

## THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

November 15, 2018

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

Members present: Regents Anderson, Anguiano, Butler, Estolano, Graves, Guber, Kieffer, Lansing, Leib, Makarechian, Morimoto, Napolitano, Park, Pérez, Sherman, Tauscher, and Zettel

In attendance: Regents-designate Simmons, Um, and Weddle, Faculty Representatives Bhavnani and May, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Brown, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Executive Vice President Stobo, Senior Vice President Holmes, Vice Presidents Brown and Holmes-Sullivan, Chancellors Block, Blumenthal, Christ, Gillman, Hawgood, Khosla, Leland, May, Wilcox, and Yang, and Recording Secretary McCarthy

The meeting convened at 9:05 a.m. with Chair Kieffer presiding.

### 1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of September 27, 2018 were approved.

### 2. PUBLIC COMMENT

Chair Kieffer explained that the public comment period permitted members of the public an opportunity to address University-related matters. The following persons addressed the Board concerning the items noted.

- A. Ms. Sophie Bandarkar, a UC Berkeley student and member of the Title IX Student Advisory Board, asked that the Regents support improved funding for campus Title IX offices, systemwide data collection regarding students affected by Title IX processes, and a needs assessment of Title IX offices.
- B. Ms. Eliza Davis, a UC Berkeley student, stressed the importance of providing adequate funding for campus Title IX offices and training for students on preventing sexual assault and harassment. There are long wait times for needed services.
- C. Mr. Mateo Montoya, a UC Berkeley student, also stressed that campus Title IX offices do outstanding work but without adequate funding. Beyond initial incidents of sexual assault, these offices work with academic counselors and advisors to

ensure that students have support after incidents of sexual assault and that their academic progress is not negatively affected.

- D. Mr. Aidan Arasasingham, a second-year student at UCLA and board member of the UC Student Association, discussed deferred maintenance and how it affects students. There was a growing disparity in the quality of learning spaces on campus. Some students learn in state-of-the-art named and endowed buildings, while others learn in seismically out-of-date lecture halls without enough working desks and seats. Mr. Arasasingham was glad that this was a priority for the Finance and Capital Strategies Committee and invited Regents to visit campuses and see space concerns from the students' point of view.
  
- E. Ms. Sarah Abdeshahian, a UC Berkeley student, expressed concern about the impact of the Butte County Camp Fire on air quality in Berkeley, and urged Chancellor Christ to make classes optional at this time. She also urged the University to provide expanded mental health and legal services for undocumented students, to prioritize basic needs, to divest from the fossil fuel industry, to provide increased funding for campus Title IX offices, and to negotiate a fair contract for American Federation of State, County and Municipal Employees (AFSCME) workers.
  
- F. Ms. Ella Smith, a UC Berkeley student, expressed solidarity with members of AFSCME 3299. She urged the University to avoid outsourcing jobs and ensure a fair contract for AFSCME workers. She referred to the current unhealthy air quality in the San Francisco Bay Area resulting from the Camp Fire, a situation in which classes at UC Berkeley should be cancelled.
  
- G. Ms. Anne Price, a UC Berkeley student and Title IX case worker, urged the University to strengthen Title IX policies and improve the process. It takes a long time to adjudicate cases of sexual violence and sexual harassment, and recent changes to the Title IX process had not ameliorated the situation. A prolonged process can have a negative effect on students' academic progress.
  
- H. Ms. Jamie Kennerk commended the University on its efforts in implementing UCPath, a complex and massive system. She reported that a large number of student employees at UCLA were not being paid, or being paid incorrectly due to problems with UCPath. Students did not know how to address this. The University must find a systemic solution, rather than addressing this issue case by case.

The Board recessed at 9:15 a.m.

.....

The Board reconvened at 10:00 a.m.

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

President Napolitano introduced UC Student Association (UCSA) President Caroline Siegel-Singh, who thanked those Regents who attended UCSA board meetings. Ms. Siegel-Singh commented that faculty advisors hold a great deal of power over their graduate students' financial support while at UC, as well as their academic and professional careers. She urged increasing faculty accountability under Title IX procedures.

Ms. Siegel-Singh encouraged the Regents to find a way to be effective partners with statewide legislative leaders, particularly at the current time with new members of the Legislature. UCSA looked forward to joint advocacy for a student-driven legislative agenda.

Ms. Siegel-Singh said the implementation of UCPath had caused hundreds of students to have missing paychecks, which can have serious consequences for many students.

UCSA was in solidarity with American Federation of State, County and Municipal Employees (AFSCME) workers. She urged the UC Office of the President to show respect for AFSCME in the negotiation process. University leadership should work to improve its relationships with students, workers, and the Legislature.

Chair Kieffer commented that the Public Policy Institute of California reported survey results indicating that most Californians believe that higher education should be a top priority for the new Governor. A strong majority of those surveyed also said they wanted a new direction for higher education and more funding for higher education.

**4. COMMITTEE REPORTS INCLUDING APPROVAL OF RECOMMENDATIONS FROM COMMITTEES**

Chair Kieffer stated that Chairs of Committees and Subcommittees that met the prior day and off-cycle would deliver reports on recommended actions and items discussed, providing an opportunity for Regents who did not attend a particular meeting to ask questions.

**Report of the Academic and Student Affairs Committee**

The Committee presented the following from its meeting of November 14, 2018. The Committee considered three discussion items.

**A. *Assessing and Ensuring Academic Quality on Campus and Systemwide***

This discussion item had no actionable recommendations.

B. ***Update on Implementation of the Recommendations of the Regents Total Cost of Attendance Working Group***

This presentation provided updates on progress in implementation of the recommendations of the Regents Total Cost of Attendance Working Group. Those recommendations would inform the deliberations and work of the Regents Special Committee on Basic Needs that would be considered for establishment at this meeting.

C. ***Serving Those Who Serve: The Student Veteran Experience at the University of California***

Regent Pérez reported that this fruitful conversation about UC's student veterans including compelling presentations from two recent UC alumni detailing their experiences as veterans on UC campuses and offering thoughtful recommendations to consider.

**Report of the Compliance and Audit Committee**

The Committee presented the following from its meeting of November 14, 2018. The Committee considered three items for discussion.

A. ***Annual Report on Internal Audit Activities, 2017-18***

Regent Anguiano stated that Internal Audit identified no material financial control issues that represented either material deficiencies in UC's internal controls or any circumstances in which management decisions resulted in unacceptable levels of risk.

B. ***Report on Independent Assessment of Audit Implementation Status***

The Regents' consultants Sjoberg Evashenk Consulting reported that the University was on track to meet the 11 UC Office of the President year two recommendations of the State Auditor due to be completed by April 2019. Five of the 11 had been completed.

C. ***Annual Report of External Auditors for the Year Ended June 30, 2018***

PricewaterhouseCoopers issued an unqualified opinion of UC's financial statements, the highest level possible. PwC had no additional internal control comments. The Committee discussed amending a footnote to the financial statements indicating that retiree health benefits were not a vested benefit, since this liability was now required to be included on the balance sheet.

**Report of the Finance and Capital Strategies Committee**

The Committee presented the following from its meeting of November 14, 2018. The Committee considered ten items for action and six items for discussion:

A. ***Approval of Design Following Action Pursuant to California Environmental Quality Act, Bakar BioEnginuity Hub at Woo Hon Fai Hall, Berkeley Campus***

Following review and consideration of the environmental consequences of the proposed Bakar BioEnginuity Hub, as required by the California Environmental Quality Act, including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than 24 hours in advance of the beginning of the Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Finance and Capital Strategies Committee recommended:

- (1) Determination that the project is categorically exempt from the California Environmental Quality Act.
- (2) Approval of the design of the Bakar BioEnginuity Hub project, Berkeley campus.

This donor-funded project, rehabilitation of Woo Hon Fai Hall, converting it from a former museum into a bio-engineering hub, would be at no cost to the campus and would provide positive cash flow to the Berkeley campus.

B. ***Approval of the 2018-28 Capital Financial Plan***

The Committee recommended that the University of California 2018-28 Capital Financial Plan be approved.

Regent Makarechian said this item requested approval of the University's ten-year capital financial plan for multi-year programs of proposed new construction, renovation, and other capital investments. The approval of the Capital Financial Plan did not constitute Capital Budget Approval. Each project would come to the Board for approval.

Regent Makarechian stressed that enrollment growth requires expansion of classrooms, research facilities, and housing, and underscored the importance of the Capital Financial Plan. The University has had no support from general obligation bonds since 2006. The need to secure funding for deferred maintenance was paramount.

C. ***University of California Financial Reports, 2018***

The Committee recommended that the Regents adopt the 2017-18 Annual Financial

Reports for the University of California, the University of California Retirement System, and the five University of California Medical Centers.

This action was not summarized at the Board meeting.

D. ***Approval of Budget and Scope, Approval of External Financing and External Financing Supported by State General Funds, and Approval of Design Following Action Pursuant to the California Environmental Quality Act, Teaching and Learning Complex, Davis Campus***

The Committee recommended that:

- (1) The 2018-19 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Davis: Teaching and Learning Complex – preliminary plans – \$3.4 million to be funded from campus funds.

To: Davis: Teaching and Learning Complex – preliminary plans, working drawings, construction, and equipment – \$86,337,000 to be funded from external financing supported by State appropriations under the process described in Sections 92493 through 92496 of the California Education Code (\$50 million) and external financing supported by general revenues of the Davis campus (\$36,337,000).

- (2) The scope of the Teaching and Learning Complex project shall provide approximately 65,200 assignable square feet (100,000 gross square feet) in a four-story structure. The facility includes approximately 2,000 general assignment classroom seats totaling approximately 41,500 assignable square feet (asf), as well as approximately 5,600 asf for student study and collaboration, approximately 12,700 asf of office space, and approximately 5,400 asf for building support space. The scope also includes plazas, bicycle parking, and the demolition of the Surge IV structures currently on the site.
- (3) The President of the University be authorized to obtain external financing not to exceed \$36,337,000 plus additional related financing costs. The President shall require that:
  - a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
  - b. As long as debt is outstanding, general revenues of the Davis campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.

- c. The general credit of the Regents shall not be pledged.
- (4) The President be authorized to obtain external financing not to exceed \$50 million plus related interest expense and additional related financing costs. The President shall require that:
- a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
  - b. The primary source of repayment shall be from State General Fund appropriations, pursuant to the Education Code Section 92493 et seq. Should State General Fund appropriation funds not be available, the President shall have the authority to use any legally available funds to make debt service payments.
  - c. The general credit of the Regents shall not be pledged.
- (5) Following review and consideration of the environmental consequences of the proposed Teaching and Learning Complex project, as required by the California Environmental Quality Act (CEQA), and including any written information addressing this item received by the Office of the Secretary and Chief of Staff to the Regents no less than 24 hours in advance of the beginning of the Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Regents:
- a. Adopt the CEQA Findings in support of the project.
  - b. Approve the design of the Teaching and Learning Complex project, Davis campus.

E. ***Consent Agenda***

- (1) ***Approval of the University of California 2019-20 Budget for State Capital Improvements***

The Committee recommended that the 2019-20 Budget for State Capital Improvements be approved as shown below:

		<b>State General Funds Financed (\$000s)</b>	<b>Phase</b>
Berkeley	University Hall Seismic Safety Corrections	\$6,050	Construction
Irvine	Student Wellness & Success Center	\$13,000	Construction
Riverside	Pierce Hall Interiors	\$13,000	Construction Equipment
Santa Barbara	Classroom Building	\$79,787	Construction
Santa Cruz	Kresge College Academic	\$47,200	Construction Equipment
Division of Agriculture & Natural Resources	Facilities Renewal and Improvements	\$19,237	Preliminary Plans Working Drawings Construction
<b>Capital Projects Total</b>		<b>\$178,274</b>	
2019-20 Systemwide State Deferred Maintenance Program		\$35,000	
<b>TOTAL STATE FUNDS FINANCED</b>		<b>\$213,274</b>	

(2) ***Approval of Preliminary Plans Funding, Classroom Building, Santa Barbara Campus***

The Committee recommended that the 2018-19 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Santa Barbara: Classroom Building – preliminary plans – \$2.1 million, to be funded from campus funds.

(3) ***Amendment of Preliminary Plans Funding, UCSF Research Building at Zuckerberg San Francisco General Hospital, San Francisco Campus***

The Committee recommended that the 2018-19 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: San Francisco: UCSF San Francisco General Hospital Research Building – preliminary plans – \$10.9 million to be funded from campus funds.



To: San Francisco: UCSF Research Building at Zuckerberg San Francisco General Hospital – preliminary plans – \$19.88 million to be funded from campus funds.

(4) ***Approval of Preliminary Plans Funding, Scope, and Working Drawings Funding, Roadway and Site Improvements at Zuckerberg San Francisco General Hospital, San Francisco Campus***

The Committee recommended that:

- a. The 2018-19 Budget for Capital Improvements and the Capital Improvement Program be amended to include:

San Francisco: Roadway and Site Improvements at Zuckerberg San Francisco General Hospital – preliminary plans and working drawings – \$3,711,000, to be funded from campus funds.

- b. The scope of the Roadway and Site Improvements at Zuckerberg San Francisco General Hospital (ZSFG) project shall provide a new east-west roadway on the ZSFG campus connecting the on-campus hospital loop roadway with Vermont Street; site improvements include: installation of landscaping, pedestrian pathways, drainage, accessible parking spaces, and utilities serving the roadway. The work includes the removal or relocation of existing utilities and parking spaces, relocation of a historic decorative fountain, and installation of underground utilities serving the new research building.

(5) ***Approval of Preliminary Plans Funding, Hillcrest Campus Outpatient Pavilion and Parking, San Diego Campus***

The Committee recommended that the 2018-19 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: Hillcrest Campus Outpatient Pavilion and Parking – preliminary plans – \$20 million, to be funded from campus funds.

F. ***UC San Diego 2019 Long Range Development Plan, Hillcrest Campus, San Diego Campus***

Regent Makarechian said that UC San Diego was proposing a new Long Range Development Plan (LRDP) for its Hillcrest campus. The new LRDP would accomplish the goals of decommissioning the existing hospital, demolition of

approximately 36 of the 38 existing structures, including temporary buildings, in order to build a new hospital, important for the San Diego area.

**G. *Ambulatory Care Center Expansion with Eye Center, Davis Health Campus***

This project would facilitate UC Davis Health's strategy to consolidate and improve the operational efficiency of hospital-based outpatient services on the Sacramento campus.

**H. *Report of Budget to Actual Expenditures for Fiscal Year 2017-18 for the Office of the President; and First Quarter Fiscal Year 2018-19 Results***

This discussion was not summarized at the Board meeting.

**I. *UCPath Update***

Regent Makarechian reported that the University achieved another significant UCPath milestone with successful deployment at UCLA and UC Santa Barbara, the third and largest deployment to date. Six UC locations now use UCPath, representing one-third of UC's workforce. The next deployment would be at four locations, UC Davis, UC Berkeley, UC Irvine, and Agriculture and Natural Resources, planned for March 2019. The final five locations would deploy UCPath in September 2019. The total forecast budget for UCPath remained at \$547 million, plus \$200 million from UC campuses. Annual operational costs are \$80 million.

Regent Makarechian noted that UCPath was not just a payroll system, but a total information software capable of generating reports that would be important in future analysis.

Regent Estolano asked about concerns expressed by students during the public comment session about delays or inaccuracies in paychecks upon conversion to UCPath. Regent Makarechian said the Committee was informed that such problems were very rare compared with the number of paychecks processed. Regent Makarechian added his concern about UCPath's customer service and long hold times. Executive Vice President and Chief Financial Officer Brostrom reported that the overall success of the deployment exceeded expectations. At UCLA, errors had decreased 40 percent over the prior month on the old payroll system. Those errors that did occur were often for graduate students' paychecks, which could be from multiple funding sources. The campuses were taking various measures to address these problems, some using instant pay cards and were trying to achieve same-day resolution on the checks. He acknowledged that some cases did take several weeks to resolve, which he said was not acceptable. These issues were being addressed both at a system level and at the campus level, and the University was looking at ways to ensure that every student would be held harmless from the effects of paycheck mistakes. Regent Estolano commented that students who missed paychecks should be immediately provided with funds. Executive Vice President

and Chief Operating Officer Nava said her office was working closely with the campuses to resolve any outstanding issues as a high priority.

Regent Anderson concurred that undergraduate and graduate students could least afford to miss a paycheck. While UCPATH and UC Office of the President leadership were working hard to resolve these issues, it cannot be fast enough, as students would quickly miss rent payments or other obligations. He expressed confidence that the additional effort and resources being applied to resolve the problems would be successful. He hoped that the number of errors was being reduced and that responses were coming more quickly. He applauded the UCPATH team, campus staff, and the patience of the affected students.

Regent Makarechian said he had requested a report on UCPATH to the full Board at a future meeting, including an analysis of the whole project's cost and anticipated benefits.

**J. *Annual Actuarial Valuations for the University of California Retirement Plan and Its Segments and for the 1991 University of California-Public Employees' Retirement System Voluntary Early Retirement Incentive Program***

Regent Makarechian said he was glad to report that the Regents' Consulting Actuary, Segal Consulting's annual valuation of the University of California Retirement Plan (UCRP) June 30, 2018 overall market value of assets was \$66.8 billion, up from \$62.1 billion as of the previous June 30. The assets reflected a net investment return of approximately 7.8 percent. UCRP's funding ratio had increased from 85 percent to 87 percent.

**K. *Annual Actuarial Valuation of the University of California Retiree Health Benefit Program***

Regent Makarechian pointed out that retiree health was not a vested right. Significant findings from the July 1, 2018 valuation include a total Program accrued liability of \$18.7 billion. The University pays retiree health on a pay-as-you-go basis. Actual cash costs in fiscal year 2017-18 were \$309 million.

**L. *Approval of the University of California 2019-20 Budget for Current Operations***

The Committee recommended approval of the proposed budget plan shown in Attachment 1, *University of California 2019-20 Budget Plan for Current Operations*.

Regent Makarechian explained that a full presentation and action on this item by the full Board would take place later in this meeting.

Upon motion of Regent Makarechian, duly made and seconded, the recommendations of the Finance and Capital Strategies Committee were approved.

**Governance and Compensation Committee**

The Committee presented the following from its meeting of November 14-15, 2018. The Committee considered four items for action, one item for discussion, and one item for action from closed session for approval in open session:

A. ***Establishment of a New Position in the Senior Management Group of Associate Vice President – Chief Clinical Officer, UC Health, Office of the President, and the Corresponding Market Reference Zone for the Position***

The Committee recommended that the Regents:

- (1) Establish a new Senior Management Group position of Associate Vice President – Chief Clinical Officer, UC Health, Office of the President. This will be a Level Two position in the Senior Management Group.
- (2) Establish a Market Reference Zone for the position of Associate Vice President – Chief Clinical Officer, UC Health, Office of the President, as follows: 25th percentile – \$496,600, 50th percentile – \$537,000, 60th percentile – \$565,300, 75th percentile – \$607,600, and 90th percentile – \$670,700.
- (3) This action will be effective upon approval.

B. ***Amendment of Bylaws and Committee Charters, Establishment of an Investments Committee and Adoption of Investments Committee Charter, and Establishment of a Special Committee on Nominations***

The Committee recommended that:

- (1) Following service of appropriate notice, the Bylaws of the Regents of the University of California be amended as shown in Attachment 2.
- (2) The Charter of the Governance and Compensation Committee be amended as shown in Attachment 3, effective upon final approval of the Bylaw amendments in paragraph (1).
- (3) The Charter of the Finance and Capital Strategies Committee be amended as shown in Attachment 4, effective upon final approval of the Bylaw amendments in paragraph (1).
- (4) The Charter of the Health Services Committee be amended as shown in Attachment 5, effective upon final approval of the Bylaw amendments in paragraph (1).

- (5) The Investments Committee be established and the Charter of the Investments Committee be adopted as shown in Attachment 6, effective upon final approval of the Bylaw amendments in paragraph (1).
- (6) The Special Committee on Nominations be established and the Charter of the Special Committee on Nominations be adopted, as shown in Attachment 7.

Regent Sherman commented that the Committee was of the opinion that not all Committees have to meet at every Regents' meeting. For example, the Investments Committee may meet only four times a year.

C. ***Establishment of Regents' Special Committee on Basic Needs***

The Committee recommended that the Regents:

- (1) Establish the Special Committee on Basic Needs for a two-year period, effective upon approval.
- (2) Adopt the Special Committee on Basic Needs Charter as shown in Attachment 8.
- (3) Review the need for the continuation of the Special Committee by November 2020.

D. ***Amendment of Regents Policy 1202 – Appointment of Student Regent and Adoption of Student Regent Nomination Procedures***

The Committee recommended that Regents Policy 1202 – Policy on Appointment of Student Regent be amended as shown in Attachment 9, and the Student Regent Nomination Procedures be adopted as shown in Attachment 10.

Regent Sherman commented that this amendment would streamline the process of selecting a student Regent.

E. ***Overview of Executive Compensation Policies***

Regent Sherman noted that Vice President Duckett had presented a helpful chart of approval levels for executive compensation.

F. ***Appointment of David A. Spahlinger as Advisory Member to the Health Services Committee***

The Committee recommended that David A. Spahlinger, M.D. be appointed as an Advisory Member to the Health Services Committee effective immediately through June 30, 2019.

Upon motion of Regent Sherman, duly made and seconded, the recommendations of the Governance and Compensation Committee were approved.

### **Health Services Committee**

The Committee presented the following from its meeting of October 9, 2018. The Committee considered three items for action by the Health Services Committee and six items for discussion:

A. ***Remarks of the Executive Vice President – UC Health***

Executive Vice President Stobo discussed the authorities that had been delegated to the Health Services Committee.

B. ***University of California Cardiac Surgery Consortium***

Regent Lansing said the Committee was particularly fortunate to hear from Dr. Richard Shemin, Chief of Cardiothoracic Surgery at UCLA Health, who reported on the work of the UC Cardiac Surgery Consortium, a group with the goal of large-scale performance improvement in cardiac surgery outcomes across all UC medical centers. This detailed discussion involved ways in which the Consortium would gain information that would allow UC Health to compare UC to national benchmarks. Committee members raised questions about variation in performance measures among UC medical centers, sharing of resources, and possible uses of telemedicine.

C. ***Overview of Planning Efforts for Possible Future Expansion of the School of Medicine, San Francisco Campus***

UCSF discussed a possible expansion of the UCSF School of Medicine in the San Joaquin Valley, at the UCSF Fresno location. This outreach effort is supported by the State Legislature, but funding had yet to be established.

D. ***University of California Office of the President Restructuring Effort: UC Health Advisory Committee Update***

This discussion item was not summarized at the Board meeting.

E. ***Clinical Quality Presentation: Working Together to Improve Quality and Reduce the Occurrence of Hospital-Acquired Pressure Ulcers***

UCLA Chief Medical and Quality Officer Dr. Robert Cherry reported on UC Health collaborative efforts to reduce the rates of hospital-acquired pressure ulcers. Regent Lansing observed that this was another example of UC Health's efforts to better itself.

F. ***Approval of the Ambulatory Care Center Expansion with Eye Center Project, Davis Campus***

This project would allow UC Davis Medical Center to improve patient access. The Eye Center portion of the project was funded. The Committee voted unanimously to approve this project.

G. ***Incentive Compensation Using Health System Operating Revenues for Fiscal Year 2017-18 for John Stobo as Executive Vice President – UC Health, Office of the President***

The Committee unanimously approved an award of incentive compensation for Executive Vice President Stobo.

H. ***Appointment of and Compensation for Bradley Simmons as Interim Chief Executive Officer, UC Davis Medical Center, in Addition to His Existing Appointment as Chief Operating Officer, UC Davis Medical Center, Davis Campus***

The Committee unanimously approved the appointment of and compensation for Bradley Simmons as Interim Chief Executive Officer of the UC Davis Medical Center.

I. ***Data-Driven Insights to Improve Patient Care***

Regent Lansing reported that this detailed discussion involved how to best help UC Health's patients, while protecting patient privacy in the age of big data and artificial intelligence.

**Public Engagement and Development Committee**

The Committee presented the following from its meeting of November 14, 2018. The Committee considered five items for discussion:

A. ***2018 Midterm Election Review***

UC Office of the President staff provided an overview of the federal and State election results, including the results of certain ballot initiatives and other key outcomes that may affect UC. Votes were still being counted. A suggestion was made to study UC student voter registration and turnout, in preparation for the 2020 election.

B. ***Federal Update***

The federal government supports UC in three significant ways: student financial aid, federally funded research, and federally funded healthcare programs. As the new Congress begins in January, legislators will have to address the return of

sequestration caps for fiscal year 2020 and UC's Office of Federal Government Relations would continue its multi-pronged advocacy on a variety of UC priorities.

C. ***Review of California Budget Allocation: Hunger Free Campus Funding***

This discussion involved support of the State Legislature for UC students' basic needs. In two consecutive years the State has provided the University with additional funding to address student hunger issues. In 2018 the California State Legislature continued to support UC students by providing an additional \$1.5 million for Hunger Free Campus efforts. These funds would be divided evenly among the ten UC campuses. Hunger Free Campus funding was directed at four specific areas: emergency meals, CalFresh outreach and enrollment, infrastructure, and supplemental staffing support. Committee members discussed prospects for continuing and increasing State support for Hunger Free services in the 2019-20 budget and targeting funding to a broader range of student needs. Discussion also involved potential partnerships with local food banks and other nonprofit organizations or for-profit businesses to expand campus efforts to address student hunger. The importance of sharing best practices among campuses was noted.

D. ***Community Outreach and Impacts, Santa Barbara Campus***

Regent Graves said this presentation by Chancellor Yang provided an overview of UC Santa Barbara's community engagement programs and highlighted three projects that exemplify UC Santa Barbara's regional partnerships.

E. ***Regents Engagement Plan***

Because of time constraints, this item was postponed.

**Investments Subcommittee**

The Subcommittee presented the following from its meeting of November 13, 2018. The Subcommittee considered one action item and one discussion item:

A. ***Review of Asset Classes, Risk, and Operations***

Regent Sherman reported that this discussion included a review of all asset classes of the Office of the Chief Investment Officer by each asset class team, including public equities, private equities, alternative investments, fixed income, real estate, and real assets. Performance through September 30, the first quarter of the fiscal year, for the pension, endowment, and working capital portfolios was positive and close to benchmarks.



B. ***Adoption of Investment Policy Statement and Asset and Risk Allocation Policy for the Blue and Gold Endowment***

The Subcommittee recommended that the Regents adopt the proposed Investment Policy Statement, as shown in Attachment 11, and the Asset and Risk Allocation Policy, as shown in Attachment 12, for the Blue and Gold Endowment.

Regent Sherman commented that this new investment product would be between the Total Return Investment Pool and the General Endowment Pool, to provide UC campuses a boost in returns without having their funds invested for the long term. The Blue and Gold Endowment would provide a low-cost, liquid, diversified investment vehicle, with 20 percent of the portfolio able to be liquidated within three days. The Blue and Gold Endowment would have low tracking error relative to its benchmark. The asset allocation would be 70 percent growth and 30 percent income, both passively invested. The Blue and Gold Endowment would be almost entirely unrestricted.

Upon motion of Regent Sherman, duly made and seconded, the recommendation of the Investments Subcommittee was approved.

**National Laboratories Subcommittee**

The Subcommittee presented the following from its meeting of November 14, 2018. The Subcommittee considered one action item and one discussion item:

A. ***Amendment of Regents Policy 7104 – Selection of Laboratory Directors, Regents Policy 7105 – Appointments of Individuals to the Executive Committees of the Boards of Governors of Los Alamos National Security, LLC and Lawrence Livermore National Security, LLC, and Bylaw 22.2 – Specific Reservations***

The Subcommittee recommended that:

- (1) Policy 7104: Policy on Selection of Laboratory Directors be amended as shown in Attachment 13.
- (2) Policy 7105: Policy on Appointments of Individuals of the Executive Committees of the Boards of Governors of Los Alamos National Security, LLC and Lawrence Livermore National Security, LLC be amended as shown in Attachment 14.
- (3) Following service of notice, Bylaw 22.2: Specific Reservations be amended as shown in Attachment 15.

Regent Tauscher stated that the recommended policy changes involved updates to align with the new governance model of Los Alamos National Laboratory (LANL). As of November 1, Triad National Security LLC, a partnership of UC, Texas A&M

University, and Battelle Memorial Institute, took over management of LANL. The change to Bylaw 22.2 would allow the Regents the flexibility to choose either a Regent or someone else to be the chair of the LLCs managing LANL and Lawrence Livermore National Laboratory.

B. ***Lawrence Berkeley National Laboratory – UC Berkeley Collaboration on Climate, Energy, and the Environment***

Regent Tauscher reported that this innovative collaboration would provide an excellent business model in other areas.

Upon motion of Regent Tauscher, duly made and seconded, the recommendation of the National Laboratories Subcommittee was approved.

5. **RESOLUTIONS IN APPRECIATION**

A. ***Resolution in Appreciation of Governor Brown***

Upon motion of Regent Tauscher, duly seconded, the following resolution was adopted:

WHEREAS, over the course of his remarkable career in public service spanning nearly five decades, Jerry Brown has dedicated his life to the State of California and the welfare of its citizens, having served on the Los Angeles Community College District Board of Trustees, as Mayor of the City of Oakland, as California's Secretary of State, Attorney General, and as its 34th and 39th Governor, the longest serving Governor in the history of California; and

WHEREAS, his career in public service has been characterized by independent thinking and a singular vision of the future, coupled with pragmatism and a firm belief in the transformative power of higher education to change lives and to power California's economy through research and innovation; and

WHEREAS, he has been a steadfast advocate for increasing student access to the State's institutions of higher education, including promoting programs that ease transfer between institutions and ensure the success of transfer students, and for preserving affordability so that the California dream is within reach of all qualified students; and

WHEREAS, as a global leader on climate change who spearheaded the Under2 Coalition, a climate change agreement with signatories from states, cities and countries throughout the world, he has been a champion for scientific research conducted at the University of California, signing a law restricting emissions of short-lived climate pollutants and other forms of black carbon based on UC research, and has been a resolute champion of the University's plan for achieving carbon neutrality;

NOW, THEREFORE, BE IT RESOLVED that the Regents commend Governor Jerry Brown for his committed service to the people of California and for his contributions to the governance of our State's great public research university;

AND BE IT FURTHER RESOLVED that the Regents wish Jerry Brown, ex animo, bonam fortunam! And they extend to him warm wishes for happiness in his retirement from a life of public service, and direct that a suitably inscribed copy of this resolution be presented to him as an expression of the Board's enduring regard.

Regent Tauscher commented on the very long and distinguished tenure in public service spanning over five decades of Governor Brown, who dedicated his life to the State of California and the welfare of its citizens. The Resolution highlighted Governor Brown's significant effect on the State, and his longstanding commitment to maintaining the University as the best research university in the nation.

**B. *Resolution in Appreciation of Superintendent of Public Instruction Torlakson***

Upon motion of Regent Pérez, duly seconded, the following resolution was adopted:

WHEREAS, Tom Torlakson, a tireless advocate for public education and for the educational success of California's students, is completing his second term as California's 27th State Superintendent of Public Instruction and as ex officio member of the Board of Regents; and

WHEREAS, a graduate of California public schools and loyal alumnus of the University of California, Berkeley, where he earned a Bachelor of Arts in History, a Life Secondary Teaching Credential, and a Master of Arts in Education, he has ably served to bolster K-12 and higher education by his active involvement and wise counsel in his roles as a member of the California State University Board of Trustees and the University of California Board of Regents; and

WHEREAS, throughout his lifetime of committed service to the ideals of public education, including as a high school teacher, member of the Antioch City Council, Contra Costa County Board of Supervisors, two decades of service in the California State Senate and Assembly, and most recently as Superintendent of Public Instruction, he has advocated for children and youth, expanding pre-kindergarten and after-school and summer programs, campaigning for better student nutrition, health and fitness, and tirelessly advocating for increased funding of public education, particularly for low-performing schools; and

WHEREAS, he has led the State's schools in improving college and career readiness for the 21st century, implementing new State standards in English, mathematics and science that emphasize critical thinking, problem solving and communication skills, significantly improving the high school graduation rate, demonstrating a passionate commitment to closing the achievement gap by encouraging the Board of Education

to provide local school districts with greater flexibility to allocate funds to local priorities, and strengthening partnerships and collaboration among elementary and secondary schools and institutions of higher education, recognizing that this coordination created the greatest system of public higher education in the nation and perhaps the world;

NOW, THEREFORE, BE IT RESOLVED that the Regents convey their sincere appreciation to their colleague, Tom Torlakson, for his dedicated service to the University and for his unwavering devotion to the cause of public education and to the welfare of the students of California;

AND BE IT FURTHER RESOLVED that the Regents extend to Tom Torlakson their kindest wishes for continued happiness, and direct that a suitably inscribed copy of this resolution be presented to him as an expression of the Board's enduring regard.

Regent Pérez commented on Superintendent Torlakson's long career in the service of public education. Chair Kieffer also noted his earlier work on behalf of funding for transportation.

#### 6. **PRELIMINARY PLANNING FOR A MULTI-YEAR FRAMEWORK**

[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.]

President Napolitano recalled that at the Regents retreat in April, members of the Board, the chancellors, and Office of the President leadership discussed the importance of partnering with the next Governor and legislative leadership on a multi-year budget and enrollment plan. The Regents strongly supported the notion of moving from year-to-year budgeting to having a more comprehensive and long-range plan aimed at projecting growth, capacities, and areas for investment, and also addressing the state's needs, which would then inform the University's resource needs and requests of the State. President Napolitano had worked with the chancellors and several Regents to develop the framework for such a plan, which would emphasize ensuring that students leave UC with a degree and that they graduate on time. President Napolitano and the chancellors would like to turn from an emphasis only on enrollment growth to a more outcome-focused view, on increasing degree completion, shortening time to degree, and addressing the projected gap between California's workforce needs and the number of college graduates. She clarified that this presentation would not include the multi-year plan itself, but rather the framework for a multi-year plan. The framework sets out the University's vision for its future informed by the state's current needs, UC's role in fulfilling those needs, and strategies for realizing that vision. The goal of presenting the framework at this time was to engage the Regents in a discussion that would help inform elements of the actual plan. When the multi-year plan is developed, it would be discussed with the incoming Governor and legislative leadership, along with continuing discussions with UC faculty, students, and staff. President Napolitano thanked Chair Kieffer, Vice Chair Pérez, and Regents Anguiano and

Tauscher for their involvement and helpful feedback. The UC Office of the President (UCOP) had begun to share the framework with the leadership of the Academic Senate and students. This discussion would build on two prior presentations to the Board. The item was introduced to the Board in July and continued in discussions with the Finance and Capital Strategies Committee in September.

Executive Vice President and Chief Operating Officer Nava provided a framework for this discussion by acknowledging the State's contributions to UC over its history and the return UC had provided on the State's investment. Generations of UC pioneers and visionaries had inspired bold industries and seeded economic growth throughout all regions of California. The multi-year budget framework would seek to shape the future for the University and for California. While the state is a leader in many areas, it faces challenges reflected in its residents' concerns with a host of issues including escalating cost of living, the lack of affordable housing, intensifying polarization, mounting global competition, health care, education, and the environment. The University is committed to supporting future generations of Californians and the state by creating the cultural and technological future that would help solve these challenges. The education that UC provides is critical to advancing social mobility and supporting the state's ever-changing workforce. UC faculty research and innovation generate and fortify California industries and strengthen its society overall.

Vice President Brown noted that the prior day the Public Policy Institute of California (PPIC) had released its Statewide Survey: Californians and Higher Education, conducted in partnership with the College Futures Foundation led by Regent Emerita Lozano. Some key findings were that 75 percent of adults think that California's higher education system is very important to the quality of life and economic vitality of the state over the next 20 years. The majority of Californians, 56 percent, believe a four-year degree is very important for economic and financial success in the current economy. Over 70 percent of Californians believe that the state's public higher education system should be a high or a very high priority of the new Governor; 56 percent indicated that State funding of higher education was insufficient. A majority of respondents indicated that colleges and universities should direct any State funding increases to current students so they can attain degrees.

Ms. Brown described three main elements of the framework of a multi-year plan. The first goal is for UC to produce 200,000 more degrees by 2030 in addition to the one million degrees currently projected without further enrollment growth. The second goal is to ensure that the California dream is available for everyone, by eliminating any existing gaps in graduation rates among various groups of students, including those students working on graduate degrees. The framework's third broad goal is to invest in the next generation of UC faculty and research.

Exploring these goals more deeply, Ms. Brown said the goal of producing 200,000 more degrees by 2030 was supported by the demand for higher education. The number of high school graduates who have completed "a-g" requirements for admission to UC continued to climb. The Baby Boomers, those born during the post-World War II baby boom, were

retiring, meaning that the largest group of college-educated workers would be leaving the workforce. In addition, some industries in California were growing and would require more college graduates in the workforce. PPIC estimated a workforce gap of one million college graduates in the years from 2014 to 2030. This challenge was shared by all segments of higher education, UC, California Community Colleges (CCC), California State University (CSU), and private universities. Producing 200,000 more graduate and undergraduate degrees was UC's goal to fulfill its role in creating an educated workforce for the state.

UC degrees are important for the state. Around 90 percent of UC graduates, including resident and nonresident students, remain in California six years after graduating. They work in key California industries, such as education, health care, and engineering. Graduates in the arts, humanities, and social sciences would be important in the state's public service industries. Holders of UC graduate degrees make contributions to key industries across the state, in addition to the contributions of graduates of UC's professional schools. UC graduate students become the next generation of the professoriate.

Ms. Brown outlined ways UC could reach the goal of graduating 200,000 more students than currently projected by 2030. UC would continue to increase enrollment, although at a more modest pace than over the past four years. Enrollment growth would be targeted to fulfill eligibility criteria set out in the Master Plan for Higher Education and to meet the goal of admitting two freshmen for every one transfer student. The University would focus its efforts to promote timely graduation of enrolled students. There is opportunity for improvement of four-year freshman graduation rates and two-year transfer student graduation rates. Improving graduation rates would both achieve the degree attainment goal and improve affordability for UC students and their families. UC chancellors were asked about their campuses' ability to improve graduation rates. Results indicate that the four-year freshman graduation rate could be increased from 66 percent to 76 percent by 2030, and the two-year transfer student graduation rate could be improved from 57 percent to 68 percent. UC would continue to increase its number of graduate students, important to meet industry needs, to diversify the professoriate, and to support undergraduate education.

The Last Mile graduation programs would focus on the use of summer session and University Extension for final classes after a fourth year. About ten percent of freshmen and transfer students entering UC, 50,000 students over a ten-year period, do not earn a four-year degree from UC or another school. A pilot bachelor degree completion program would encourage students who left UC without a degree to complete coursework through UC Extension and online courses. In addition, use of online courses would be increased, both to provide additional educational offerings on UC campuses and to provide online degree programs.

Ms. Brown explored the framework's second major goal of ensuring that the California dream is available for everyone. UC plays a role in advancing upward mobility. Within ten years of their graduation from UC, undergraduate students' incomes double, across all disciplines. UC provides unprecedented access for low-income and first-generation students. Over one-third of the lowest-income students move from the bottom 20 percent

to the top 20 percent of income levels, with over 90 percent earning more than their parents. Graduate degree attainment promotes even further upward mobility, with higher incomes.

Having a UC degree matters. UC bachelor degree recipients earn \$260,000 more over a ten-year period than students who start at UC, but do not earn a degree. Among Pell Grant recipients and first-generation students, 15 percent do not graduate and there is a ten-point and 12-percent gap in four-year graduation rates between them and their peers. About 40 percent of UC students go on to get a graduate degree, with lower rates on campuses with fewer graduate students and among Pell Grant recipients, first-generation students, and transfer students. Improving graduation rates for Pell Grant Recipients and first-generation students by identifying appropriate strategies customized by the campuses would be a focus. Expanding Cal Grant eligibility to summer session would be critical. The University would promote a pathway to graduate degrees by expanding outreach to UC and CSU student populations with lower graduate school participation rates. Three-two programs in which students could obtain an undergraduate and master's degree in five years could be expanded. It would be important to increase the scale of programs that are working by sharing best practices and research insights within UC and with CSU and the CCCs.

Provost Brown discussed the framework's third broad goal of investing in UC's academic infrastructure, its faculty and research. Creating the next generation professoriate is critical to keep California innovative and draw from its diversity, to help tackle the state's current challenges. There was a unique opportunity at the present time to increase faculty diversity. UC's research produces five inventions daily. UC research can take the lead in areas not a focus of the federal government, for instance through research transforming AIDS into a survivable condition in the 1980s and current research into climate change making use of UC's Natural Reserve System.

UC research brought in billions of dollars annually to California, resulting in job creation and spending in local communities on goods and services. Startup businesses founded around UC inventions create additional jobs and economic growth. UC faculty help shape public policy and inform the work of others in that sphere. The primary means support for UC research is through State support.

Mr. Brown discussed ways the University could support the next generation of faculty and research. UC intends to use its faculty research to solve the state's great challenges. UC research would continue to create jobs and attract talent in communities neighboring UC campuses, particularly in the Central Valley and the Inland Empire. The University intends to increase and diversify its faculty to expand scholarship, teaching capacity, and degree attainment, including addressing faculty salary gaps and addressing the challenges of the high cost of living in California. Mr. Brown stated that the compensation of two groups at UC, its faculty and academic administrators, was not at market rates.

Executive Vice President and Chief Financial Officer Brostrom said the University would engage with the Regents and the Legislature to gain support for a multi-year funding plan that would result in predictable costs and revenues for the State, students, their families,

and UC campuses. The multi-year plan would support core University operations, particularly academic infrastructure to increase and renew UC faculty, and continue to identify internal opportunities to generate alternative revenue and reduce administrative expenses. The University would review its financial aid program in relation to students' total cost of attendance and advocate for supplemental Cal Grant eligibility for summer session. UC would seek State support to cover remaining operations and capital needs, including deferred maintenance and seismic and life safety projects.

Regent Guber asked what percentage of UC graduates go on to UC graduate schools, what percentage of UC graduates remain in California to work, and what percentage of students who earn UC graduate and professional degrees remain in California to work. He asked if there was a correlation between students' staying longer in the UC system into graduate school and remaining in the State to work. Mr. Brostrom responded that 90 percent of UC graduates remain in California, including its nonresident students. Forty percent of UC undergraduates go on to earn graduate degrees although not necessarily at UC.

Ms. Brown displayed a chart showing the proportions of UC graduates from each campus who go on to graduate school, with higher percentages from UC Berkeley, UCLA, and UC San Diego, and increasing percentages at UC's other campuses. Of those UC graduates systemwide who obtain doctoral degrees, 41 percent get their doctoral degree at UC. At UC Merced, that percentage is over 70 percent. She did not yet have data on whether students who earned their doctoral degrees at UC were more likely to remain in the state to work.

Regent Graves complimented the team on their progress and noted the importance of having an equity-based, student-centered approach to ensuring the availability of the California dream.

Regent Estolano noted that the broad goals of increasing equity and supporting the academic infrastructure did not yet have measureable components. She added that a multi-year budget could help insulate UC from the effects of inevitable economic downturns.

Faculty Representative May said the Academic Senate supported the goals of the framework. He emphasized the importance of graduate education, particularly to the large portion of UC undergraduates who aspire to earn a graduate or professional degree. He noted the market demand for those with professional degrees.

Regent Guber emphasized the economic importance UC's graduate and professional students to the state. He advised focusing on encouraging UC undergraduates to remain at UC to obtain a graduate degree, for instance by incentivizing fourth-year undergraduates to begin their graduate studies during that year.

Regent Leib cautioned that an economic downturn would have a large effect on the University and urged more exploration of sources of alternative funding, such as encouraging startup companies based on UC research to donate stock to the University. Ms. Nava confirmed that this area was of high importance to the University and an area in



which President Napolitano had invested. Mr. Brostrom said UC would be better able to withstand a recession than it was during the 2008 Great Recession, because of improved asset management. The State's rainy day fund, currently at \$15 billion, would also provide a buffer.

Regent Morimoto commended the vision of the multi-year framework. He asked if efforts to improve graduation rates would result in a four-year curriculum being compressed to three years. Ms. Brown said all UC campuses had produced pathways for their most popular majors showing how a student could graduate in three years.

Regent Morimoto asked if the increases in online education would supplement the traditional curriculum. Ms. Brown said existing efforts to incorporate elements of online education into the existing curriculum would be expanded, including increasing students' ability to access online classes across campuses and during the summer session. Another aspect would be to explore possibilities for online degree programs.

Faculty Representative Bhavnani emphasized that multi-year planning would provide predictability for students and for campuses.

Regent-designate Simmons noted the importance of increasing retention rates for students from underrepresented communities and for student athletes.

Chair Kieffer stated that the multi-year plan was an opportunity for UC to express its vision for the upcoming few years, including properly serving its currently enrolled students.

7. **APPROVAL OF THE UNIVERSITY OF CALIFORNIA 2019-20 BUDGET FOR CURRENT OPERATIONS**

The President of the University recommended approval of the proposed budget plan shown in Attachment 16, *University of California 2019-20 Budget Plan for Current Operations*.

[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.]

President Napolitano stated that the University's vision of strengthening its contribution to the California dream requires adequate resources. To continue to increase enrollment and increase degree attainment, the University requires permanent funding. While it appreciates the one-time funding it received from the State the prior year for enrollment growth and to address overcrowding, the University was facing the same issues this year. The University was required to submit an annual budget proposal to the Department of Finance by December 1. This budget proposal for 2019-20 was informed by the multi-year budget framework.

Executive Vice President and Chief Financial Officer Brostrom explained that the 2019-20 Budget when approved by the Regents would be conveyed to the Department of Finance in advance of the Governor's 2019 January budget proposal. The University would

receive input in the interim from the Regents, the Legislature, and the incoming Governor and his new administration. The University's final budget plan would be produced later in the fiscal year.

The 2019-20 Budget reflected several key priorities of the multi-year budget plan. Continued enrollment growth would be a priority. UC saw a nine percent increase in undergraduate applications, which was not the case across the country. The Budget proposes enrollment growth of 2,500 California resident undergraduates, 1,000 graduate students, and 800 nonresident undergraduates. Efforts would include increasing degree attainment through targeted investments in faculty hiring, improving course availability, academic advising, specific programs targeting particular cohorts to reduce time to degree, and closing gaps in graduation rates. Capital was a critical concern for UC campuses, particularly after years of rapid enrollment growth. Modernization, renewal, and expansion of facilities across the system were needed to support the University's instructional and research missions. The State's one-time investments in 2018-19 should be made permanent. UC received \$145 million in funding the prior year to support a tuition buyout and enrollment growth. Those students were all still at UC.

Mr. Brostrom recalled the context for the 2019-20 Budget. In the current year, UC received a base budget adjustment of 2.9 percent, \$98 million of new permanent funding, along with \$145 million of one-time funding from the State, \$105 million of which was to buy out a tuition increase and to fund both the current year's enrollment growth and over-enrollment across UC campuses in 2017-18. If that funding were not made permanent, it would in effect be a budget cut. UC also received a \$40 million one-time increase in General Funds to buy out Proposition 56 monies approved by the voters to support graduate medical education across California. UC also received important one-time funding for deferred maintenance, and specific research and other campus programs. Core funds, consisting of State appropriations, tuition, and non-resident tuition, from 2000 to 2017-18, adjusted for inflation, financial aid, and UC Retirement Plan contributions, had increased ten percent, while the University added more than 100,000 new students, a 60 percent increase, and one entire new campus. Core funding per student had decreased by 31 percent. UC had made efforts to backfill this decrease through asset management, savings in procurement and risk services, generation of alternative revenues, and reducing administrative expenses. The decrease in core funding per student resulted in a less favorable student-faculty ratio, and insufficient investment in faculty and in capital facilities.

Associate Vice President David Alcocer described the building blocks of the proposed 2019-20 Budget and how they addressed the needs of the University, its students, and the state. The plan included funding for enrollment growth of 2,500 additional California undergraduate students in 2019-20, part of UC's long-term goal of moderate, sustainable growth supported by the State. The plan also included the addition of 1,000 graduate students, who are key to every aspect of the University's mission. The plan included the addition of 800 nonresident undergraduates, largely at those campuses that currently enrolled relatively few out-of-state students. Among mandatory cost increases were labor contracts either in place or being negotiated, expected to add about \$30 million in costs to UC's core funds budget. The Budget included \$28.1 million for health benefit cost

increases for employees and retirees, a three- to four-percent increase in the cost of those benefits and a similar increase in the number of covered retirees in the upcoming year. The UC Retirement Plan (UCRP) had reached an 87 percent funded status and was on track to reach 90 percent. The Budget included a \$22 million increase in employer contributions from core funds. Typical cost increases were anticipated in utilities, instructional equipment, professional services, projected at 2.6 percent, in line with inflation. The plan also included more than \$5 million to further expand student mental health services at every UC campus, a consistent longstanding priority of the Regents and UC students.

The Budget included \$60 million as a first step of a multi-year investment in improving degree attainment, a key goal of the University's multi-year framework. The total needed over a four-year period would depend on the strategies identified by the campuses as most likely to be effective and would not be the same on each campus. Campuses could emphasize hiring additional faculty to offer more course sections, student advising, summer bridge programs, or alternative course delivery including online instruction. In the aggregate, resources required for these strategies, for example to improve the student-faculty ratio to its level before the economic downturn, or doubling online course offerings, or adding advisors at all nine undergraduate campuses, would total about \$240 million. Budgeting \$60 million in 2019-20 would be a meaningful step that would allow the chancellors to develop more detailed strategies and funding plans.

The Budget included new financial aid funds to support both enrollment growth and to help students cover increases in costs other than tuition, which the University proposed to keep flat contingent upon an offsetting permanent increase in State support. One of the University's highest budget priorities is supporting its faculty, including a rigorous, peer-reviewed faculty promotion program and continued efforts to narrow the salary gap between ladder-rank faculty at UC and at its comparator schools. Similar to the prior year, the Budget included funding for merit-based salary adjustments averaging three percent for non-represented staff. The plan also set aside \$15 million for debt service on capital projects, including classrooms, teaching laboratories, the Merced 2020 buildout, and other projects that UC must finance itself in the absence of new State bonds. The plan included \$100 million to address campuses' most critical deferred maintenance and life safety projects. UC's current backlog of such projects, at more than \$4 billion, was third among all State agencies, exceeded only by the Departments of Transportation and Water Resources, and clearly warranted additional State investment.

The Budget's revenue plan would ask the State to convert \$145 million that it provided to UC in the current year on a one-time basis into permanent, ongoing funding. The State recognized real, legitimate needs when it provided these funds to address some of the over-enrollment the University experienced as of the prior year and to avoid a tuition increase the prior year. Those are ongoing needs and require a maintenance of effort by the State to avoid what would otherwise be a budget cut at every campus. The Budget included \$21.9 million as the State's share of supporting 1,900 resident undergraduates enrolled in the current year above the enrollment numbers funded in the 2018-19 Budget Act. It also includes funding to support 250 students in the PRIME program, a very effective program that trains medical students to meet the unique needs of medically underserved populations

throughout the state. The PRIME program's seats were already filled with a talented, diverse group of students, who were not fully funded by the State, creating uncertainty for the program's long-term funding. The plan included new permanent State funds equivalent to an inflation-based tuition increase of 2.6 percent and a five percent increase in the Student Services Fee, allowing the University to hold these charges flat in the upcoming year. The State had funded a similar request the prior year, but any tuition buyout would require permanent funds, rather than one-time funds. The funding request to support students' basic needs was the same net increase in financial aid that students would receive in the upcoming year if tuition and fees were to increase. It would equal approximately \$150 for each of the roughly 100,000 California undergraduates who qualify for UC grants each year. The Budget would also request a permanent base budget increase of 3.7 percent, the average base budget increase that UC received in each of the prior four years, along with \$100 million in one-time funds for deferred maintenance.

Mr. Alcocer reviewed steps the University would continue to take to address some of the budget gap. The Budget included \$74 million generated from a combination of the University's own efforts, included optimizing the return on working capital, increasing philanthropy, cutting costs and negotiating rebates on systemwide procurement, and redirecting aid that was previously awarded to earlier cohorts of nonresident undergraduates to meet other budget needs as those students graduate. The University expected new tuition and fee revenue from enrollment growth, with a large part of that revenue going to financial aid. New nonresident tuition would come from both modest enrollment growth and a proposed inflation-based increase of 2.6 percent or \$762 for nonresident undergraduates. Linking that increase to inflation would keep nonresident tuition flat in constant dollars. The Budget was a statement of the University's priorities and a depiction of what was at stake in meeting the challenges of the year ahead. Three UC chancellors then described what these challenges mean for students, faculty, and staff at their campuses.

Chancellor Wilcox spoke of the value of and need for a multi-year budget plan. Systemwide, UC had increased enrollment by 15,006 students over the past four years, about 9,500 of whom received full support from the State. UC Riverside had increased enrollment by 2,000 students and was one of the most enrollment-driven campuses in the UC system, with more than 60 percent of its budget coming from either student tuition or enrollment funding from the State on a per capita basis. UC Riverside was recently recognized for graduating more Pell Grant recipients than any other university in the nation. Under the present system, it was disadvantageous for a campus to have high enrollment when there is no State funding, or have low enrollment in a year when there is State funding. However, enrollment is not a perfect science and UC Riverside had more than 60,000 applications the prior year. Being even 100 students off targeted enrollment represents a swing of \$1.8 million up or down, for a total difference of \$3.6 million, assuming all funding was available that year. It was particularly undesirable to leave seats unfilled, as that represents lost opportunity for students. With the present one-year budgeting, it was difficult for UC Riverside to adjust to being slightly over- or under-enrolled in a particular year. For a campus whose funding is so heavily enrollment-driven and as dynamic as UC Riverside, planning one year at a time was very difficult.

Chancellor Wilcox discussed the Budget's proposed \$60 million student success funds. UC Riverside had won the Association of Public and Land Grant Universities' Degree Completion Award two years prior. UCR had increased its four-year graduation rate 15 percent in just three years and had eliminated the gap in graduation rates between students who receive Pell Grants and other students. Students who come to UC Riverside not so well prepared as their peers do very well at UC Riverside, UC Irvine, and UCLA. Investment in student success is an investment in that tier of students who did not have advantages in high school. For UC Riverside to further increase its graduation rates, it would have to continue to improve the graduation rate of that tier of students. The proposed \$60 million in student success would have a huge impact on a campus like UC Riverside.

Chancellor May discussed challenges associated with deferred maintenance. Of the \$4 million backlog of UC deferred maintenance systemwide, \$1 billion was at UC Davis. Despite innovative efforts of its operational teams that had prolonged the useful life of current building systems, many were at risk of failing. For example, Briggs Hall's 50,000-square-foot roof had outlived its useful life by two decades and leaked with every rainfall. Plastic tarps had been distributed to laboratories on the top floor to protect vital research. The cost to replace the roof was at least \$3.5 million, equal to UC Davis' entire share of the annual State funding for deferred maintenance. The electrical system of Shields Library, the campus' main and largest library, had inadequate electrical service distribution. During midterms and finals, when students' use of the library is heavy, students are huddled on the floor around limited electrical outlets. As enrollment continued to grow, the campus would be challenged to provide an adequate learning environment. Deferred maintenance challenges also affected UC Davis' animal population. Although UC Davis is the top agricultural school in the nation, inadequate power to its dairy creates problems when upgrading to newer research equipment. The current infrastructure, built in 1959, could not handle the demand. The dairy faculty and staff have to plan electrical loads in advance, turning one system off to power another, in order to milk the cows and conduct research without tripping breakers. Chancellor May concluded by assuring the Board that UC Davis was doing its best to redirect campus resources to some of its most urgent needs, but the problem was too big for the campus to solve on its own. Substantial State investment would be needed to protect and enhance UC Davis' current programs.

Chancellor Christ focused on challenges that capital needs presented to UC Berkeley's operating budget. UC Berkeley had a major \$150 million structural deficit in 2016. Half of that amount, or \$75 million, was for increased debt service and two-thirds of the increased debt service was for seismic projects. As the oldest campus in the UC system and one situated on an active earthquake fault, UC Berkeley faces unique capital needs challenges. Campus estimates indicated that in the upcoming ten years, \$3.7 billion would be needed to finance capital projects, with \$2 billion of that for seismic and deferred maintenance projects. Of the campus' 603 buildings, 372 had been seismically rated, with 78 rated "poor" or "very poor" including some major instructional buildings. An additional 231 buildings were not yet rated and the campus was in a two-year effort to rate all its buildings. For example, Evans Hall, one of the largest buildings on campus at 240,000 gross square feet, houses three departments, mathematics, statistics, and economics, as well as a library, Letters and Science advising, and many general assignment

classrooms. The building is used by 2,600 faculty, staff, and students daily. Evans Hall was rated seismically “poor.” It would be more cost-effective to demolish and replace Evans Hall; however there would be no place to relocate temporarily the faculty, students, and staff who use the building. Because of UC Berkeley’s budget challenges over the past few years, the campus had no ability to increase its debt capacity. Even when the campus regains its ability to finance projects, its debt capacity would not be anywhere near the need to replace even one major building like Evans Hall. UC Berkeley would achieve a balanced budget by June 30, 2019, but simply standing still and covering routine cost increases in salaries, health care, energy, and labor contracts would require \$50 million in additional funds each year. Taking on additional debt on top of these increased costs was neither possible in the campus’ financial model nor adequate to the campus’ massive capital needs. Having UC carve out scarce State funds for debt service under AB 94 was no substitute for a State bond. By 2023, UC as a whole would be setting aside \$134 million a year of State General Funds for debt service, funds that would otherwise be used for campus operating budgets. UC Berkeley’s share of that debt service would be about \$20 million annually. Over the past five years, UC Berkeley had increased its number of students by 12 percent, while its faculty had shrunk by one percent. The \$20 million that would go to debt service would otherwise allow the campus to add 80 faculty.

Mr. Brostrom explained that following the new Governor’s January budget proposal, legislative hearings would be conducted between January and May, when the Governor would release the May budget revision.

Regent Lansing expressed her support for the proposed budget, although she thought it was too small. She expressed particular concern about campuses’ seismic deficiencies, which she said must be addressed more forcefully, as they had been ongoing concerns for years. President Napolitano agreed with this concern. A plan was underway to identify and rank all buildings by risk, so that seismic renovations could be staged, but the plan suffered from a lack of funding. She suggested a future presentation on the status of seismic safety efforts and encouraged Regents’ attention to this matter. Regent Lansing asked about the possibility of a State bond to address seismic safety. Regent Makarechian commented that under current procedures interest payments on seismic safety projects would be paid by the University, but the UC system did not have the capacity to pay that debt service. Mr. Brostrom expressed his view that if California voters passed a bond, the Legislature or the Governor would not expect UC to pay the debt service from its General Fund allocation. He supported advocating for a general obligation bond for UC’s seismic and deferred maintenance needs. Regent Lansing expressed her view that California voters would be inclined to pass a bond measure to make UC seismically safe. She suggested joining with the California State University (CSU) and the California Community Colleges on such a measure, getting the necessary signatures to put such a measure on the ballot.

Regent Guber expressed his view that each building renovation and seismic project should be examined for its useful life, and whether demolition and rebuilding would be more cost-effective. Regent Makarechian commented that alternatives for every project are evaluated to determine whether demolition or renovation is the most appropriate option.

Regent Graves asked if funding for basic student needs was included in the Budget, particularly since hunger-free campus funding was a one-year allocation and funding for the Global Food Initiative was running out. He noted that campuses were relying on funding to run food pantries and other basic needs services. Mr. Brostrom agreed that, since UC's tuition had been held flat six out of the past eight years, its institutional financial aid, which was one-third of tuition dollars, had not grown. UC's regular financial aid to its students was a combination of Pell Grants, Cal Grants, and UC institutional aid; these would not include additional funding for basic needs. Mr. Alcocer commented that \$15 million in return-to-aid would have been received had there been a tuition increase. That was included in the Budget so there would not be less funding for financial aid in the event of a tuition buyout by the Legislature. He said it had not yet been determined whether to add this amount to the overall institutional financial aid funds or to allocate a portion to targeted efforts to meet student needs. He noted interest of the Legislature over the past two years in providing funding for that purpose; he anticipated that would continue. Regent Graves expressed concern that a Special Committee for Basic Needs had been established and the importance of students' basic needs had been discussed, yet a funding request for basic needs had not been included in the Budget. He advocated adding a specific request for such funding. Chair Kieffer agreed, noting that it would be a fairly modest amount. Mr. Brostrom said funding for basic student needs could be added to the Budget. Chair Kieffer asked what the amount would be. Regent Graves said the amount communicated previously for systemwide basic needs funding was \$7.5 million for a three-year period. President Napolitano said an amount for one-year funding could be determined and, if the Board determined that \$7.5 million was needed for basic needs funding for three years, that could be accommodated. Regent-designate Weddle said that the systemwide basic needs committee had found that \$7.5 million would be a top amount to fully fund basic needs funding for one year across all campuses. Chair Kieffer said the sense of the Board was to incorporate funding for student basic needs into the Budget, in an amount to be determined.

Regent Butler asked if support for legal services for Deferred Action for Childhood Arrivals (DACA) students was included in basic needs funding. Regent Graves responded that basic needs funding would be for all students; funding for support services for DACA recipients was a separate issue. Mr. Brostrom clarified that funding for support services for DACA students was a partnership between President Napolitano and the Legislature and was already included in the Budget.

Faculty Representative May expressed support for including funding for student basic needs and for student mental health resources in the Budget.

Mr. Alcocer added that a campus could devote a portion of its share of the \$60 million proposed for student success initiatives to support for student basic needs. Regent Graves noted that advising and retention services were different from basic needs. He would prefer funding specifically earmarked in the Budget for basic needs funding. Faculty Representative May agreed that having a line in the Budget specifically for basic needs funding would highlight its importance.

Regent Zettel expressed support for the Budget. She stated that student mental health

services should not be targeted to one specific group, but should be available to any student in need. Also, funding for student basic needs should not come from general financial aid that supports so many UC students. She noted that the State budget depends greatly on taxes on capital gains and asked about the effects of current market volatility. Mr. Brostrom agreed that current and multi-year funding had to plan for funding fluctuations, because the State budget was so dependent upon personal income tax revenues and funding for UC was part of the discretionary budget. He said the State was in better condition than in the past because of accumulated reserves. Also, UC was much more resilient, as it had increased alternative revenue sources. He cautioned that resiliency varied as some UC campuses were more dependent on State funding and on tuition, and the University would have to find ways to support all the campuses in the event of an economic downturn.

Regent Pérez expressed strong support for the Budget as a one-year budget that would align with the multi-year budget framework. Both included more aspirations than typical UC budgets, which had reacted to temporary circumstances. While there was no budgetary certainty, the State was in a better financial position for predictability and reserves than it had ever been. The State developed the rainy day fund because of the damage caused during the Great Recession and because the State is disproportionately dependent upon income tax from high income earners. The State put increases in income tax revenue into reserves to allow for paying down debt, from which UC had benefited. He anticipated that the State would have a good revenue year. In a normal cyclical downturn, the rainy day fund should be enough to blunt significant cuts. Ways UC had developed to manage its cash during a downturn would also be crucial, and would help in discussions with the Legislature and the new Governor. While holding tuition flat was popular, non-tuition costs exceed tuition. If UC's financial aid model was dependent on return-to-aid and tuition was held flat, a new need was created for non-tuition costs. He complimented UC staff on the work accomplished over the past few years to refine and improve the way the budget is presented and discussed.

Regent Leib asked if Proposition 63 funds could be accessed to expand student mental health resources. Mr. Brostrom said UC scours all propositions to discern available funds and expressed support for the idea of reviewing Proposition 63 funding.

Regent Leib asked if the overall percentage of increase of the 2019-20 Budget over the prior year was eight percent. Mr. Brostrom answered in the affirmative. Regent Leib expressed his view that an eight percent increase was reasonable, noting that CSU had asked for a much higher amount. Mr. Brostrom said CSU had asked for \$450 million in permanent funding and \$300 million in one-time funding. CSU did not have nearly as much one-time funding in the prior year as UC did.

Regent Anderson expressed appreciation for the presentation's highlighting the unique needs of various UC campuses. He noted that demand for UC was high, evidenced by the nine percent increase in applications. He asked if UC would ever consider restricting access of qualified students if enrolled students were not adequately funded. Mr. Brostrom commented that UC had maintained access for all eligible students, even during the Great Recession, using a variety of methods, such as dramatically increasing the number of



nonresident students to help support California students. More recently, student enrollment had increased, but increases in faculty had not kept pace, so the student-faculty ratio had deteriorated. A large part of the funding for student success would be used to replenish the faculty to maintain UC's academic quality.

Chair Kieffer pointed out that UC had been forced to reduce the amount it can spend on educating its students, with a 31 percent decrease in core funds available per student since 2000, resulting in much lower funding than many of UC's comparator public institutions.

Upon motion of Regent Pérez, duly made and seconded, the recommendation of the President of the University was approved.

8. **APPROVAL OF UC SAN DIEGO 2018 LONG RANGE DEVELOPMENT PLAN FOLLOWING ACTION PURSUANT TO CALIFORNIA ENVIRONMENTAL QUALITY ACT, LA JOLLA CAMPUS, SAN DIEGO CAMPUS**

The President of the University recommended that, following review and consideration of the environmental consequences of the proposed UC San Diego 2018 Long Range Development Plan (LRDP), as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff to the Regents no less than 24 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Regents:

- A. Certify the Environmental Impact Report for the UC San Diego 2018 LRDP, La Jolla campus.
- B. Adopt the Mitigation Monitoring and Reporting Program, and make a condition of approval the implementation of mitigation measures within the responsibility and jurisdiction of UC San Diego.
- C. Adopt the CEQA Findings and Statement of Overriding Considerations.
- D. Approve the UC San Diego 2018 LRDP, La Jolla 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 Khosla provided an overview of development at UC San Diego, which had much construction underway. A light rail system would come to campus in 2020, stretching from Tijuana, Mexico to UC San Diego, with two stops on campus. The light rail would have stops at several underserved communities within San Diego County. UC San Diego intended to use this opportunity to connect with these communities. The campus' vision is to become a destination for students, patients, and for the community. The campus intended to become more student-centered and primarily residential, with the goal of a four-year guarantee of on-campus housing for students who choose to live on campus, with rates

20 percent below market rates. This would lower students' cost of education, since housing is half the cost of education in the UC system. Market rental rates were increasing eight to ten percent each year. The student experience is much better for residential students, compared with students who must endure long commutes. UC San Diego's Long Range Development Plan (LRDP) anticipated this vision and allocated UCSD's land to various purposes to accomplish this vision.

Chancellor Khosla observed that in the past six years, enrollment at UC San Diego had increased 30 percent and the campus had become the first choice of more students. He predicted that enrollment would increase to 42,000 students over the upcoming 15 years, with a campus total population of about 66,000. The campus would move from low-density housing and buildings to medium- and high-density facilities. Student housing was the most important part of using land to create a student-centered experience. The campus would develop mixed-use living, learning, and recreational facilities, with sufficient open space. Every neighborhood developed on campus would be nearly self-contained. More public spaces would be developed that would be welcoming to the local community. Benefits of the light rail system would be optimized. The impacts of enrollment growth would be minimized through implementation of sustainable practices. All buildings to be developed would be at least Leadership in Energy and Environmental Design Gold. The campus had engaged with the local community to ensure that traffic effects would be contained. The LRDP reflects the campus' values and those of the UC system.

Regent Estolano stated that she had reviewed the materials, including the California Environmental Quality Act Findings and proposed mitigation measures. She was satisfied and pleased to be able to support the LRDP. She particularly supported the addition of the light rail system to the campus and asked if scooters were available on campus. She encouraged the campus to consider convertible parking structures. Chancellor Khosla said the campus' new parking structures were conceptually convertible. He added that safety concerns were paramount, with clear demarcation of pedestrian areas from bicycle or scooter lanes.

Regent Estolano said she was satisfied that the campus had a sufficient mitigation measure for Native American historic resources.

Regent Anguiano underscored the importance of the light rail system, critical for San Diego's South Bay communities' ability to connect with the campus.

Upon motion of Regent Estolano, duly made and seconded, the recommendation of the President of the University was approved.

9. **HEALTH SERVICES COMMITTEE DELEGATED AUTHORITIES AND OVERSIGHT RESPONSIBILITIES**

[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.]

Chair Kieffer observed that some Regents had expressed an interest in the authorities delegated to the Health Services Committee. Senior Vice President Stobo stated that a detailed description of those authorities was contained in the meeting materials.

## 10. **REPORT OF INTERIM, CONCURRENCE AND COMMITTEE ACTIONS**

Secretary and Chief of Staff Shaw reported that, in accordance with authority previously delegated by the Regents, action was taken on routine or emergency matters as follows:

### Approvals Under Health Services Committee Authority

A. At its October 9 meeting, the Health Services Committee approved the following recommendations:

- (1) *Approval of the Ambulatory Care Center Expansion With Eye Center Project, Davis Campus*

UC Davis Health's proposed presentation of the Ambulatory Care Center Expansion with Eye Center project and subsequent requests to the Finance and Capital Strategies Committee at its future meetings for (1) approval of preliminary plans funding and (2) approval of the budget and design pursuant to the California Environmental Quality Act.

- (2) *Incentive Compensation Using Health System Operating Revenues for Fiscal Year 2017-18 for John Stobo as Executive Vice President – UC Health, Office of the President*

The Clinical Enterprise Management Recognition Plan 2017-18 Plan Year Short Term Incentive award of \$140,700 for John Stobo as Executive Vice President – UC Health, Office of the President. The recommended incentive award represents 22.2 percent of his annual base salary as of June 1, 2018.

#### **Recommended Compensation**

**Effective Date:** Upon approval

**Base Salary:** \$633,782 (2017-18 salary)

**Recommended CEMRP STI Award:** \$140,700 (22.2 percent of base salary)

**Target Cash Compensation:\*** \$774,482, plus possible Long Term Incentive (LTI) awards starting after the end of the 2018-19 Plan Year

**Funding Source:** Non-State funded (100 percent from clinical enterprise revenues)

#### **Prior Year Data (2016-17 plan year)**

**Base Salary:** \$633,782

**CEMRP Award:** \$190,135 (30 percent of base salary)

**Target Cash Compensation:**\* \$823,917, plus possible Long Term Incentive (LTI) awards starting after the end of the 2018-19 Plan Year  
**Funding Source:** Non-State funded (100 percent from clinical enterprise revenues)

\* Target Cash Compensation consists of base salary and, if applicable, incentive and/or stipend.

The incentive compensation described above shall constitute the University's total commitment regarding incentive compensation until modified by the Regents or the President, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

(3) ***Appointment of and Compensation for Bradley Simmons as Interim Chief Executive Officer, UC Davis Medical Center, Davis Campus, in Addition to His Existing Appointment as Chief Operating Officer, UC Davis Medical Center, Davis Campus***

The following items in connection with the appointment of and compensation for Bradley Simmons as Interim Chief Executive Officer, UC Davis Medical Center, Davis campus, in addition to his existing appointment as Chief Operating Officer, UC Davis Medical Center, Davis campus:

- a. Per policy, appointment of Bradley Simmons as Interim Chief Executive Officer, UC Davis Medical Center, Davis campus effective October 1, 2018 through September 30, 2019 or until the appointment of a new Chief Executive Officer, UC Davis Medical Center, Davis campus, whichever occurs first.
- b. Per policy, continued appointment of Bradley Simmons as Chief Operating Officer, UC Davis Medical Center, Davis campus.
- c. Per policy, an annual base salary of \$732,022 during the appointment as Interim Chief Executive Officer, UC Davis Medical Center, Davis campus. At the conclusion of the interim appointment, Mr. Simmons's annual base salary will revert to his base salary in effect as of September 30, 2018 (\$592,250) plus any adjustments made under the UC Davis salary program during the interim appointment.
- d. Per policy, continued eligibility to participate in the Short Term Incentive (STI) component of the Clinical Enterprise Management

Recognition Plan (CEMRP), at his current plan level with a target award of 15 percent of base salary (\$109,803) and a maximum potential award of 25 percent of base salary (\$183,006), subject to all applicable plan requirements and Administrative Oversight Committee approval. Mr. Simmons will not be eligible for participation in the Long Term Incentive (LTI) portion of the CEMRP plan. Actual award for the STI will be determined based on performance against pre-established objectives.

- e. Per policy, continuation of standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability after five consecutive years of Senior Management Group service).
- f. Per policy, continued eligibility to participate in the UC Employee Housing Assistance Program, subject to all applicable program requirements.
- g. Per policy, continuation of monthly contribution to the Senior Management Supplemental Benefit Program based on his continued appointment as Chief Operating Officer.

**Recommended Compensation**

**Effective Date:** October 1, 2018

**Annual Base Salary:** \$732,022

**Clinical Enterprise Management Recognition Plan (CEMRP) –**

**Short Term Incentive (STI):** \$109,803 (at 15 percent target rate)

**Target Cash Compensation:\*** \$841,825

**Funding:** Non-State-Funded (UC Davis Medical Center Revenue)

**Current Compensation**

**Title:** Chief Executive Officer

**Annual Base Salary:** \$904,788

**Clinical Enterprise Management Recognition Plan (CEMRP) –**

**Short Term Incentive**

**(STI):** \$180,958 (at 20 percent target rate)

**Target Cash Compensation:\*** \$1,085,746

**Funding:** Non-State-Funded (UC Davis Medical Center Revenue)

\*Target Cash Compensation consists of base salary and, if applicable, incentive and/or stipend.

The compensation described above shall constitute the University's total commitment until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, and shall supersede all previous oral

and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

#### 11. **REPORT OF MATERIALS MAILED BETWEEN MEETINGS**

Secretary and Chief of Staff Shaw reported that, on the dates indicated, the following were sent to the Regents or to Committees:

##### **To the Regents of the University of California**

- A. From the President of the University, a press release announcing the retirement of the UC Santa Cruz Chancellor. September 19, 2018.
- B. From the President of the University, the Annual Report on Student Health and Counseling Centers and UC Student Health Insurance Plan. September 24, 2018.
- C. From the Chancellor, University of California, Davis, a letter summarizing prior mitigation measures from the 2003 UC Davis LRDP. September 19, 2018.
- D. From the President of the University, a letter informing that UCLA and UC Santa Barbara have successfully transitioned to UCPath. October 3, 2018.
- E. From the Vice President of Human Resources, an email regarding the American Federation of State, County and Municipal Employees notice of a three-day strike on October 23-25. October 12, 2018.
- F. From the Secretary and Chief of Staff, the Summary of Communications received for September 2018. October 12, 2018.
- G. From the State Superintendent of Public Instruction, an email containing a letter regarding the treatment and disposition of Native American remains and cultural items and the issues surrounding repatriation, remarks made by the Tribal Chairman of the Pechanga Band of Luiseño Indians during the public comment period of the September Regents Meeting, and a summary of AB 2836, recently signed by the Governor. October 23, 2018.

The meeting adjourned at 1:35 p.m.

Attest:

Secretary and Chief of Staff

# UNIVERSITY OF CALIFORNIA

## 2019-20 BUDGET PLAN FOR CURRENT OPERATIONS

### 2018-19 CORE FUNDS FOR CURRENT OPERATIONS

Total 2018-19 Core Funds (State General Funds, Student Tuition and Fee Revenue, and UC General Funds) \$ 9,314.4

#### PROPOSED CHANGES IN EXPENDITURES

<b>Enrollment Growth at Marginal Cost</b>	\$ 86.3
<b>Mandatory Costs</b>	
Retirement contributions	\$ 20.2
Employee health benefits	\$ 21.1
Retiree health benefits	\$ 7.0
Contractually committed compensation	\$ 30.4
Non-salary price increases	\$ 41.0
Subtotal	\$ 119.8
<b>Degree Attainment &amp; Student Success</b>	\$ 60.0
<b>Student Mental Health Resources</b>	\$ 5.3
<b>Other High-Priority Costs</b>	
Faculty compensation (nonrepresented)	\$ 94.4
Staff compensation (nonrepresented)	\$ 42.6
High-priority capital needs (AB 94)	\$ 15.0
Deferred maintenance ( <i>one-time</i> )	\$ 100.0
Subtotal	\$ 252.0
<b>Financial Aid</b>	
Enrollment growth - Return-to-aid	\$ 19.3
Add'l aid for basic student needs	\$ 15.0
Subtotal	\$ 34.3
<b>TOTAL INCREASE IN EXPENDITURES</b>	<b>\$ 557.8</b>
Ongoing	\$ 457.8
One-Time/Discretionary	\$ 100.0

#### PROPOSED CHANGES IN REVENUES

<b>Cost Savings/Alternative Revenues</b>	
Asset management	\$ 30.0
Philanthropy	\$ 20.0
Procurement savings	\$ 10.0
Reallocation from nonresident aid	\$ 14.0
Subtotal	\$ 74.0
<b>State General Funds</b>	
State support base increase (3.7%)	\$ 127.9
Replace Tuition/Stud Svcs Fee incr. (2.6%/5.0%)	\$ 63.8
Financial aid for basic student needs	\$ 15.0
CA undergraduate overenroll. in 2018-19 (1,900)	\$ 21.9
PRIME MD enrollment	\$ 8.8
Enrollment growth 2019-20 (2,500 CA undergraduates / 1,000 graduates)	\$ 40.3
Deferred maintenance ( <i>one-time</i> )	\$ 100.0
Subtotal	\$ 377.6
<b>Tuition and Student Services Fees</b>	
Enrollment growth - Tuition & Stud Svcs Fee	\$ 34.7
Enrollment growth - Return-to-aid	\$ 19.3
Subtotal	\$ 54.1
<b>UC General Funds</b>	
Nonresident tuition adjustment (2.6%)	\$ 28.9
Nonresident enrollment growth (800)	\$ 23.2
Subtotal	\$ 52.1
<b>TOTAL INCREASE IN REVENUE</b>	<b>\$ 557.8</b>
Ongoing	\$ 457.8
One-Time	\$ 100.0

<b>MAINTENANCE OF 2018-19 STATE GENERAL FUND SUPPORT</b>	<b>\$ 145.0</b>
Convert one-time funds provided in 2018-19 for tuition/fee buyout, 2017-18 enrollment above funded levels, and 1,000 additional students in 2018-19 to permanent funding	\$ 105.0
Convert one-time funds provided in 2018-19 to replace Prop 56 funds for graduate medical education to permanent funding	\$ 40.0

Figures may not sum to totals due to rounding.

**Additions shown by double underscoring; deletions shown by strikethrough**

## **Bylaws of the Regents of the University of California**

\*\*\*

### 21. Duties and Requirements

Each member of the Board (“Regent”) shall be subject to the duties and requirements specified below.

\*\*\*

#### 21.11 Breach of Conduct

Upon recommendation of the Governance ~~and Compensation~~ Committee, the Board shall adopt procedures to consider any allegation that a Regent, Committee member, Regent-Designate or advisor to a Board Committee has not fulfilled their duties as set forth in University Bylaws, policy or applicable law, and to implement appropriate response(s) when such allegation is found to have merit.

\*\*\*

### 23. Officers of the Corporation

#### 23.1 Designation

The persons holding the following offices shall serve as Officers of the Corporation: the President of the Board; the Chair of the Board; the Vice Chair of the Board; and the following officials, who, collectively, shall be known as the Principal Officers of the Regents (“Principal Officers”): the Secretary and Chief of Staff, the General Counsel; the Chief Compliance and Audit Officer, and the Chief Investment Officer. Officers of the Corporation also shall include those persons who have been recommended by a Principal Officer of the Regents and approved by the Board (“Principal Officer Delegates”).

#### 23.2 Appointment and Qualifications

##### (a) President of Board

The President of the Board is the Governor of the State of California, and serves in that Board position as President in an ex officio capacity.



(b) Chair and Vice Chair of Board

The Chair of the Board and Vice Chair of the Board shall be appointed to their respective positions by election of the Regents in accordance with procedures set forth in the charter of the Special Committee on Nominations-Governance and Compensation Committee. No Regent may serve consecutively in the position of Chair or in the position of Vice Chair for more than two terms. Terms shall commence on July 1 and shall continue for one year.

(c) Principal Officers

The Principal Officers each shall be appointed by the Board on the occurrence of a vacancy and shall continue in service at the pleasure of the Board. Each of the Principal Officers other than the Secretary and Chief of Staff, in addition to serving as Principal Officers, shall serve as Officers of the University. None of the Principal Officers shall be Regents.

Appointment (including temporary appointment or acting or interim status) of the General Counsel, the Chief Compliance and Audit Officer and the Chief Investment Officer, shall be voted by the Board upon joint recommendation of the Chair of the Board and the President of the University, following consultation with an appropriate Standing Committee or Subcommittee of the Board, as determined jointly by the Chair of the Board and the President, or with a special committee established for that purpose.

\*\*\*

23.4 Authority and Duties of Board Officers

\*\*\*

(d) Inability to Act

During any period that an officer of the Board is unable to perform the duties assigned under these bylaws, the next officer or member in order of precedence shall perform those duties. For these purposes, the order of precedence is as follows: President of the Board; Chair of the Board; Vice Chair of the Board; ~~Chair of the Governance and Compensation Committee; the Vice Chair of the Governance and Compensation Committee;~~ and the next most senior member of the ~~Governance and Compensation~~ Committee, as determined by Regental appointment date.

\*\*\*

## 24. Standing Committees

\*\*\*

### 24.2 Committee Charters

Each Standing Committee shall operate in accordance with a committee charter that shall set forth the purpose and primary responsibilities of the committee. The charter shall be approved by the Board, on recommendation of the ~~Governance and Compensation~~ Committee. The charters for each of the Standing Committees identified below in paragraph 24.3 are attached as appendices to these Bylaws. In the case of any conflict between the terms of a Committee Charter with these Bylaws, the terms of these Bylaws shall control.

### 24.3 Designation of Standing Committees

The following Standing committees are hereby established and shall provide strategic direction and oversight on matters within their respective areas of responsibility, as described below and in the Committee Charters (attached to these Bylaws as appendices):

\*\*\*

#### (c) The Finance and Capital Strategies Committee

The Finance and Capital Strategies Committee shall provide strategic direction and oversight, make recommendations to the Board, and take action pursuant to delegated authority, on matters pertaining to the University's fiscal and financial affairs, business operations, land use, ~~and~~ capital facilities and strategies. (See Appendix C)

#### (d) The ~~Governance and Compensation~~ Committee

The ~~Governance and Compensation~~ Committee shall provide strategic direction and oversight, make recommendations to the Board, and take action pursuant to delegated authority, on matters pertaining to the organization and management of the Board and review and amendment of the University's Bylaws, Charters, and Regents Policies regarding Board operations, on matters pertaining to the appointment and compensation of the University's senior leadership, performance evaluation of the Principal Officers and the President of the University, and personnel policies for senior leadership, and on matters pertaining to the development, review and amendment of employee compensation and benefits programs and policies. (See Appendix D)

\*\*\*

(e) The Health Services Committee

The Health Services Committee shall provide strategic direction and oversight, make recommendations to the Board, and take action pursuant to delegated authority, on matters pertaining to the University's schools of health, academic medical centers, health systems, clinics and student health and counseling centers ("UC Health"). (See Appendix E)

(f) The Investments Committee

The Investments Committee shall provide strategic direction and oversight, make recommendations to the Board, and take action pursuant to delegated authority, on matters pertaining to investment strategy and operations, and pertaining to the review and reporting of investment results. (See Appendix F)

(g) The Public Engagement and Development Committee

The Public Engagement and Development Committee shall provide strategic direction and oversight, make recommendations to the Board, and take action pursuant to delegated authority, on matters pertaining to the University's engagement with key constituents, fundraising, and the development of effective advocacy programs for University stakeholders. (See Appendix ~~F~~G)

\*\*\*

24.5 Appointment

Unless otherwise specified in a Committee Charter, the members (except for ex officio members) of a Standing Committee, and those chosen to serve as Chair and Vice Chair, shall be nominated by a Special Committee on Nominations ~~the Governance and Compensation Committee~~, and approved by the Board. The Chair of the Board shall not also concurrently serve as the Chair of any Standing Committee, except the Chair and Vice Chair of the Board shall serve as the Chair and Vice Chair of the Governance Committee, respectively. Candidates for the Chancellor position(s) on Standing Committees, and any other proposed advisory member candidates, shall be forwarded for consideration to the ~~Governance and Compensation Committee~~ Special Committee on Nominations by the President of the University. Vacancies of members shall be filled in the same manner, to serve the unexpired term created by the vacancy.

#### 24.6 Term

Unless otherwise specified in a committee charter, voting members of Standing Committees, other than ex officio members, shall be appointed for a term of one year. No Regent may serve consecutively in the position of Committee Chair or in the position of Committee Vice Chair for more than four terms. Advisory members may serve for such terms as recommended by the ~~Governance and Compensation Committee~~ Special Committee on Nominations, and approved by the Board, and shall not be subject to any term limits.

\*\*\*

#### 24.10 Committee Charter Amendments

The charter of a Standing Committee or Subcommittee may be amended by majority vote of the Board. ~~Portions of Committee Charters that pertain to the establishment and roles of a Subcommittee may be amended by the Governance and Compensation Committee, except that any delegation of authority to a Subcommittee or change in plenary authority delegated to a Subcommittee shall be approved by the Board.~~

\*\*\*

### 25. Subcommittees

#### 25.1 Establishment

A Standing Committee may seek to establish one or more subcommittees to assist in the effective conduct of its business. A subcommittee shall be formed, following a recommendation of a Standing Committee, on approval by the Board ~~Governance and Compensation Committee~~ of a Subcommittee Charter, which shall be incorporated into the charter of the related Standing Committee.

#### 25.2 Authority

The authority of a Subcommittee shall be no greater in scope than the responsibilities assigned, and the authority delegated, to the related Standing Committee. Any delegation of plenary authority to a Subcommittee, and any change in such authority so delegated, shall require the approval of the Board, on recommendation of the related Standing ~~Governance and Compensation~~ Committee. Except for matters handled under plenary authority and except as otherwise specified in a Subcommittee charter, the work of the Subcommittee shall be advisory to the related Standing Committee.

25.3 Membership

Unless otherwise specified in its charter, a Subcommittee shall consist of no fewer than three Regents, all of whom must be members of the related Standing Committee. The Chair of the related Standing Committee shall serve ex officio as an additional member of the Subcommittee. Subcommittees may include advisory members of the related Standing Committee (including Chancellors) with expertise relevant to the work of the Subcommittee. Subcommittees may also include additional advisory members with expertise relevant to the work of the Subcommittee, who shall be forwarded for consideration to Chair of the related Standing Committee by the President of the University and approved by the Board.

25.4 Appointment

Except for the ex officio member, all members of a Subcommittee, and those chosen to serve as Chair and Vice Chair, shall be ~~approved~~ nominated by the ~~Governance and Compensation Committee~~ Special Committee on Nominations, following a recommendation by the Chair of the related Standing Committee, and approved by the Board.

25.5 Term

Unless otherwise specified in a subcommittee charter, voting members of Subcommittees, other than the ex officio member, shall be appointed for a term of one year. No Regent may serve consecutively in the position of Subcommittee Chair or in the position of Subcommittee Vice Chair for more than four terms. Advisory members may serve for such terms as determined by the Board or the ~~Governance and Compensation Committee~~ Special Committee on Nominations, in consultation with the Chair of the related Standing Committee, and shall not be subject to any term limits. Notwithstanding the foregoing, no voting members of a Subcommittee shall serve beyond their term on the related Standing Committee.

25.6 Voting and Quorum

Only the Regent members of a Subcommittee may vote on Subcommittee business. Advisory members (including Chancellors) may participate in all respects on matters brought before the Subcommittee, except voting. A quorum of a Subcommittee shall be three Regent members.

25.7 Subcommittee Charter Amendments

Except as provided in Paragraph 25.2 above, the portions of a Committee Charter governing the Subcommittee may be amended on approval of the ~~Governance and Compensation Committee~~ Board, following a recommendation by the related Standing Committee.

\*\*\*

## 26 Special Committees

### 26.1 Establishment and Authority

The Board may establish Special Committees to assist in the effective conduct of its business. A Special Committee shall be formed on approval by the Board of a Special Committee charter, following the recommendation of the Governance ~~and Compensation~~ Committee. Without limiting the discretion of the Board, Special Committees will be established for purposes of providing more focused review and analysis of a specific issue or event, and will be established for a limited duration determined at the time of formation. Unless the Special Committee charter provides otherwise, the provisions of Sections 24.1 through 24.12 shall apply to all Special Committees.

### 27.5 Interim Actions

Matters requiring Board or Committee action between meetings may be acted on upon the recommendation of the President of the University or an Officer of the Corporation in their respective areas of responsibility. For matters requiring action by the Board, approval under this authority requires either the approval of the Chair of the Board and the Chair of the Standing Committee with jurisdiction over the matter or approval by the Governance Committee. For matters requiring action by a Committee, approval under this authority requires either the approval of the Chair and the Vice Chair of the Committee or approval by the Governance Committee. In the case of the inability of the Chair of the Board to act, the Vice Chair of the Board may act; and in the case of the inability of the Chair of the Committee to act, the Vice Chair of the Committee may act. For matters requiring action by a Committee, in the case of the inability of the Chair or Vice Chair of the Committee to act, the next most senior member of the Committee may act. All actions approved under this interim action authority shall be reported at the next regular meeting of the Board.

**Additions shown by double underscoring; deletions shown by strikethrough**

**Appendix D - Charter of the Governance and Compensation Committee**

- A. Purpose. The Governance ~~and Compensation~~ Committee shall provide strategic direction and oversight, make recommendations to the Board, and take action pursuant to delegated authority, on matters pertaining to the organization and management of the Board, pertaining to the appointment and compensation of the University's senior leadership, performance evaluation of the Principal Officers and the President of the University, and personnel policies for senior leadership, and pertaining to the development, review and amendment of employee compensation and benefits programs and policies.
- B. Membership and Terms of Service.<sup>1</sup> The Committee shall consist of the President of the Board, the Chair and Vice Chair of the Board, the President of the University, and the Chairs of the Standing Committees. The Chair of the Board shall be the Chair of the Committee and the Vice Chair of the Board shall be the Vice Chair of the Committee. ~~and other Regents, appointed by the Chair of the Board, no later than March of each year for the ensuing year.~~ All members shall be voting Regents, with no advisory members.
- ~~A. Consent Responsibilities~~ C. Delegated Authority. The benchmarking framework for UC Health compensation shall be reviewed and approved by both the Health Services Committee and the Governance Committee at least every two (2) years. The Health Services Committee and the Governance Committee shall also approve any new UC Health positions in the Senior Management Group and their corresponding salary ranges for positions that are not State-funded without further Regents action. Matters requiring Board or Committee action between meetings may be approved by the Governance Committee.

~~The Committee shall be charged with recommending action on the following matters, which, on approval, shall be placed on the consent agenda of the Board for approval without discussion, unless removed from the consent agenda by motion of any member for separate consideration:~~

- ~~• the formation of Subcommittees~~
- ~~• the appointment of Subcommittee members~~
- ~~• those portions of a Committee Charter governing a Subcommittee, provided however that any additions or other changes to the authority delegated to a subcommittee shall be considered and acted upon by the Board in a separate item apart from the consent agenda.~~

---

<sup>1</sup> As amended 3-16-17

~~D. Board Leadership and Committee Assignments. The Committee shall be responsible for presenting to the Board no later than May of each fiscal year a slate of candidates for Chair and Vice Chair of the Board, Chair and Vice Chair of each Standing Committee, and the remaining members of each Standing Committee (except the Governance and Compensation Committee, whose members are selected by the Chair of the Board), for the following fiscal year.~~

~~E.D.~~ Other Oversight Responsibilities. In addition to the responsibilities assigned to the Committee described above, and to the extent not otherwise within such responsibilities, the charge of the Committee shall include reviewing and making recommendations to the Board with regard to the following matters and/or with regard to the following areas of the University's business:

- Review and amendment of the University's Bylaws, Regents Policies that pertain to Board operations, and other governing documents
- Formation and organization of the Board's Standing Committees, subcommittees and special committees, and development of committee charters
- ~~Appointments in Board leadership or on Board committees~~
- Review and oversight of the Board code of conduct and other Board policies
- Oversight of member compliance with laws, regulations and University policy
- Development of Board training and performance assessment programs
- Development of Board meeting and other processes
- Advising the President of the University on strategic issues and direction of the Office of the President
- Appointment and performance evaluation assessment of the President of the University senior leadership and the Principal Officers of the Regents, in accordance with University policy
- Review of University personnel policies
- ~~Approval of senior executive compensation, in accordance with University policy~~
- Approval of appointment and compensation of University senior leadership, other than individuals within the express jurisdiction of another Committee as specified in a committee charter, in accordance with University policy
- Review of University compensation and benefit plans and programs
- Development of compensation benchmarks, unless otherwise specified in a committee charter, and other tools to assess the efficiency and competitiveness of the University's compensation and benefits plans and programs
- Oversight of University collective bargaining practices
- Assuring that appropriate subject matter expertise is available to the Board and its Committees
- Recommending to the Board procedures to consider any allegation that a Regent, Committee member, Regent Designate or advisor to a Board Committee has not fulfilled their duties as set forth in University Bylaws, policy or applicable law; to



implement appropriate response(s) when such allegation is found to have merit, and to determine levels of authority to act on such matters.

The assignment of responsibility to this Standing Committee under Paragraphs C and E signifies that it is the Committee to which matters otherwise appropriate for Board consideration generally will be referred and does not create an independent obligation to present a matter to this Standing Committee, to the Board or to any other Committee.

F. E. Consultation With Other Committee Chairs on Compensation Matters. The Governance ~~and Compensation~~ Committee shall consult with the Chairs of other Standing Committees or Subcommittees, as appropriate, in making determinations and recommendations regarding the appointment and compensation of employees within the jurisdiction of those other committees.

**Additions shown by double underscoring; deletions shown by strikethrough**

**Appendix C - Charter of the Finance and Capital Strategies Committee**

A. Purpose. The Finance and Capital Strategies Committee shall provide strategic direction and oversight, make recommendations to the Board, and take action pursuant to delegated authority, on matters pertaining to the University's fiscal and financial affairs, business operations, land use, and capital facilities and strategies.

B. Membership/Terms of Service. The identity, appointment and terms of service of Committee members shall be as specified in Bylaws 24.4 through 24.6.

~~C. Consent Responsibilities. The Committee shall be charged with recommending action on the following matters which, on approval, shall be placed on the consent agenda of the Board for approval without discussion, unless removed from the consent agenda by motion of any Regent for separate consideration.~~

- ~~• Determination of asset classes (exercised through the Investments Subcommittee)~~
- ~~• Asset and risk allocation policy (exercised through the Investments Subcommittee)~~
- ~~• Selection of benchmarks (exercised through the Investments Subcommittee)~~

DC. Other Oversight Responsibilities. In addition to the consent responsibilities assigned to the Committee described above, and to the extent not otherwise within such authority, the charge of the Committee shall include reviewing and making recommendations to the Board with regard to the following matters and/or with regard to the following areas of the University's business:

- Annual financial statements
- Expenditures and appropriation of funds
- Cash management
- Bank accounts and banking relationships
- External financing
- Capital Financial Plans (e.g. 10 Year Capital Financial Plan)
- Capital planning and capital budget requests
- University Budget and planning
- State Budget requests
- Review of operating and capital budgets on a campus by campus basis
- Indirect cost recovery
- Financial Performance of Insurance programs
- Captive insurance affiliates and programs
- Procurement
- Significant financial programs (e.g. Fiat Lux, Procurement, asset management)
- Large-scale enterprise systems (e.g. UC PATH)

- Annual valuations for UCRP and the retiree health program
- ~~University Investments~~
- University of California Employee Housing Assistance Program
- Real estate sales, purchases and leases, easements, licenses, mineral rights
- Physical design framework
- Design approvals
- Facilities Operations
- Long Range Development Plans (LRDPs) and environmental policy matters
- Energy matters
- Sustainability matters

The assignment of responsibilities to this Standing Committee under Paragraphs C and D signifies that it is the Committee to which matters otherwise appropriate for Board consideration generally will be referred and does not create an independent obligation to present a matter to this Standing Committee or its Subcommittee, to the Board or to any other Committee.

ED. Consultation with Other Committees. The Committee shall consult with the Chair of the National Laboratories Subcommittee in advance of, or concurrent with, consideration, recommendation, or approval, of projects of strategic importance to the National Laboratories. The Committee shall consult with the Health Services Committee on plans for improvements and capital improvement requests involving UC Health or any of its components prior to or concurrent with consideration, recommendation, or approval by the Finance and Capital Strategies Committee. This requirement applies only to those capital projects that are related to patient care or research, or are otherwise of strategic importance to UC Health.

~~F. Investments Subcommittee.~~ The Committee hereby establishes the Investments Subcommittee to assist the Committee in discharging its oversight responsibilities with regard to University investments. The duties and responsibilities of the Subcommittee are set forth as follows:

- ~~1. Purpose.~~ In support of the Finance and Capital Strategies Committee (the “related Standing Committee”), the Investments Subcommittee shall consider, make recommendations, and act pursuant to consent responsibilities on matters pertaining to University investment strategy and operations, and pertaining to the review and reporting of investment results.
- ~~2. Membership/Terms of Service.~~ The identity, appointment and terms of service of Subcommittee members shall be as specified in Bylaws 25.3 through 25.5.
- ~~3. Special Requirements for Members/Advisors.~~ Except as specifically provided in this Charter, neither the Subcommittee nor any of its members or advisors shall direct or attempt to direct the University’s internal or external investment managers with regard to the selection of specific investments, specific funds or specific investment managers. The role and authority of such members and advisors shall be limited to

providing general direction though policy and to monitoring and reporting investment results.

4. Subcommittee consent Responsibilities. Unless otherwise specified in the Committee Charter, the Subcommittee shall be charged with recommending action on the following matters which, on approval, shall be placed on the consent agenda of the Board, on the terms specified in section C, above, as though approved by the Standing Committee, unless any Regent requests that the matter be taken up for discussion and/or action by the Standing Committee. Unless otherwise specified, any approval authority for these matters that falls outside parameters expressly reserved to the Board or a Committee is delegated to the President or the Chief Investment Officer, within their respective jurisdictions.

- Determination of asset classes
- Asset and risk allocation policy
- Selection of benchmarks

5. Other Oversight Responsibilities. In addition to the responsibilities assigned to the Subcommittee described above, and to the extent not otherwise within such responsibilities, the charge of the Subcommittee shall include reviewing and making recommendations to the related Standing Committee with regard to the following matters and/or with regard to the following areas of the University's business:

- Investment policy and strategy
- Physical asset management (e.g. real estate held as investments)
- Investment accounts/custodian relationships
- Retirement system investments
- Endowment funds investments
- Short term and liquidity investments
- Investment operations
- Investment results and reporting
- Endowment administration cost recovery
- Endowment total return expenditure
- Campus Foundations investment reporting

6. Expert Advisors. The Subcommittee shall have the authority to retain independent investment experts and advisors, as necessary to conduct the business of the Subcommittee. The Subcommittee shall include at least three and no more than five non-voting advisory members (in addition to Chancellors) with expertise relevant to the work of the Subcommittee. One advisory member shall be a represented employee of the University of California with expertise in investments and one shall be from a campus foundation. Any advisors not otherwise subject to University policy, shall be subject to the laws and policies applicable to Regents governing compensation and reimbursement of expenses, and shall be subject to conflict of interest disclosure and recusal obligations as specified in the University's Conflict of Interest Code and other applicable policies.

7. Reporting. In addition to the reports required under Bylaw 25.8, the Subcommittee

~~shall report to the related Standing Committee any material developments in the University's investments operation and in the University's investment portfolio.~~

**Additions shown by double underscoring; deletions shown by strikethrough**

**Appendix E - Charter of the Health Services Committee**

- A. Purpose. The Health Services Committee shall provide strategic direction and oversight, make recommendations to the Board, and take action pursuant to delegated authority, on matters pertaining to the University's health professions schools, academic health centers, health systems, non-hospital clinics and student health and counseling centers ("UC Health").
- B. Membership. The Committee shall consist of sixteen members, constituted as follows:
- The President of the Board, serving in an ex officio capacity
  - The Chair of the Board, serving in an ex officio capacity
  - The President of the University, serving in an ex officio capacity
  - A member of the Regents Finance and Capital Strategies Committee
  - A member of the Regents Governance ~~and Compensation~~ Committee
  - ~~Three~~ Five other Regents
  - The senior executive in the Office of the President charged with overseeing UC Health, serving in an ex officio capacity
  - Two Chancellors of University of California campuses
  - One member in good standing of the Academic Senate, holding a clinical appointment at one of the University's ~~schools of medicine~~ health sciences schools
  - Four additional advisory members, demonstrating expertise in health care delivery management, academic health services, health care mergers and acquisitions or other relevant expertise
- C. Appointment. Except for ex officio members, all members of the Committee, and those chosen to serve as Chair and Vice Chair, shall be nominated by the Governance ~~and Compensation~~ Committee, and approved by the Board. Candidates for the Chancellor, Academic Senate, and Advisory Member positions on the Committee shall be forwarded for consideration to the Governance ~~and Compensation~~ Committee by the President of the University.
- D. Term. Unless otherwise specified by action of the Board, voting Regent members of the Committee, other than ex officio members, shall be appointed for a term of ~~one year~~ three years, subject to reappointment, in order to facilitate the development of expertise needed to provide effective oversight of the health enterprise. Regents who have less than three years remaining in their terms are eligible for appointment. Advisory members may serve for such terms as recommended by the Governance ~~and Compensation~~ Committee, and approved by the Board, and shall not be subject to any term limits.

- E. ~~Voting and Quorum. Only the Regent members of the Committee shall be permitted to vote on Committee business. Nonvoting members may be permitted to participate in all respects on matters brought before the Committee, except for participating in the vote. A quorum of the Committee shall be four Regent members.~~
- F. Special Requirements for Chancellors/Advisory Members. Only the Regent members of the Committee shall be permitted to vote on Committee business. A Chancellor member of the Committee shall be permitted to participate on a matter primarily affecting or benefitting their campus only to the extent of presenting or assisting in the presentation of the matter to the Committee, and shall not otherwise participate in the Committee's deliberations. This limitation shall not apply when the matter is expected to affect or benefit all or substantially all UC Health campuses. External advisory members (non-Chancellors) shall meet separately with the senior executive of UC Health periodically to provide advice.
- G. Delegated Authority Over Transactions.
1. General Delegation: Subject to the limitations and other requirements specified below, the Committee shall have plenary authority to approve the following UC Health business transactions, which, on approval, shall require no further action or authorization from the Board or any other committee:
    - alliances and affiliations involving University financial commitments, use of the University's name, research resources, and the University's reputation;
    - acquisitions of physician practices, hospitals and other facilities and clinics and ancillary services providers;
    - participation or membership in joint ventures, partnerships, corporations or other business entities; and
    - other business transactions primarily arising from or serving the programs or services of UC Health.
  2. Further Delegation: With review and approval of the Chair or Vice Chair of the Health Services Committee, the President may approve any UC Health transaction that can reasonably be anticipated to commit or generate no more than the lesser of (i) 1.5% of the relevant Medical Center's annual operating revenue for the previous fiscal year, or (ii) \$25 million and when combined with other transactions approved by the President for a particular Health Center in the current fiscal year, would reasonably be anticipated to commit or generate no more than the lesser of (i) 3% of the relevant Health Center's annual operating revenue for the previous fiscal year, or (ii) \$50 million; nor to any transaction involving more than one Medical Center.
  3. Exclusions From Delegations:
    - When a transaction is predominantly (by revenue committed or generated) a real estate transaction; or

- when a transaction includes issuance of debt; or
- when a transaction is anticipated to generate or commit more than 3% of the annual operating revenue of the sponsoring health center(s), as reflected in the audited financial statement(s) for the most recent fiscal year; or
- when a transaction, when combined with the value of other transactions approved by the Committee in the current fiscal year, reasonably is anticipated to generate or commit more than 5% of the annual operating revenue of the sponsoring health center(s), as reflected in the audited financial statements for the most recent fiscal year.

H. Delegated Authority Over Appointments and Compensation.

1. When the appointment of or compensation for an employee serving UC Health or any of its components, whose compensation is paid solely from sources other than State general fund support to the University, otherwise requires approval from the Regents or a Committee of the Regents, the Health Services Committee may review and approve such appointment and/or compensation without further Regents action.
2. The Committee shall develop a benchmarking framework for use in evaluating compensation proposals that may be approved under the authority delegated in paragraph H(1). The benchmarking framework shall identify peer institutions against which UC Health competes for high level positions and identify external salary data for positions comparable to those that may be approved by the Committee. The benchmarking framework shall be reviewed and approved by both the Health Services Committee and the Governance ~~and Compensation~~ Committee at least every two (2) years. The Health Services Committee and the Governance Committee shall also approve any new UC Health positions in the Senior Management Group and their corresponding salary ranges for positions that are not State-funded without further Regents action.

I. Other Oversight Responsibilities. In addition to the authority described above, the Committee may review and make recommendations with regard to the following matters and/or with regard to the following areas of the University's business:

- The general operation of UC Health
- Functions and operations of the governing body of each of the academic health centers
- Systemwide or regional UC Health initiatives
- Patient care and the cost, quality and accessibility of service
- Development of health system performance dashboards
- Strategic plans and budgets for UC Health



- Issuance of debt that may affect UC Health clinical strategy
- Real estate transactions that may affect UC Health clinical strategy
- Capital improvements that may affect UC Health clinical strategy
  - The Health Services Committee shall consider proposals for plans for improvements and capital improvement requests involving UC Health or any of its components prior to or concurrent with consideration, recommendation, or approval by the Finance and Capital Strategies Committee. This requirement applies only to those capital projects that are related to patient care or research, or are otherwise of strategic importance to UC Health.
- Health system acquisitions, affiliations and alliances (for matters not covered by the Committee's delegated authority)
- Health system procurement
- Health system appointments and compensation (for matters not covered by the Committee's delegated authority)
- Health system incentive compensation programs
- Participation in government health care programs and contracts with private health plans
- University health benefits self-insurance programs under UC Health (e.g., UC Care)
- Health information privacy, security and data protection
- Regulatory compliance
- All other matters significantly affecting UC Health

The delegation and assignment of responsibilities to this Standing Committee under Paragraphs G through I signifies that it is the Committee to which matters otherwise appropriate for Board consideration generally will be referred and does not create an independent obligation to present a matter to this Standing Committee, to the Board or to any other Committee.

J. Administrative Committees. Notwithstanding any other University policy, the Regent members of the Committee shall be permitted to serve on committees or work groups established by the President of the University or other University administrators for the conduct of the business of UC Health.

K. Reporting. In addition to the reports required under Bylaw 24.11, the Committee shall deliver to the Board the following reports, which may be in writing, on at least an annual basis:

- The UC Health strategic plan and budget, presented to the Board for review
- A report on the status of the University student health and counseling centers
- A written report on the status of all health system transactions approved under the Committee's delegated authority during the previous three years

**Additions shown by double underscoring; deletions shown by strikethrough**

**Appendix F – Charter of the Investments Committee**

Investments Subcommittee. The Committee hereby establishes the Investments Subcommittee to assist the Committee in discharging its oversight responsibilities with regard to University investments. The duties and responsibilities of the Subcommittee are set forth as follows.

- A. Purpose. In support of the Finance and Capital Strategies Committee (the “related Standing Committee”), the The Investments Subcommittee Committee shall provide strategic direction and oversight, ~~consider~~, make recommendations to the Board, and take action ~~act~~ pursuant to delegated authority ~~consent responsibilities~~ on matters pertaining to University investment strategy and operations, and pertaining to the review and reporting of investment results.
- B. Membership/Terms of Service. The identity, appointment and terms of service of ~~Subcommittee~~ Committee members shall be as specified in Bylaws ~~25.3~~ 24.4 through ~~25.5~~ 24.6.
- C. Special Requirements for Members/Advisors. Except as specifically provided in this Charter, neither the ~~Subcommittee~~ Committee nor any of its members or advisors shall direct or attempt to direct the University’s internal or external investment managers with regard to the selection of specific investments, specific funds or specific investment managers. The role and authority of such members and advisors shall be limited to providing general direction though policy and to monitoring and reporting investment results.
- D. Delegated Authority Over Appointments and Compensation. The Committee may approve the appointment of or compensation for an employee of the Office of the Chief Investment Officer, other than the Chief Investment Officer, whose compensation is paid solely from sources other than state general fund support to the University, without further review or approval by the Board.
- E. ~~Subcommittee~~ Consent Responsibilities. ~~Unless otherwise specified in the Committee Charter, the The Subcommittee shall be charged with recommending action on the following matters which, on approval, shall be placed on the consent agenda of the Board, on the terms specified in section C, above, as though approved by the Standing Committee, unless any Regent requests that the matter be taken up for discussion and/or action by the Standing Committee. Unless otherwise specified, any approval authority for these matters that falls outside parameters expressly reserved to the Board or a Committee is delegated to the President or the Chief Investment Officer, within their respective jurisdictions.~~
  - ~~○ Determination of asset classes~~
  - ~~○ Asset and risk allocation policy~~
  - ~~○ Selection of benchmarks~~
- F. Other Oversight Responsibilities. In addition to the responsibilities assigned to the ~~Subcommittee~~ Committee described above, ~~and to the extent not otherwise within such~~

~~responsibilities~~, the charge of the ~~Subcommittee~~ Committee shall include reviewing and making recommendations to the ~~related Standing Committee~~ Board with regard to the following matters and/or with regard to the following areas of the University's business:

- o Investment policy and strategy
- o Physical asset management (e.g. real estate held as investments)
- o Investment accounts/custodian relationships
- o Retirement system investments
- o Endowment funds investments
- o Short term and liquidity investments
- o Investment operations
- o Investment results and reporting
- o Endowment administration cost recovery
- o Endowment total return expenditure
- o Campus Foundations investment reporting
- o Determination of asset classes
- o Asset and risk allocation policy
- o Selection of benchmarks

The assignment of responsibilities to this Standing Committee under Paragraphs D and E signifies that it is the Committee to which matters otherwise appropriate for Board consideration generally will be referred and does not create an independent obligation to present a matter to this Standing Committee, to the Board or to any other Committee.

- G. Expert Advisors. The ~~Subcommittee~~ Committee shall have the authority to retain independent investment experts and advisors, as necessary to conduct the business of the ~~Subcommittee~~ Committee. The ~~Subcommittee~~ Committee shall include at least three and no more than five non-voting advisory members (in addition to Chancellors) with expertise relevant to the work of the ~~Subcommittee~~ Committee. One advisory member shall be a represented employee of the University of California with expertise in investments and one shall be from a campus foundation. Any advisors not otherwise subject to University policy, shall be subject to the laws and policies applicable to Regents governing compensation and reimbursement of expenses, and shall be subject to conflict of interest disclosure and recusal obligations as specified in the University's Conflict of Interest Code and other applicable policies.
- H. Reporting. In addition to the reports required under Bylaw 25.8, the ~~Subcommittee~~ Committee shall report to the ~~related Standing Committee~~ Board any material developments in the University's investments operation and in the University's investment portfolio.

## **Appendix G – Charter of the Special Committee on Nominations**

- A. Purpose. The Special Committee on Nominations shall make recommendations to the Board regarding the membership and Chairs and Vice Chairs of Standing Committees.
- B. Membership/Appointment/Term. The Chair of the Board will appoint 7 members, including a Committee Chair, to the Special Committee for one-year terms annually every spring. All members shall be voting Regents, with no advisory members.
- C. Special Provisions. The Special Committee is established as a recurring committee, with a term of one year. Regents who are not members of the Special Committee shall not attend its meetings.
- D. Board Leadership and Committee Assignments. The Special Committee shall be responsible for presenting to the Board no later than May of each fiscal year a slate of candidates for Chair and Vice Chair of the Board, Chair and Vice Chair of each Standing Committee, and the remaining members of each Standing Committee for the following fiscal year. The Special Committee shall consult with the Chairs and Vice Chairs of the Committees regarding nominations of Committee membership and leadership for the next year. The Special Committee also nominates advisors as members of Standing Committees and Subcommittees, unless otherwise specified in a Committee Charter, and nominates Regents and advisors to Standing Committees and Subcommittees when vacancies occur.

## Charter of the Special Committee on Basic Needs

### A. Purpose.

The Special Committee on Basic Needs shall review campus, systemwide, and national trends in regards to supporting students' basic needs at the University of California, including efforts to address food, housing, and financial insecurity. The Special Committee shall have the authority to explore the scope and impact of basic needs insecurity, review campus basic needs initiatives, review basic needs efforts among campuses, the Office of the President, and the California State government, and report to the Board on basic needs improvement for students attending the University of California.

### B. Membership/Terms of Service.

The Special Committee on Basic Needs shall be established for two years. Members of the Special Committee shall be appointed by the Chair of the Board for one-year terms in consultation with the Chair of the Governance and Compensation Committee, and may include Chancellors and other advisory members.

### C. Oversight Responsibilities.

The charge of the Special Committee shall include reviewing long-term goals and reporting to the Board with regard to the following matters:

- Campus housing security initiatives
- Food security initiatives and programs
- Establishment of campus basic needs centers
- Financial aid and cost of attendance
- Student services
- Mental health services
- Child Care Services

### D. Reporting.

The Special Committee shall issue a report on basic needs to guide UC's long-term strategic vision to address basic needs.

**Additions shown by underscoring; deletions shown by strikethrough****Regents Policy 1202: Policy on Appointment of Student Regent****POLICY SUMMARY/BACKGROUND**

The Board of Regents has chosen to appoint a student as a Regent in accordance with the Constitution of the state of California, which was amended in November 1974 to provide the Regents with the option of appointing a student to serve as a member on the Board. This Policy affirms that decision and broadly outlines the position.

**POLICY TEXT**

The student Regent must be a person enrolled as a student in good standing and not on academic probation at a campus of the University of California for each regular academic term during his or her service as a Regent-designate and Regent and must have demonstrated interest in the welfare of their fellow students and in the University. Political tests must not be applied to any candidate. A student body president, or equivalent, or a member of the board of directors of any student advocacy associations, is not be eligible for appointment as a student Regent. While serving on the Board, a student Regent may not hold any appointive or elective student government position. However, a student Regent-designate may hold non-elected positions until their term as Regent begins. A student who is, or has served as, a student Regent is not eligible for reappointment as a student Regent.

The student Regent is a full voting member of the Board of Regents of the University of California, attending all meetings of the Board and its Committees and serving a one-year term commencing July 1. In their role as a Regent, the student Regent serves as a trustee on behalf of the people of the State of California. While the student Regent voices student perspectives to the Board, they do not solely represent students. The state Constitution provides that Regents shall be persons broadly reflective of the economic, cultural, and social diversity of the State.

From the time of appointment as a student Regent, but prior to the commencement of service as a member of the Board, the person so appointed is known as a Regent-designate, is invited to attend all meetings of the Board and its Committees and is seated at the meeting table with full participation in discussion and debate. The student Regent-designate will serve as a non-voting advisory member of committees of the Regents as assigned during their service as a Regent-designate. Non-voting members do not count toward the calculation of a quorum of a committee.

The student Regent and Regent-designate is entitled to reimbursement for expenses in accordance with Regents Policy and has the option of receiving either a fee waiver or a scholarship in an amount equivalent to the student's total University fees and tuition during the academic years in which they serve as Regent-designate and Regent.

The student Regent is appointed by the Regents upon recommendation of a Special Committee that is appointed by the Chair of the Board for that purpose. The process for selecting the student Regent is described in the Student Regent Nomination Procedures.

The student Regent or Regent-designate may be removed for cause or sanctioned by majority vote of the Board (excluding the student Regent) if allegations of a violation of their fiduciary or ethical duties to the University or a violation or breach of the University Bylaws, policy, or applicable law are found to be substantiated through a process determined by the Chair of the Board and the Chair of the Governance Committee, in consultation with the General Counsel.

### **COMPLIANCE/DELEGATION**

The Secretary and Chief of Staff to the Regents is responsible for coordinating the student Regent selection process and ensuring compliance with the nomination procedures.

### **NO RIGHT OF ACTION**

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.

### **PROCEDURES AND RELATED DOCUMENTS**

Student Regent Nomination Procedures

- ~~1. The student Regent shall be a person enrolled as a student in good standing and not on academic probation at a campus of the University of California for each regular academic term during his or her service as a Regent-designate and Regent. The student Regent shall have the option of receiving either a fee waiver or a scholarship in an amount equivalent to the student's total University fees and tuition during the academic years in which he or she serves as a Regent-designate and Regent. A student body president, or equivalent, or a member of the Board of Directors of the University of California Student Association, shall not be eligible for appointment as a student Regent. While serving on the Board, a student Regent may not hold any appointive or elective student government position. A student who is or has served as a student Regent shall not be eligible for reappointment as a student Regent.~~
- ~~2. The student Regent shall be appointed by the Regents upon recommendation of a Special Committee to be appointed by the Chair of the Board for that purpose. The Special Committee shall make its recommendation from a panel of three finalists submitted by the Board of Directors of the University of California Student Association (UCSA) following the selection procedure described below. Should the Special Committee not be~~

satisfied with the panel in its entirety, the Committee may request the Board of Directors of UCSA to submit one or more additional names. A representative of the Board of Directors of UCSA shall be invited to attend all meetings of the Special Committee with full participation in discussion and debate.

- ~~3. For each campus, the undergraduate and graduate student governments shall each appoint a student from their body to the appropriate student Regent nominating commission. San Francisco's student government shall nominate two students. There shall be one northern nominating commission for the Berkeley, Davis, Merced, San Francisco and Santa Cruz campuses and one southern nominating commission for the Irvine, Los Angeles, Riverside, San Diego and Santa Barbara campuses. The nominating commissions shall screen the applicants for student Regent and shall recommend five students from the southern campuses and five students from the northern campuses. The ten students so recommended shall be interviewed by the Board of Directors of the University of California Student Association which shall nominate three finalists for submission to The Regents. The submission of the finalists shall be at such time that the Special Committee may complete its deliberations and submit its recommendations to the Board of Regents no later than the July meeting of the Board each year.~~
- ~~4. Chancellors, in consultation with the President of the University and with their respective student body presidents, shall be responsible for the dissemination of information about the position of student Regent and for the application process on their respective campuses. In state travel expenses incurred in the recruitment process by the nominating commissions and by the applicants shall be paid by the Office of the Secretary and Chief of Staff in accordance with its travel reimbursement policies.~~
- ~~5. The nominating commissions, the Board of Directors of the University of California Student Association, the Special Committee, and The Regents shall be mindful of that provision of Article IX, Section 9 of the California Constitution that: "Regents shall be able persons broadly reflective of the economic, cultural, and social diversity of the state, including ethnic minorities and women. However, it is not intended that formulas or specific ratios be applied in the selection of Regents."~~
- ~~6. Candidates shall be students in good standing enrolled at a campus at the University of California at the time that they apply and shall have demonstrated interest in the welfare of their fellow students and in the University. No political test shall be applied to any candidate.~~
- ~~7. A student Regent shall serve on the Board for a one-year term commencing on July~~
- ~~8. From the time of appointment as a student Regent, but prior to the commencement of service as a member of the Board, the person so appointed shall be known as a Regent-designate, shall be invited to attend all meetings of the Board and its Committees, to be seated at the meeting table, with full participation in discussion and debate, and shall be~~



~~entitled to reimbursement for expenses in accordance with the Policy on Administrative Support for and Reimbursement of Regents and Regents Designate. The student Regent designate will serve as a non-voting advisory member of committees of the Regents as assigned during his or her service as a Regent designate. Non-voting members shall not count toward the calculation of a quorum of a committee.~~

## Student Regent Nomination Procedures

1. Chancellors, in consultation with the President of the University and with their respective student body presidents, shall be responsible for the dissemination of information about the position of student Regent. In-state travel expenses incurred in the recruitment process by the nominating commissions and by the applicants shall be paid for by the Secretary and Chief of Staff in accordance with its travel reimbursement policies.
2. A nominating commission comprising ten students, each from a different campus, shall be selected by the student body presidents. An effort should be made to have a balance of undergraduate and graduate and professional students serve on the commission. The commission shall review the applications and recommend six to eight candidates to be interviewed. The nominating commission may have the option to contact certain candidates with supplemental questions if more information is needed to make a decision or the commission needs to further winnow or augment the list of candidates to be interviewed.
3. The candidates recommended by the nominating commission shall be interviewed jointly by a panel of ten representatives of the undergraduate student association and ten representatives of the graduate student association (External Vice Presidents or their designees), one from each campus, which shall nominate three to four finalists for submission to the Regents. No other students will participate in the semi-finalist interviews. It is recommended that an equal number of graduate and undergraduate be advanced to the final interview.
4. A Special Committee of the Regents shall be appointed by the Chair of the Board to interview the finalists submitted by the student associations' interview panel. If the Special Committee is not satisfied with the candidates, the Special Committee may request that the interview panel submit one or more additional candidates' names. A student association president shall be invited to attend all meetings of the Special Committee with full participation in discussion and debate. The Special Committee shall complete its deliberations and submit its recommendation to the Board of Regents no later than the July meeting of the Board each year.
5. The nominating commissions, representatives of the student associations, the Special Committee of the Regents, and members of the Board of Regents shall be mindful of the provision of Article IX, Section 9 of the California Constitution that states: "Regents shall be able persons broadly reflective of the economic, cultural, and social diversity of the state, including ethnic minorities and women. However, it is not intended that formulas or specific ratios be applied in the selection of Regents." To this end, all reviewing bodies will be provided with material regarding how to ensure a diverse pool of candidates.

Effective: November 15, 2018

---

**UNIVERSITY OF CALIFORNIA  
BLUE AND GOLD ENDOWMENT  
INVESTMENT POLICY STATEMENT**

---

**POLICY SUMMARY/BACKGROUND**

The purpose of this Investment Policy Statement (“Policy” or “IPS”) is to define the objectives and policies established for the management of the investments of the University of California BLUE AND GOLD ENDOWMENT (BGE). The management of BGE is subject to state and federal regulations and laws, and all other University investment policies, which may not be listed in this document. The investment policy statement consists of the following sections:

- Investment Objectives
- Payout Policy
- Monitoring and Reporting
- Conflicts of Interest
- Disclosures
- Policy Maintenance

This policy reflects the Governance Framework outlined in Bylaws 22 and 23 of the University and the Finance and Capital Strategies Committee Charter. The Board defines the goals and objectives of BGE and is responsible for establishing and approving changes to this IPS. The Finance and Capital Strategies Committee and Investments Subcommittee are responsible for establishing the Asset and Risk Allocation Policy (with Board approval), which defines the strategic asset allocation, risk tolerance, asset types, and benchmarks of the portfolio.

The Chief Investment Officer (or “Office of the Chief Investment Officer”) is responsible for implementing the approved investment policies and developing investment processes and procedures for asset allocation, risk management, investment manager selection and termination, monitoring and evaluation, and the identification of management strategies that will improve the investment efficiency of BGE assets.

# UNIVERSITY OF CALIFORNIA BLUE AND GOLD ENDOWMENT INVESTMENT POLICY STATEMENT

## POLICY TEXT INVESTMENT OBJECTIVES

### 1. Overall Objective

BGE is an investment pool established by the Regents and is available to UC campuses and other related entities. The objective of BGE is to provide a low cost, liquid, diversified investment vehicle in which the various UC organizations can invest their long-term excess capital reserves to earn a higher return than would otherwise be expected from short-term cash management vehicles (such as TRIP and STIP). This objective is subject to risk and liquidity tolerances established with the Office of the President, Chief Financial Officer, and campuses. BGE seeks to achieve this objective by taking advantage of the economies of scale of investing a large liquid pool of assets. The pool intends to invest in the most liquid and transparent investments available that provide appropriate market exposure, at the lowest possible expense, in order to provide the opportunity for immediate withdrawal of funds by an investor with minimum impact on other investors in the pool.

### 2. Return Objective

BGE seeks to maximize its return on investment, consistent with levels of investment risk as stated below that are prudent and reasonable given long-term capital market expectations and the overall objectives of BGE, including liquidity maximization and expense minimization. The performance of BGE will be measured relative to its objectives and policy benchmark found in the Asset and Risk Allocation Policy.

### 3. Risk Objective

While the Board recognizes the importance of the preservation of capital, it also recognizes that to achieve BGE's overall objectives requires prudent risk-taking, and that risk is the prerequisite for generating investment returns. Therefore, investment risk cannot be eliminated but should be managed. Risk exposures should be identified, measured, monitored, and tied to responsible parties as identified in the Asset and Risk Allocation Policy; and risk should be taken consistent with the BGE's objectives and the expectations for return from the risk exposures. The BGE should have a low probability of loss of capital and/or a loss of purchasing power over a full market cycle (typically four to eight years).

### 4. Payout Policy

BGE will have an annual payout rate that provides investors with a source of income that is perpetual, growing, and predictable.

The objective of the payout rate is to allow BGE to grow on a total return basis while "smoothing" the payout in order to mitigate disruptions in the budgets of end-investors throughout economic and market cycles.

The payout rate for eligible assets in BGE is 3.75%.

# UNIVERSITY OF CALIFORNIA BLUE AND GOLD ENDOWMENT INVESTMENT POLICY STATEMENT

## 5. Sustainability Objective

The Office of the Chief Investment Officer (OCIO) shall incorporate environmental sustainability, social responsibility, and governance (ESG) into the investment evaluation process as part of its overall risk assessment in its investments decision-making. ESG factors are considered with the same weight as other material risk factors influencing investment decision-making.

The OCIO uses a proprietary sustainability framework to provide core universal principles that inform the decisions and assist in the process of investment evaluation. The OCIO manages BGE consistent with these sustainability principles. The Framework can be found on the OCIO website in the sustainability section.

## MONITORING AND REPORTING

The OCIO is responsible for monitoring the portfolio and investment managers on an ongoing basis. The OCIO should monitor and report to the Investments Subcommittee, Finance and Capital Strategies Committee, and Board of Regents on the following items.

1. Asset and Risk Allocation
2. Investment Performance and Attribution (against benchmarks identified in the **BGE Asset and Risk Allocation Policy**)
3. Material Changes to Organization and Investment Strategy
4. Potential Material Issues and Risks

While short-term results will be monitored, it is understood that BGE's objectives are long-term in nature and progress towards these objectives will be evaluated from a long-term perspective.

## DISCLOSURES

The Chief Investment Officer provides investment-related information on BGE to the Regents' Investments Subcommittee in a manner consistent with the requirements outlined in this policy. Current and historical materials are publicly available on the Regents' website. The Chief Investment Officer's Annual Report for the most recent fiscal year is also available on the Chief Investment Officer's website.

## RESTRICTIONS

The Regents require that purchase of securities issued by tobacco companies and companies with business operations in Sudan are prohibited in separately managed accounts. The Chief Investment Officer will determine what constitutes a tobacco or Sudan company based on standard industry classification of the major index providers and must communicate this list to investment managers annually and whenever changes occur.

**UNIVERSITY OF CALIFORNIA BLUE AND GOLD ENDOWMENT  
INVESTMENT POLICY STATEMENT**

**COMPLIANCE/DELEGATION**

The BGE Investment Policy Statement should be reviewed at least annually and updated as necessary. Revisions may be recommended by the OCIO, Investments Subcommittee, Finance and Capital Strategies Committee, and approved by the Board of Regents.

**NO RIGHT OF ACTION**

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.

**PROCEDURES AND RELATED DOCUMENTS**

BGE Asset and Risk Allocation Policy  
Investment Implementation Manual\*

\*Changes to the Investment Implementation Manual do not require Regents approval, and inclusion or amendment of references to these documents can be implemented administratively by the Office of the Chief Investment Officer.

**UNIVERSITY OF CALIFORNIA  
BLUE AND GOLD ENDOWMENT**

**ASSET AND RISK  
ALLOCATION POLICY**



# UNIVERSITY OF CALIFORNIA BLUE AND GOLD ENDOWMENT ASSET AND RISK ALLOCATION POLICY

## POLICY SUMMARY/BACKGROUND

The purpose of this Asset and Risk Allocation Policy (Policy) is to define the asset types, strategic asset allocation, risk management, benchmarks, and rebalancing for the University of California BLUE AND GOLD ENDOWMENT (BGE).

## POLICY TEXT ASSET CLASS TYPES

Below is a list of asset class types in which BGE may invest so long as they do not conflict with the constraints and restrictions described in the BGE Investment Policy Statement. The criteria used to determine which asset classes may be included are:

- Positive contribution to the investment objective
- Widely recognized and accepted among institutional investors
- Low cross-correlations with some or all of the other accepted asset classes
- Highly liquid
- Highly transparent
- Available at minimal expense

Based on the criteria above, the types of assets for building the portfolio allocation are:

### 1. Growth

Includes publicly traded common stock of issuers domiciled in U.S., Non-U.S., and Emerging Markets. The objective of the growth portfolio is to generate investment returns while maintaining high levels of liquidity and transparency through a diversified portfolio of common stocks.

### 2. Income

Income includes a variety of income-related asset types. The portfolio will invest in interest-bearing and income-based instruments such as corporate and government bonds, inflation-linked securities, cash, and cash equivalents. The objective of the income portfolio is to provide interest income and necessary liquidity for cash flows and portfolio rebalancing needs and to diversify the risks present in the growth portfolio.

### 3. Derivatives

A derivative is a contract or security whose value is derived from another security or risk factor. There are three fundamental classes of derivatives – futures, options, and swaps – each with



## **UNIVERSITY OF CALIFORNIA BLUE AND GOLD ENDOWMENT ASSET AND RISK ALLOCATION POLICY**

many variations; in addition, some securities are combinations of derivatives or contain embedded derivatives. Use of derivatives to create economic leverage is prohibited, except for specific strategies only. Permitted applications for derivatives are: efficient substitutes for physical securities, managing risk by hedging existing exposures, to implement arbitrage or other approved active management strategies.

Given the mandate for liquidity, transparency, and minimal expense, a passive implementation of all assets is expected. Derivatives are expected to be used to improve liquidity and minimize tracking error to passive indices.

Each asset class is assigned a benchmark that represents the opportunity set and risk and return characteristics associated with the asset class.

### **RISK MANAGEMENT**

Three principal factors affect BGE's financial status: 1) budget use, 2) payout, and 3) investment performance. The level of risk tolerance will take account of all three factors. At certain levels of assets and a given payout policy, it could be possible that the investments do not achieve the necessary performance to meet the spending budget. The result would be that either payout policy, use in budget, or risk tolerance would have to be changed.

There are different types of risk tied to various responsible parties at each level of BGE investment management. Thus, different risk metrics are appropriate at each level.

The **principal risks** that impact the BGE, and the parties responsible for managing them are as follows:

- Capital market risk is the risk that the investments decline in value or do not create a positive real rate of return over a full market cycle. Responsibility for determining the overall level of capital market risk lies with the Board at the recommendation of the Investments Subcommittee. The implementation of this risk is the responsibility of the Chief Investment Officer who will employ a passive investment program.
- Liquidity risk is the risk that investments cannot be liquidated in time to meet requested redemption requests.

Although the management of investment portfolios may be outsourced, investment oversight and risk management are primary fiduciary duties of the Board that are delegated to and performed by the Chief Investment Officer. The Chief Investment Officer shall report on risk exposures and the values of the several risk measures to the Board.

#### **Product level (Board, Investments Subcommittee, and Office of the Chief Investment Officer)**

- Payout Risk (insufficient assets to meet planned payout)

## **UNIVERSITY OF CALIFORNIA BLUE AND GOLD ENDOWMENT ASSET AND RISK ALLOCATION POLICY**

- Measures the risk of inappropriate investment policy and strategy
- Loss of purchasing power and loss of capital
- Total Investment Risk (volatility of total return)
  - Measures the risk of asset allocation policy

### **Implementation level (Office of the Chief Investment Officer)**

- Active Risk or “Tracking Error” (volatility of deviation from style or benchmark)
  - Measures the risk of unintended exposures or ineffective implementation
  - If passive implementation is used, active risk also captures tracking error caused by asset allocation deviations from the strategic allocation
- Liquidity Risk

### **Risk Measures:**

**Tracking Error:** BGE shall be managed so that its annualized tracking error budget shall not exceed 100 basis points. This budget is consistent with the ranges around the combined asset classes and incorporates asset / sector allocation and security selection differences from the aggregate benchmark.

**Liquidity Risk:** BGE shall be managed so that at least 20% of its total assets can be liquidated within 3 business days.

The Office of the Chief Investment Officer (OCIO) is responsible for managing risk and shall implement procedures and safeguards so that the combined risk exposures of all portfolios taken together are kept within risk bands. Further, within limits of prudent diversification and risk budgets, total and active risk exposures are fungible. That is, the OCIO may allocate risk exposures within and between asset types in order to optimize return.

### **STRATEGIC ALLOCATION**

The purpose of the Strategic Asset Allocation is to reflect BGE’s purpose and objectives, as well as the investment beliefs and organizational capability of the OCIO. The actual portfolio exposures will deviate from the Strategic Asset Allocation as a result of price drifts, opportunity set, and value-adding activities of the OCIO.

The investment strategy of BGE will incorporate the risk tolerance of the Board, Finance and Capital Strategies Committee, and the Investments Subcommittee, the relationship between current and projected assets, evolution of the University’s financial needs, namely BGE payout, budget, contributions, and growth expectations.

**UNIVERSITY OF CALIFORNIA BLUE AND GOLD ENDOWMENT  
ASSET AND RISK ALLOCATION POLICY**

Below are the strategic asset allocation long-term weights and allowable ranges:

**Table 1**

	Strategic Asset	Allowable Ranges	
	Allocation	Minimum	Maximum
<b>Growth</b>	<b>70%</b>	<b>60%</b>	<b>80%</b>
<b>Income</b>	<b>30%</b>	<b>20%</b>	<b>40%</b>
<b>Total</b>	<b>100%</b>		

The program will invest primarily in liquid, low cost, marketable securities.

**BENCHMARKS**

The following criteria have been adopted for the selection of benchmark indices. It is understood that not all benchmarks will meet the entire list of criteria, but ideally, benchmarks that meet most of the criteria will be selected. There may be instances where tradeoffs are made between benchmarks that meet some of the criteria but not others.

1. **Unambiguous:** the names and weights of securities comprising the benchmark are clearly delineated.
2. **Investable:** is possible to replicate the benchmark performance by investing in the benchmark holdings.
3. **Measurable:** it is possible to readily calculate the benchmark's return on a reasonably frequent basis.
4. **Appropriate:** the benchmark is consistent with investment preferences or biases.
5. **Specified in Advance:** the benchmark is constructed prior to the start of an evaluation period.
6. **Reflects Current Investment Opinion:** Investment professionals in the asset class should have views on the assets in the benchmark and incorporate those views in their portfolio construction.

Benchmarks are a tool against which to measure the effectiveness of investment strategy either at a total fund level, at an asset class or strategy level, or at the mandate level. Based on the benchmark selection criteria, the following strategic policy benchmarks have been chosen:

**UNIVERSITY OF CALIFORNIA BLUE AND GOLD ENDOWMENT  
ASSET AND RISK ALLOCATION POLICY**

**Table 2**

<b>Asset Class</b>	<b>Benchmark</b>
<b>Growth</b>	MSCI All Country World Index (ACWI) Investable Market Index (IMI) Tobacco Free - Net Dividends
<b>Income</b>	Bloomberg Barclays US Aggregate Index

The **Total Portfolio Benchmark** is a weighted average consisting of each of the monthly returns of the benchmarks noted above weighted by the Strategic Asset Allocation percentages.

### **REBALANCING**

There will be periodic deviations in actual asset weights from the strategic target weights. Causes for periodic deviations are market movements, cash flows, tactical tilts, and asset selection. Significant movements from the asset class policy weights will alter the intended expected return and risk of BGE. Accordingly, BGE may be rebalanced when necessary to ensure adherence to this policy and the Investment Policy.

The OCIO will monitor the actual asset allocation. The Board directs the OCIO to take all actions necessary, within the requirement to act prudently, to implement the asset allocation in a manner that ensures that BGE achieves its risk and return objectives.

The OCIO shall assess and manage the trade-off between the cost of rebalancing and the active risk associated with the deviation from Strategic Asset Allocation weights. The Chief Investment Officer may delay a rebalancing program when the Chief Investment Officer believes the delay is in the best interest of BGE.

### **COMPLIANCE/DELEGATION**

The BGE Asset and Risk Allocation Policy Statement should be reviewed at least annually and updated as necessary. The Investments Subcommittee may recommend action which will be placed on the Consent Agenda for approval by the Board.

### **NO RIGHT OF ACTION**

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.

### **PROCEDURES AND RELATED DOCUMENTS**

BGE Investment Policy Statement

Investment Implementation Manual\*

**UNIVERSITY OF CALIFORNIA BLUE AND GOLD ENDOWMENT  
ASSET AND RISK ALLOCATION POLICY**

\*Changes to the Investment Implementation Manual do not require Regents approval, and inclusion or amendment of references to that document can be implemented administratively by the Office of the Chief Investment Officer.

**Additions shown by underscoring; deletions shown by strikethrough**

**Regents Policy 7104: POLICY ON SELECTION OF LABORATORY DIRECTORS**

**POLICY SUMMARY/BACKGROUND**

Policy 7104 outlines the procedures prescribed for the selection of Directors of ~~the three~~ University-affiliated National Laboratories: ~~Lawrence Berkeley National Laboratory, Lawrence Livermore National Laboratory, and Los Alamos National Laboratory.~~

**POLICY TEXT**

- A. Procedure for the Appointment of ~~a~~ Directors of the Lawrence Berkeley National Laboratories Managed Directly by the University
1. This procedure shall apply so long as the University directly holds the contract to manage and operate the Lawrence Berkeley National Laboratory (LBNL) or other University-affiliated National Laboratory. This policy shall not apply to short-term appointments of a Laboratory Director in an acting or interim capacity.
  - ~~1.2.~~ The President will shall engage in succession planning for the position of Laboratory Director of the Lawrence Berkeley National Laboratory in support of the systematic nationwide search that will be undertaken each time a vacancy occurs.
  - ~~2.3.~~ When a vacancy occurs or is imminent in the position of Laboratory Director of the Lawrence Berkeley National Laboratory, a joint Committee, including Regents and others, will shall be appointed to advise the President of the University. The Committee will shall consist of five Regents appointed by the ~~Chairman~~ of the Board, five or more members appointed by the President of the University from the University's faculty, research scientists, and research administrators (including one employee of the respective National Laboratory and one Academic Senate member selected from a slate of faculty with appropriate expertise that is proposed by the Chair of the Academic Senate), and the ~~Chairman~~ of the Board and the President of the University, ex officio. The President of the University will shall convene the Committee.
  - ~~3.4.~~ The President of the University will shall submit to the Committee for evaluation an appropriate list of highly qualified candidates (typically not fewer than five or more than fifteen) ~~not fewer than five nor more than fifteen names of candidates whom he or she considers promising~~. The Committee will evaluate these nominations of the President and may consider or suggest other

names. It may interview candidates. It ~~will~~may solicit the opinions of other interested groups in whatever manner it considers appropriate.

4.5. ~~Both the Committee and the President shall be mindful of the University's firm commitment to diversity in the employment of women and minorities in seeking out the most qualified candidates.~~

5.6. ~~After the Committee has completed its evaluations and advised the President of the University, the President will~~shall ~~make his or her~~a recommendation to the Regents through the National Laboratories Subcommittee~~Committee on Oversight of the Department of Energy Laboratories~~ for consideration and approval.

B. Procedure for ~~Nomination~~ Selection of Los Alamos National Security, LLC (LANS) and Lawrence Livermore National Security, LLC (LLNS) Laboratory Directors of National Laboratories Managed by Limited Liability Companies or Other Business Entities (and LLC Presidents)

1. This procedure shall apply so long as (1) the University participates as a member of a limited liability company or other business entity holding the contract to manage and operate the Los Alamos National Laboratory, Lawrence Livermore National Laboratory, or other University-affiliated National Laboratory and (2) the respective entity's operating agreement provides that the University appoints the Chair of the entity's governing board and allocates responsibility for executing the Laboratory Director search and selection process to the University or the University-appointed Chair. This policy shall not apply to short-term appointments of a Laboratory Director in an acting or interim capacity.

1.2. ~~The Chairman of the LANS and LLNS LLC entity's b~~Board of Governors will~~shall~~ engage in succession planning for the position of Laboratory Director of the Los Alamos National Laboratory and the Director of the Lawrence Livermore National Laboratory in support of the systematic nationwide search that will be undertaken each time a vacancy occurs.

2.3. ~~When a vacancy occurs or is imminent in the position of the~~ Laboratory Director of the Los Alamos National Laboratory or the Lawrence Livermore National Laboratory, the University-appointed Chairman of the LLC entity's Board ~~board of Governors and the President of the University, will~~shall appoint a Committee to advise the ~~Chairman of the LLC entity's Board~~board. The Committee ~~will~~may consist of members drawn from the ~~LLC entity's b~~Board of Governors, Regents, ~~and~~ members of the University of California faculty, ~~as well as~~and others with appropriate expertise and experience, and ~~will~~shall include one employee from

the respective National Laboratory and one Academic Senate member selected from a slate of faculty with appropriate expertise that is proposed by the Chair of the Academic Senate. The Chairman of the LLC entity's Board-board will convene the Committee.

- 3.4. The Chairman of the LLC entity's Board-board will submit to the Committee for evaluation an appropriate list of highly qualified candidates (typically not fewer than five or more than fifteen) whom he or she considers promising. The Committee will shall evaluate these nominations and may consider or suggest other names. It may interview candidates. It will may solicit the opinions of other interested groups in whatever manner it considers appropriate.
- 4.5. Both the Committee and the Chair of the LLC entity's Board shall be mindful of the University's and the LLC's firm commitment to diversity in the employment of women and minorities in seeking out the most qualified candidates.
- 5.6. After the Committee has completed its evaluations and advised the Chairman of the LLC entity's Board, the Chairman of the LLC entity's Board will make his or her a recommendation to the Chairman of the Regents, the Chairman of the Committee on Oversight of the Department of Energy Laboratories National Laboratories Subcommittee, and the President of the University for consideration and concurrence.

## **NO RIGHT OF ACTION**

*This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.]*



**Additions shown by underscoring; deletions shown by strikethrough**

**REGENTS POLICY 7105: POLICY ON APPOINTMENTS OF INDIVIDUALS TO VOTING MEMBERS TO THE GOVERNING BOARDS OF THE BUSINESS ENTITIES MANAGING UNIVERSITY-AFFILIATED NATIONAL LABORATORIES~~THE EXECUTIVE COMMITTEES OF THE BOARDS OF GOVERNORS OF LOS ALAMOS NATIONAL SECURITY, LLC AND LAWRENCE LIVERMORE NATIONAL SECURITY, LLC~~**

**POLICY SUMMARY/BACKGROUND**

[Optional. Use summary if policy text is lengthy (more than approximately 500 words). Enter text summarizing the purpose of the policy in a few sentences. This should be a high level executive summary. Also include any brief contextual background that explains the origins or goal of the policy if appropriate.]

**POLICY TEXT**

1. When a vacancy occurs or is imminent with respect to a University-appointed position~~on voting member of the Executive Committee of the Bgoverning board of Governors~~ the limited liability company or other business entity holding the contract to manage and operate~~of~~ Los Alamos National Security Laboratory, LLC, ~~or of~~ Lawrence Livermore National Security, LLC Laboratory, or other University-affiliated National Laboratory, the Chairman of the Board of Regents and the President of the University ~~will~~ shall identify one or more candidates for appointment to such position, along with any proposed terms or conditions of the appointment. Candidates may be drawn from the ranks of Regents, University officers and senior managers, or others having expertise and experience pertinent to the management and operation of the Department of Energy National Laboratories. ~~The Chairman of the Executive Committee of the Board of Governors shall be drawn from the ranks of Regents.~~ The President ~~wi~~ shall confer with appropriate organizations within the University regarding the identification of candidates and applicable terms and conditions of the appointment.
2. Following such consideration, the Chair of the Board of Regents~~man~~ and the President ~~will~~ shall recommend the selected candidate to The Regents through the National Laboratories Subcommittee ~~Committee on Oversight of the Department of Energy Laboratories~~ for consideration and approval.

**Additions shown by underscoring; deletions shown by strikethrough**

**BYLAW 22.2: SPECIFIC RESERVATIONS**

**BYLAW TEXT**

22.2 Specific Reservations.

The matters in the following areas are specifically reserved to the Board and/or its Committees for approval or other action, within parameters that may be specified in a Committee Charter or Regents Policy:

\*\*\*\*\*

(b) Academic Matters

- Upon recommendation of the Academic Senate, approving criteria for University admissions and conferral of certificates and degrees
- Establishing or eliminating colleges, schools, graduate divisions and organized multi-campus research units
- Establishing or eliminating a session of instruction
- Approving the appointment of Regents Professors and University Professors
- Approving dismissal of academic appointees with tenure or security of employment
- Bidding on or entering into a prime contract to manage and operate a National Laboratory or other Comparable Facility (as defined in the Academic and Student Affairs Committee Charter)
- Creating a business entity to hold a prime contract to manage and operate a National Laboratory or other Comparable Facility
- Approving material changes in the type or scope of work for such a business entity
- Appointing voting members to a ~~University position on the Executive Committee of the Board of Governors~~ the governing board of such a business entity

\*\*\*\*\*

# UNIVERSITY OF CALIFORNIA

## 2019-20 BUDGET PLAN FOR CURRENT OPERATIONS

### 2018-19 CORE FUNDS FOR CURRENT OPERATIONS

Total 2018-19 Core Funds (State General Funds, Student Tuition and Fee Revenue, and UC General Funds) \$ 9,314.4

#### PROPOSED CHANGES IN EXPENDITURES

**Enrollment Growth at Marginal Cost** \$ 86.3

#### **Mandatory Costs**

Retirement contributions \$ 20.2  
 Employee health benefits \$ 21.1  
 Retiree health benefits \$ 7.0  
 Contractually committed compensation \$ 30.4  
 Non-salary price increases \$ 41.0  
 Subtotal \$ 119.8

**Degree Attainment & Student Success** \$ 60.0

**Student Mental Health Resources** \$ 5.3

#### **Other High-Priority Costs**

Faculty compensation (nonrepresented) \$ 94.4  
 Staff compensation (nonrepresented) \$ 42.6  
 High-priority capital needs (AB 94) \$ 15.0  
 Deferred maintenance (*one-time*) \$ 100.0  
 Subtotal \$ 252.0

#### **Financial Aid**

Enrollment growth - Return-to-aid \$ 19.3  
 Add'l aid for basic student needs \$ 15.0  
 Subtotal \$ 34.3

**TOTAL INCREASE IN EXPENDITURES** \$ 557.8

*Ongoing* \$ 457.8

*One-Time/Discretionary* \$ 100.0

#### PROPOSED CHANGES IN REVENUES

#### **Cost Savings/Alternative Revenues**

Asset management \$ 30.0  
 Philanthropy \$ 20.0  
 Procurement savings \$ 10.0  
 Reallocation from nonresident aid \$ 14.0  
 Subtotal \$ 74.0

#### **State General Funds**

State support base increase (3.7%) \$ 127.9  
 Replace Tuition/Stud Svcs Fee incr. (2.6%/5.0%) \$ 63.8  
 Financial aid for basic student needs \$ 15.0  
 CA undergraduate overenroll. in 2018-19 (1,900) \$ 21.9  
 PRIME MD enrollment \$ 8.8  
 Enrollment growth 2019-20 \$ 40.3  
 (2,500 CA undergraduates / 1,000 graduates)  
 Deferred maintenance (*one-time*) \$ 100.0  
 Subtotal \$ 377.6

#### **Tuition and Student Services Fees**

Enrollment growth - Tuition & Stud Svcs Fee \$ 34.7  
 Enrollment growth - Return-to-aid \$ 19.3  
 Subtotal \$ 54.1

#### **UC General Funds**

Nonresident tuition adjustment (2.6%) \$ 28.9  
 Nonresident enrollment growth (800) \$ 23.2  
 Subtotal \$ 52.1

**TOTAL INCREASE IN REVENUE** \$ 557.8

*Ongoing* \$ 457.8

*One-Time* \$ 100.0

<b>MAINTENANCE OF 2018-19 STATE GENERAL FUND SUPPORT</b>	<b>\$ 145.0</b>
Convert one-time funds provided in 2018-19 for tuition/fee buyout, 2017-18 enrollment above funded levels, and 1,000 additional students in 2018-19 to permanent funding	\$ 105.0
Convert one-time funds provided in 2018-19 to replace Prop 56 funds for graduate medical education to permanent funding	\$ 40.0

Figures may not sum to totals due to rounding.