reflected the needs of the State of California, and an opportunity for UC to reconsider how it delivers education. He noted that some of the student support services at the Merced campus were federally funded by Title V, and that this funding would end at some point in the future. He asked how the campus would continue these support services. Chancellor Leland responded that the campus was aware that its ratio of staff to students would decrease, but it remains mindful of two fundamental priorities – student success and support for faculty research. The campus would manage this need by finding operational efficiencies. UC Merced must build an information technology infrastructure before it can implement a number of new business processes, and this would require a few years of investment in information technology. Another question was of bringing more revenue into the institution. While UC Merced did not yet have a wide donor base, it had a compelling narrative that might draw major donors. One of the campus' major donors in the humanities was a graduate of Stanford University.

Regent Ortiz Oakley referred to the loss of federal support for summer Pell Grant funding. He suggested that UC Merced might arrange to offer summer courses at Merced College for these students. Chancellor Leland responded that this possibility had been discussed.

Regent Ortiz Oakley asked about the proportion of transfer students at UC Merced in relation to UC systemwide targets for this enrollment. Chancellor Leland responded that the Merced campus was exempt from the systemwide target. This was due to the fact that at one point, Merced became the only referral campus in the UC system and it could not physically accommodate both referral and transfer students. Most UC Merced students do not come from the referral pool, but have chosen to apply to this campus. The campus has begun to focus more on community college transfer students.

Regent Makarechian referred to data on a chart that showed a decrease in freshman graduation rates between 2009 and 2011. Chancellor Leland explained that for the first five years of its history, the campus was understandably concerned with admitting students, while perhaps not focused as much as it should have been on retention, and relevant data were not collected systematically. Currently UC Merced surveys the students who leave and asks about the reasons for leaving. These data are disaggregated for Pell grant status, gender, and ethnicity. The campus would be better able to explain such trends in the future.

Regent Makarechian asked about the category of "non-U.S. citizens" shown on a chart mapping the racial/ethnic distribution of new undergraduates. Chancellor Leland responded that less than two percent of Merced students were international students, but that systemwide, UC Merced had the highest proportion of undocumented students. The international students at UC Merced were mostly graduate students, which is typical for research universities.

Regent Makarechian asked if UC Merced provided campus housing guarantees for freshmen and transfer students. Chancellor Leland responded that this matter would be discussed in connection with the action item for the 2020 Project the following day.

Regent Ramirez asked about the campus' cultural center for students. Chancellor Leland responded that finding space had been challenging. The campus had managed to secure a space that would be shared by various student groups, and with associated support services. The 2020 Project would provide dedicated space for support services for various identity groups.

Regent Brody asked about interest in the health sciences at UC Merced and linkages with UC's professional schools. Chancellor Leland responded that the health sciences were one of six areas of multidisciplinary focus for the campus. Merced faculty have proposed a Ph.D. program in public health, and the campus is a partner in the UC Merced San Joaquin Valley PRIME (Programs in Medical Education) initiative, a collaboration with the UC Davis School of Medicine and the UCSF Fresno Medical Education Program to train San Joaquin Valley physicians.

Regent Schroeder underscored the large proportion of first-generation college students at the Merced campus. She asked about the campus' services to help prepare students for life after graduation. Chancellor Leland responded that some of these transitional services were in flux. The campus had not been making enough effort to coach students on applying for fellowships for graduate school. UC Merced had strong career advising services, but could improve placement of its students in graduate programs.

5. CAMPUS OVERVIEW, SANTA CRUZ CAMPUS

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

Chancellor Blumenthal began the discussion by underscoring UC Santa Cruz's commitment to its mission of teaching and research, and its remarkable achievements in the 51 years since it was founded. As one example, the campus was ranked second in the world for research influence in the 2015-16 *Times Higher Education* world rankings. In the decade between 2005 and 2015, the incoming underrepresented minority freshman population increased from 18 percent to 30 percent.

Provost Alison Galloway described UC Santa Cruz as a lean operation. The campus' cash and investments have grown; much of these were dedicated to specific items, such as building equity for student housing projects. Endowments have increased but remained inadequate, which was the reason for UCSC's first-ever comprehensive fundraising campaign. UCSC has borrowed money to renew housing and for academic projects, such as the Silicon Valley campus. Fifty-six percent of UCSC's operating budget was supported by two sources, State appropriations and tuition, while systemwide, this percentage was 26 percent. Most of the remaining 44 percent of the budget was constrained for designated uses, including externally funded research and student housing. The bulk of the campus' expenditures, 61 percent, were labor-related, including employee salaries and benefits. Tuition and State support were critical.

UC Santa Cruz is a careful steward of the funding it receives and always strives to improve its operations. As one example, the campus had recently switched to demand-driven purchases for its library. Ms. Galloway explained that the income and loss totals presented included the negative, non-cash depreciation of assets. UCSC was operating on a cash basis with little fungibility between categories. As a result, the campus anticipated that its operating budgets would experience a shortfall of $6.5 million to $7 million in the current year. UCSC was already making cuts of about $2.5 million and deferring other expenses. The State's budget difficulties since 2008 have deeply affected UCSC, with core funds cut by $66 million. During this period, mandatory costs increased by $72 million, including costs for faculty merit increases, collective bargaining, retirement contributions, benefits, utilities, and other obligations. More students have arrived at UC Santa Cruz, and the campus needed to invest about $27 million to support this increase with new faculty, new teaching assistants, and maintaining campus buildings. There have been some increases in tuition revenue from the enrollment growth, and recently some increases in State funding, but Ms. Galloway stressed that these increases were inadequate. Throughout this period, the campus has been vigilant in balancing its core budget and has made significant permanent reductions in core functions. UC Santa Cruz is conscientious in protecting its academic mission, making cuts to administrative units and academic support nearly three times as much as cuts to academic areas. Staffing levels in core-funded areas have been reduced by 26 percent compared to 2008. Currently the campus still faced a structural deficit of two to three percent on core funds. After years of budget cuts, UCSC had a predictable but inadequate level of funding. Ms. Galloway presented a chart listing the campus' assumptions underlying its projections for future revenue and expenses. She drew attention to a significant assumption, namely that the campus would continue to add faculty and staff to address the student-faculty ratio and to accommodate enrollment increases. This alone would require a new investment of $20 million to $30 million.

Chancellor Blumenthal noted achievements of UC Santa Cruz in the sciences and humanities, and its unique campus. Forty-five percent of UCSC undergraduates were first-generation college students; 70 percent received need-based financial aid. UCSC was growing its graduate programs, many of which are nationally ranked. The National Research Council ranked UCSC's computer engineering Ph.D. program first in the nation for publication impact. In Silicon Valley, UCSC was building a set of professional master's degree programs to support workforce training. The campus' challenges fell into two categories – operating funds and capital investments. Unfortunately, UCSC has become accustomed to dealing with budget shortfalls. Chancellor Blumenthal recalled cuts and consolidations the campus has made and cautioned that UCSC may even have cut too far, taking on too much risk in the current regulatory environment. Increasing the campus' revenue would be fundamental to its success. UCSC was growing its revenue from contracts and grants, energetically pursuing fundraising, increasing nonresident enrollment, expanding summer session offerings, and growing professional graduate programs. Nevertheless, the Santa Cruz campus was unlikely to fill the two- to three-percent funding gap on its own in the near future; it would need help in the form of tuition, State funds, or some other source.

Chancellor Blumenthal then discussed the lack of sufficient space for instruction and research. It had been ten years since any general assignment classrooms had been built, despite an increase in enrollment of nearly 3,000 students during that period. UCSC's academic space was well below the UC average on a per-student basis. The campus was actively pursuing interim solutions. Support staff had been moved off campus to free up campus space. UCSC has changed its class schedule to create 20 percent more class time. Chancellor Blumenthal described the campus' actions as a piecemeal approach, when in fact a comprehensive solution, such as a general obligation bond, would be necessary to address UC Santa Cruz's needs for capital renewal and new enrollment-driven construction.

Regent Makarechian referred to a chart of operating results and projections and estimated that UC Santa Cruz's annual losses would amount to almost $100 million by 2020. He asked about a turnaround strategy to make up for this loss, in what areas revenue might increase, and how the campus would accommodate growth in the student body. Chancellor Blumenthal responded that this chart assumed a scenario in which the campus took no action to address shortfalls. The campus would try to address shortfalls through revenue initiatives. One source would be increased nonresident enrollment. Nonresident enrollment at UCSC, five percent, is far behind the 15 percent average for the UC system. He expressed the hope that State appropriations would increase. UCSC had initiatives to increase its research contracts and grants, which generate overhead income. New student housing would be built. Executive Vice President and Chief Financial Officer Brostrom added that UC Santa Cruz's housing strategy would help the campus in several ways. The loss being discussed was a non-cash loss; on a cash basis the campus was in the positive. UCSC had been building up reserves in housing using its own design-build process. If UCSC pursued a public-private partnership it would use outside capital, freeing up campus resources and generating a ground lease. Like the approach at UC Merced, the Santa Cruz campus could address academic space and housing at the same time.

Regent Makarechian stated that the only non-cash loss was depreciation of $55 million. Mr. Brostrom responded that the debt service reserve coverage ratio was 1.25; the campus was generating about $40 million annually in those reserves. He acknowledged that the University still needed a long-term strategy for deferred maintenance.

Regent Makarechian asked why the materials presented did not show the campus' positive business plan, the positive steps to be taken to address shortfalls. Mr. Brostrom responded that the presentation was based on a common template to show assumptions across UC campuses.

Regent Makarechian asked if the financial projections for UC Santa Cruz would become positive in a few years, if these steps were taken. Mr. Brostrom stated his view that fungibility would still be an issue for the campus. The campus' housing strategy would have a significant impact, but there would be a recurring deficit in core funds, which is challenging to address. The campus and the Office of the President would continue to work on this problem.

Regent Reiss underscored the remarkable accomplishment of the campus over a half century. She recalled that the campus presentations being heard that day were motivated by the fact that the Regents had been surprised by earlier news of UC Berkeley's structural deficit. The assumptions for UCSC, even with increased revenue through nonresident tuition and State support, showed a structural deficit. She suggested that campuses currently experiencing a structural deficit, such as UC Berkeley and UC Santa Cruz, become the focus of more in-depth discussion at future meetings.

Committee Chair Kieffer stated his view that UC Santa Cruz needed a boost from the University. UC Riverside is located in an area with a growing population; other campuses have medical and law schools. The Santa Cruz campus finds itself in a unique area and is consistent with its original vision, a campus focused on undergraduate education and on teaching. Committee Chair Kieffer observed that this was inconsistent with the overall thrust of a research university. The Regents should recognize the uniqueness of this campus' situation and develop an appropriate plan.

Chairman Lozano stressed that she was surprised by the two- to three-percent ongoing deficit at UCSC. The campus should carry out a strategic review of its identity and goals. She asked UCSC to design a strategy that recognized its financial constraints in revenue and expenses and to find a way to operate within those constraints. She asked Chancellor Blumenthal to present options to the Board, a comprehensive plan with a combination of approaches.

Regent Island stated that the Regents should not interfere with the unique vision of the Santa Cruz campus, a vision defined by the faculty and to which the faculty had devoted their professional lives. The Board should provide the support and opportunity for UCSC to solve its financial challenges. It is not the role of the Regents to design a university. He expressed appreciation for the straightforward presentation of the facts of the budget deficit by UCSC.

Regent Pattiz commended UCSC for its accomplishments and echoed Regent Island's appreciation for the honesty of the presentation. UC Santa Cruz's challenges would have to be met energetically, drawing on internal and external resources.

Chancellor Blumenthal expressed his willingness to present a business plan at a future meeting. He stressed that he did not wish to take any action that would tamper with the aspirations of the campus. He assured the Regents that UCSC has balanced its budget every year.

Chancellor Blumenthal then continued his presentation. UCSC graduation rates lag behind the UC system average, but outperform the predicted graduation rates for the profile of this student population. In the context of changing demographics in California, UCSC was serving many low-income and first-generation college students. Such cohorts often need additional support. UCSC qualified as a Hispanic-serving institution in 2012, making it eligible for federal support. The campus had already received two grants from this source, one to boost the achievement of Latino undergraduates, and another to help Hispanic and high-need students at San Jose City College prepare to earn bachelor's degrees. He outlined efforts to improve faculty diversity through accountability measures and training, and described the campus' diversity and inclusion certificate program for faculty and staff. Chancellor Blumenthal concluded by noting that he felt heartened by the new financial strategies and public-private partnership opportunities being made available by President Napolitano and the Regents that would allow the campus to accommodate a growing student population, and to continue to excel in teaching and research.

Regent Ortiz Oakley expressed concern about overcrowding in student housing and how this affected the campus' ability to increase enrollment. Chancellor Blumenthal responded that the campus was on a good path for the medium-term future. He acknowledged that housing density was a concern, but anticipated that UCSC would be able to add 3,000 new beds by 2020 using a public-private partnership model, while keeping housing cost increases below three percent.

6. **FISCAL YEAR 2016-17 BUDGET FOR CENTRAL AND ADMINISTRATIVE SERVICES, OFFICE OF THE PRESIDENT**

The President of the University recommended that the University of California Office of the President fiscal year 2016-17 budget for Central and Administrative Services be approved, as outlined in Table A below.

TABLE A

FY 2016-17 BUDGET SUMMARY OFFICE OF THE PRESIDENT ($ millions)	**TOTAL BUDGET**		**UNRESTRICTED BUDGET**		**RESTRICTED BUDGET**	
	TOTAL FY 2015-16	**TOTAL FY 2016-17**	**TOTAL FY 2015-16**	**TOTAL FY 2016-17**	**TOTAL FY 2015-16**	**TOTAL FY 2016-17**
OFFICE OF THE PRESIDENT						
Central and Administrative Services	**221.95**	**227.90**	**111.08**	**115.06**	**110.87**	**112.84**
Academic Affairs	29.87	29.49	28.87	28.26	1.00	1.23
Research Innovation & Entrepreneurship	49.87	52.67	2.12	2.92	47.75	49.75
Finance	40.48	40.91	30.43	31.27	10.05	9.64
Operations	77.44	80.48	31.16	33.64	46.28	46.84
President's Exec. Office	3.13	3.11	2.68	2.63	0.45	0.48
Health Sciences	3.67	4.08	3.48	3.90	0.19	0.18
Governmental Relations	5.30	5.28	4.69	4.67	0.61	0.61
Public Affairs	12.19	11.88	7.65	7.77	4.54	4.11
Regents Officers	**55.51**	**56.23**	**19.89**	**19.64**	**35.62**	**36.59**
General Counsel	12.10	11.37	10.80	10.15	1.30	1.22
Secretary of the Regents	2.94	2.88	2.93	2.87	0.01	0.01
Ethics & Compliance	6.17	6.63	6.16	6.62	0.01	0.01
Investments Office	34.30	35.35	-	-	34.30	35.35
Facilities & Operational Expenses	**23.04**	**25.87**	**22.53**	**25.36**	**0.51**	**0.51**
Central Merit Funding	**-**	**4.17**	**-**	**2.57**	**-**	**1.60**
TOTAL	**300.50**	**314.17**	**153.50**	**162.63**	**147.00**	**151.54**
% change		***4.5%***		***5.9%***		***3.1%***

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

(See discussion in item 7 below.)

7. **FISCAL YEAR 2016-17 BUDGET FOR SYSTEMWIDE ACADEMIC AND PUBLIC SERVICE PROGRAMS, OFFICE OF THE PRESIDENT**

The President of the University recommended that the University of California Office of the President fiscal year 2016-17 budget for Systemwide Academic and Public Service Programs be approved, as outlined in Table A below.

TABLE A

FY 2016-17 BUDGET SUMMARY OFFICE OF THE PRESIDENT ($ millions)	TOTAL BUDGET		UNRESTRICTED BUDGET		RESTRICTED BUDGET	
	TOTAL FY 2015-16	TOTAL FY 2016-17	TOTAL FY 2015-16	TOTAL FY 2016-17	TOTAL FY 2015-16	TOTAL FY 2016-17
SYSTEMWIDE ACADEMIC & PUBLIC SERVICE PROGRAMS						
Instruction	53.14	53.66	2.86	3.55	50.28	50.11
Research	107.49	108.56	55.95	56.21	51.54	52.35
Public Service	17.42	16.68	11.51	11.58	5.91	5.10
Academic Support	49.20	46.14	22.87	22.27	26.33	23.87
National Laboratories	4.54	4.99	-	-	4.54	4.99
Presidential Initiatives	9.85	9.77	9.85	9.77	-	-
Central Merit Funding		1.06		1.00	-	0.06
TOTAL	**241.64**	**240.86**	**103.04**	**104.38**	**138.60**	**136.48**
% change		*-0.3%*		*1.3%*		*-1.5%*
Systemwide Services						
UC Path Center	13.32	**20.15**	**13.32**	**20.15**	**-**	**-**
CyberSecurity	-	**9.60**	**-**	**9.60**	**-**	**-**
Agriculture and Natural Resources	95.92	**100.98**	**69.44**	**73.50**	**26.48**	**27.48**
Total Systemwide Services	**109.24**	**130.73**	**82.76**	**103.25**	**26.48**	**27.48**
% change		*19.7%*		*24.8%*		*3.8%*
GRAND TOTAL	**350.88**	**371.59**	**185.80**	**207.63**	**165.08**	**163.96**
% change		*5.9%*		*11.8%*		*-0.7%*

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

Executive Vice President and Chief Operating Officer Nava introduced the Office of the President fiscal year 2016-17 budget, presented in two items, the budget for Central and Administrative Services and the budget for Systemwide Academic and Public Service Programs. This reflected the overall work of the Office of the President, which has an administrative leadership role as well as a role in managing several academic and public service programs on behalf of the UC system. The annual budget for the Office of the President in total represented two percent of the nearly $29 billion UC systemwide budget. The functions within the Office of the President have at times been perceived as purely administrative, while in fact the academic and public service programs accounted for more than half of the total. The presentation in two separate items would make the actual purposes served by the Office of the President more transparent. The first item, the budget for Central and Administrative Services, included not only the executive leadership role of the Office of the President, but also the provision of many services more efficiently managed at one location on behalf of all. The second item, the budget for Systemwide Academic and Public Service Programs, included a number of research, instruction, academic support, and public service programs which are also best managed at one location.

In prior years, the budget for the Office of the President was reduced significantly. For the 2016-17 budget, divisions were asked to reduce their core fund expenditures by five percent to partially offset critical investments in key initiatives. There would be an average three-percent merit salary increase for non-represented staff. The budget also included specific targeted increases aimed at achieving systemwide efficiencies and responding to critical priorities. These increases were offset to some extent by the elimination of redundancies and strategic reductions.

The Central and Administrative Services budget, $314.2 million, represented one percent of the overall UC budget. Of this, $162.6 million was in unrestricted funds and $151.5 million in restricted funds. This budget would grow by $13.7 million or 4.5 percent. This increase was due to the merit-based salary program, key investments in technology support, and project funding. Over 50 percent of the second item, the Systemwide Academic and Public Service Programs budget, would flow to the campuses and to the Division of Agriculture and Natural Resources, providing support for programs that benefit all the campuses and would otherwise have to be managed by each campus. The research components of this budget included over $30 million in State-funded research programs. Public services programs funded by this budget would provide outreach to potential future students in the K-12 system and in community colleges. The Systemwide Academic and Public Service Programs budget totaled $371.6 million, with $207 million in unrestricted funds and $164 in restricted funds. This budget grew from the previous year by $20.7 million or 5.9 percent, an increase due to cyber security program investments of about $9.6 million, anticipated staffing needs for the UCPath Center, and academic and staff cost increases for Agriculture and Natural Resources. Some of these expenses were offset by a reduction in the UC Press budget. A portion of both parts of the Office of the President budget was funded by an assessment to the campuses. This assessment in 2016-17 would increase by 7.4 percent.

Regent Pérez asked about the proportions of State funding to the University that flowed to the campuses versus to the Office of the President. Ms. Nava responded that she would provide information on the State funding total and the proportion used to fund the Office of the President.

Regent Varner observed that many details of the Office of the President budget concerned issues raised by the California State Auditor and other State representatives. He asked if details would be shared with State representatives, stressing that it would be important to do so. Ms. Nava confirmed that the University communicates regularly with the State Department of Finance and the Governor’s office about the Office of the President budget.

Regent Ortiz Oakley asked if there was a mechanism to receive feedback from the campuses and other UC locations about the job the Office of the President was doing to support them. Ms. Nava responded that these lines of communication are critical. She stated that she had been working closely with the campuses to ensure that the services provided by the Office of the President are of value and effective.

Regent Pattiz recalled that the Office of the President budget had been significantly reduced. He asked about State funding used to support this budget. Ms. Nava explained that 20 percent of the revenues that supported the operating budget came from State funds.

Regent Pattiz observed that the Office of the President budget was an easy target for criticism, yet the Office of the President provides significant value to the University.

Upon motion duly made and seconded, the Committee approved the President's recommendations in items 6 and 7 and voted to present them to the Board.

8. **ALLOCATION OF LOS ALAMOS NATIONAL SECURITY, LLC AND LAWRENCE LIVERMORE NATIONAL SECURITY, LLC FEE INCOME TO BE EXPENDED IN FISCAL YEAR 2016-17**

The President of the University recommended that she be authorized to expend an estimated $23.1 million from the University's net share of Los Alamos National Security, LLC (LANS) and Lawrence Livermore National Security, LLC (LLNS) income earned between January 1, 2016 and December 31, 2016, as projected by the limited liability companies (LLCs), for the purposes and in the amounts described below:

A. The University's contractually required share of compensation costs for LLC employees in UC-designated Key Personnel positions under the LLC Agreements that is not reimbursed by the federal government under the prime contracts. Compensation for LLC employees in Key Personnel positions is paid by the LLCs as approved by the LLC Executive Committees. The amount of UC's contractual share of unreimbursed compensation for UC-designated Key Personnel positions for 2016-17 is estimated at $2.2 million ($2 million in 2015-16). If all or part of the $2.2 million is not needed, the unspent allocation will be transferred to the UC Laboratory Fees Research Program Fund (paragraph E below) and carried over to 2017-18.

B. An appropriation to the Office of the President budget for federally unreimbursed costs of University oversight of its interest in LANS and LLNS, paid or accrued July 1, 2016 through June 30, 2017, including but not limited to an allocable share of the costs of the President's Executive Office, the Provost, the Academic Senate, Human Resources, Compliance and Audit, Financial Accounting, Office of the National Laboratories, Federal Government Relations, Office of Research and Graduate Studies, Office of the General Counsel, Office of the Secretary and Chief of Staff to The Regents, Office of the President facility charges, and the University-appointed Governors on the Boards of the LLCs in the amount of $4.9 million for 2016-17 ($5.1 million in 2015-16). If all or part of the $4.9 million is not needed, the unspent allocation will be transferred to the UC Laboratory Fees Research Program Fund (paragraph E below) and carried over to 2017-18.

C. An appropriation in 2016-17 to a Post-Contract Contingency Fund (PCCF) in the amount of $2.3 million ($1.3 million for 2015-16). Any income generated by the PCCF under the University's Short Term Investment Pool (STIP) shall be reserved exclusively for the PCCF. The balance in the PCCF as of April 30, 2016 is $10.3 million. The addition of $2.3 million in 2016-17 brings the PCCF balance to $12.6 million.

The management and operating contract for Los Alamos National Laboratory (LANL) currently expires September 30, 2018. The U.S. Department of Energy (DOE) has publicly announced it will conduct a full and open competition for the LANL contract. With this Action Item, the Regents will approve the set-aside of $5 million (a portion of the total $12.6 million PCCF balance), beginning in 2016-17, for a Contract Bid and Proposal Reserve (CBPR) to enable the University to evaluate options and, if later approved by the Regents, to mount and submit a bid proposal for the LANL contract when the contract is competitively bid by the DOE. Prior to Regental approval of the University's participation in the LANL contract competition and the submission of a UC bid proposal to the DOE, CBPR funds will be used to evaluate options for a potential UC bid. Unused CBPR funds in 2016-17 will be carried forward in the CBPR to 2017-18.

D. The Regents have approved a funding target for the LLC Fee Contingency Fund of $7 million. The LLC Fee Contingency Fund is currently fully funded with a balance of $7.2 million as of April 30, 2016. No allocation to the Fund is required for 2016-17. Funds remaining in the LLC Fee Contingency Fund will be carried over to 2017-18 to maintain the $7 million funding target. Any income generated by the LLC Fee Contingency Fund under the University's STIP shall be reserved exclusively for that fund.

E. An anticipated appropriation in 2016-17 in the amount of $13.4 million for the UC Laboratory Fees Research Program and other research relevant to the missions of the National Laboratories and the University subject to any reallocation required after the calendar year 2016 as a result of LLNS and LANS reporting of actual net fee income earned by the University to meet the ongoing appropriations under paragraphs A through D above and F below. Of this anticipated appropriation, $400,000 is a designated appropriation in 2016-17 for the UC-National Laboratory Graduate Student Fellowship Program, which is administered by the UC Laboratory Fees Research Program in the Research Grants Program Office. In the event all or part of this funding for the UC Laboratory Fees Research Program is not needed in 2016-17, that funding will be carried over to 2017-18.

F. Commencing in 2016-17 and continuing annually thereafter, an appropriation of $300,000 per annum to fund an affiliation agreement between the Regents of the University of California and Livermore Lab Foundation, a California nonprofit public benefit corporation that is seeking approval by the IRS as a Section 501(c)(3) organization. It has been requested that the President, within her delegated authority, approve an affiliation agreement between the Regents and the Livermore Lab Foundation that (1) makes the Foundation an affiliate of the University while the agreement remains in effect and (2) provides funding not to exceed $300,000 per annum as approved by the Regents. The Livermore Lab Foundation has been formed to receive support from donors and to distribute such funds to support LLNL and other scientific and educational purposes. Unspent funds remaining in this Foundation allocation will be carried over to the next fiscal year. Funds requested for the next fiscal year will be the differential needed to provide an appropriation of $300,000 per annum.

[Background material was provided 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 Kieffer 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.

9. **APPROVAL OF EXTERNAL FINANCING AND LOAN TO CHILDREN'S HOSPITAL AND RESEARCH CENTER AT OAKLAND (CHRCO) FOR MASTER FACILITY PLAN PHASE I AND APPROVAL OF RESTRUCTURING OF LOAN TO CHRCO FOR DEBT DEFEASANCE, SAN FRANCISCO CAMPUS**

The President of the University recommended that:

A. The President be authorized to obtain external financing, which shall be loaned to UCSF Benioff Children's Hospital Oakland (CHRCO) for its Master Facility Plan Phase I, in an amount not to exceed $50 million, plus additional related financing costs, subject to the following conditions:

(1) As long as the debt authorized is outstanding, UCSF Health gross revenues shall be maintained in amounts sufficient to pay the debt service and meet the related requirements of the authorized financing.

(2) The general credit of the Regents shall not be pledged.

B. The President be authorized, after consultation with the General Counsel, to approve and execute a loan agreement between the Regents (on behalf of UCSF Health) and CHRCO for repayment of the authorized financing (via an amendment to the existing agreement or a new agreement). The terms of the loan shall require CHRCO to make loan payments sufficient to cover all debt service on the external financing obtained to make the loan to CHRCO.

C. The President be authorized, after consultation with the General Counsel, to restructure the existing loan between the Regents and CHRCO to defer annual principal payments under the existing loan through fiscal year 2032 and extend the requirement to make annual principal payments under the existing loan to fiscal year 2046.

D. The President be authorized, after consultation with the General Counsel, to approve and execute all documents as may be necessary to implement and execute the intent of this item, including all amendments and modifications provided they do not materially increase the obligations of the University or decrease the rights of the Regents.

[Background material was provided 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 Kieffer 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.

10. **APPROVAL OF LOAN TO WESTERN HEALTH ADVANTAGE, DAVIS CAMPUS**

The President of the University recommended that:

A. The Regents authorize a loan to Western Health Advantage in the amount of $4,334,000 on the condition that Western Health Advantage executes a promissory note or similar instrument payable to the Regents of the University of California evidencing the loan.

B. The President be authorized, after consultation with the General Counsel, to approve and execute any documents as may be necessary in relation to the loan, and approve and execute any documents reasonably necessary to amend such documents, so long as such amendments do not materially increase the University's obligations or decrease the rights of the Regents of the University of California.

[Background material was provided 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 Kieffer 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.

11. **DISCUSSION OF CAMPUS SAFETY INCIDENT ON JUNE 1, 2016, LOS ANGELES CAMPUS**

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

Chairman Lozano expressed the Regents' condolences to the UCLA community and in particular to the family of Professor William Klug, who was killed in a shooting incident on June 1.

Chancellor Block recounted events that took place at UCLA on June 1, a few days before the end of instruction. A former graduate student walked into the office of a beloved engineering professor, William Klug, shooting and killing him before turning the gun on himself. Chancellor Block stated his view that the campus had managed this terrible situation well. There were lessons to be learned from this incident and areas for improvement.

The UCLA Police Department dispatch center received the first call about this incident at 9:38 a.m., reporting that two gunshots had been fired in the Engineering IV building, near the center of campus. Officers arrived at the building less than three minutes after receiving the original call and began searching Engineering IV and Boelter Hall. At 9:49, the first BruinAlert message was sent to approximately 82,000 email users as well as 35,000 SMS text message users. Messages were also broadcast via giant voice speakers that cover the UCLA campus, AM radio, digital display boards, Twitter, and Facebook. Updates were posted on the main UCLA website and the UCLA Newsroom website. Nearly 500,000 emails and 250,000 text messages were sent during the entire incident. The UC police requested mutual assistance from the Los Angeles Police Department (LAPD) at 9:54. The LAPD declared a tactical alert, which resulted in hundreds of officers from multiple agencies responding throughout the duration of the incident. The campus emergency management policy group was notified and assembled in the Chancellor's office. The campus emergency operations center was opened at 10:12 in preparation for a mass casualty incident. For nearly an hour and a half, the UC police dispatch center received multiple reports of shots fired in buildings across the campus. These reports came mostly from people who heard secondhand information from others in the area who thought they had heard gunshots or believed that they had seen a gunman. Although none of these reports were substantiated, they contributed to the belief that the incident involved an active shooter or shooters. Police units cleared a total of four buildings in response to the reports of gunshots. At approximately noon it was determined, based on the evidence at the scene, that the incident did not involve an active shooter. An "all clear" message was sent through the BruinAlert system at 12:12 p.m. Based on the entirety of the incident, the emergency management policy group made the decision to cancel classes for the remainder of the day. UCLA arranged for counseling services to be made immediately available to faculty, staff, and students. There were numerous accounts of students and others using techniques they had learned during emergency preparedness training, turning off lights and hiding quietly. Chancellor Block noted that during the past year, more than 2,500 people at UCLA had participated in exercises that included information on how to respond to active shooter situations.

The role of social media in this incident was a challenge for UCLA. Those involved in the incident, as well as those interested from around the world, flocked to social media sites to follow the events as they unfolded. Unfortunately, social media became a forum for misinformation. UCLA actively used Twitter and Facebook to provide accurate information about the situation and organized three news conferences during the day. Chancellor Block stated that overall, the emergency response to the incident was successful, and the campus' efforts to prepare for such emergencies had proved helpful. UCLA has conducted extensive debriefings with deans, vice chancellors, police, Housing and Hospitality Services, Student Affairs, and others. Additional reviews were under way, specifically of the BruinAlert system. While the campus response was effective, UCLA was examining how it could have been even better that day. In addition to initiatives already in place, Chancellor Block had established a task force to analyze UCLA's response and provide recommendations.

Regent Pattiz asked about the motives for the shooting. Administrative Vice Chancellor Michael Beck responded that the incident was still under investigation. UCLA has a behavior intervention team that would usually investigate someone identified as presenting some type of risk to the campus. The shooter had been off the campus for a number of years. There was no indication, even in hindsight, that this individual had posed a threat to the campus or to Professor Klug.

Regent Reiss asked about whether it would be desirable for students to be able to lock themselves into a campus room in an emergency like this one. Chancellor Block observed that people may need to get out of rooms in an emergency. Mr. Beck added that fire codes require that it be possible to open doors with a single movement. He expressed the campus' concern that predators might use a locking mechanism to trap a student in a room. If a shooter were in a courtyard area or outside, an automatic locking mechanism might expose people to danger if they cannot get into a building.

Regent Reiss praised UCLA for its handling of this situation. Chancellor Block emphasized the tragedy that this represented for Professor Klug's family.

Regent-designate Monge praised the coordination of UCLA's emergency response. He asked about allegations that one professor required students to take an examination during the lockdown, and if the $5 million in State funding for a firearms research center could be allocated to UCLA. Chancellor Block responded that the topic of faculty training for emergency situations like this would be examined by the task force. There was interest on all the campuses in firearms research. He suggested that the $5 million might be used as seed money for a more substantial future program. President Napolitano added that there is a Violence Prevention Research Program at UC Davis, led by a faculty member of the School of Medicine. Rather than create a new center with associated overhead costs, the University would seek to fund research proposals from the campuses. She drew attention to a fund that had been established for Professor Klug's family.

12. **REMARKS OF THE UC STUDENT ASSOCIATION PRESIDENT**

President of the UC Student Association (UCSA) Kevin Sabo welcomed the progress that had been achieved on many issues of concern to students through genuine partnership with the Regents. He underscored the urgency of problems that many students face regarding basic needs, such as housing and food security. It was desirable that there be a spirit of consultation and cooperation with students. He stated that students' concerns had sometimes been summarily dismissed. In view of the excellence of the UC system, it was frustrating when the University's reputation came under attack due to decisions by one individual or a handful of individuals. The Regents should examine an organizational culture in which poor decisions are made. The State government was very attentive to actions taken at UC. Mr. Sabo urged the Regents to change what he termed the practice of public image doctoring. The University's best actions would generate positive stories without wasting funds. He suggested that the Regents should have the authority to oversee campus and Office of the President public relations campaigns costing more than $100,000. He emphasized the need for the Regents and students to work together on issues of importance.

Regent Makarechian asked about the operation of food banks at UC. Mr. Sabo responded that there were food pantries on every campus. The operations and rules for these pantries varied widely, as did the situations of food insecurity for many students.

Regents Makarechian, Varner, and Pérez suggested that major supermarket chains might allocate resources to University food banks.

The meeting adjourned at 3:55 p.m.

Attest:

Secretary and Chief of Staff