The Regents of the University of California

FINANCE AND CAPITAL STRATEGIES COMMITTEE
March 14, 2018

The Finance and Capital Strategies Committee met on the above date at the Luskin Conference Center, Los Angeles campus.

Members present: Regents Anguiano, Lemus, Makarechian, Park, Sherman, and Zettel; Ex officio members Kieffer and Napolitano, Advisory members Anderson, May, and Morimoto; Chancellors Blumenthal, Gillman, Hawgood, Khosla, and May; Staff Advisor Valdry; Student Advisor Sands

In attendance: Assistant Secretary Lyall, General Counsel Robinson, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Senior Vice President Gulbranson, and Recording Secretary Johns

The meeting convened at 2:20 p.m. with Committee Chair Makarechian presiding.

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

Upon motion duly made and seconded, the minutes the meeting of January 24, 2018 were approved.

2. **APPROVAL OF DESIGN FOLLOWING ACTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT FOR THE NORTH TORREY PINES LIVING AND LEARNING NEIGHBORHOOD AND RIDGE WALK ACADEMIC COMPLEX PROJECTS, SAN DIEGO CAMPUS**

The President of the University recommended that, following review and consideration of the environmental consequences of the proposed North Torrey Pines Living and Learning Neighborhood and Ridge Walk Academic Complex Projects, 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 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 recommend that the Regents:

A. Certify the North Torrey Pines Living and Learning Neighborhood Project Environmental Impact Report (EIR) for the projects.

B. Adopt the Mitigation Monitoring and Reporting Program, CEQA Findings, and Statement of Overriding Considerations based on the analysis of environmental impacts presented in the EIR for the North Torrey Pines Living and Learning Neighborhood and Ridge Walk Academic Complex Projects.

C. Approve the design of the North Torrey Pines Living and Learning Neighborhood Project.

D. Approve the design of the Ridge Walk Academic Complex Project.

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

Committee Chair Makarechian briefly introduced the item and recalled that these projects had been discussed a number of times in the past few years. He thanked UC San Diego Director of Housing and Dining Mark Cunningham, who would be retiring after 38 years of service to UC, for his commitment to keeping student rental rates below market.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

3. **APPROVAL OF BUDGET, EXTERNAL FINANCING, AND DESIGN FOLLOWING ACTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, EMERSON HALL REPLACEMENT, DAVIS CAMPUS**

The President of the University recommended that:

A. The 2017-18 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Davis: <u>Emerson Hall Housing Replacement</u> – preliminary plans – $3,396,000 to be funded from housing reserves.

To: Davis: <u>Emerson Hall Replacement</u> – preliminary plans, working drawings, and construction – $109.3 million to be funded from external financing ($98.3 million) and housing reserves ($11 million).

B. The scope of the Emerson Hall Replacement project shall provide approximately 197,859 gross square feet of space in three structures. The buildings will include approximately 374 units to house approximately 809 students, as well as community and building support spaces.

C. The President be authorized to obtain external financing not to exceed $98.3 million plus additional related financing costs. The President shall require that:

(1) Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.

(2) As long as the debt is outstanding, general revenues from the Davis campus

shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.

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

D. The President recommended that, following review and consideration of the environmental consequences of the proposed Emerson Hall Replacement project, 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 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 Finance and Capital Strategies Committee recommend that the Regents:

(1) Adopt the Initial Study/Negative Declaration.

(2) Adopt the CEQA Findings in support of the project.

(3) Approve the design of the Emerson Hall Replacement project, Davis campus.

E. The President be authorized, in consultation with the General Counsel, to execute all documents necessary in connection with the above.

[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 May recalled that the Emerson Hall Replacement project was one of many student housing projects currently under way at UC Davis, part of an extensive strategy including UC-owned first-year residence halls and public-private developments to provide apartment-style housing for upper-division undergraduates and graduate students. He anticipated that the campus would add approximately 5,200 student beds over the next six years. The Emerson Hall Replacement project was the final phase of a multi-year neighborhood plan that began with the renovation of the Cuarto Dining Commons and included the Webster Hall redevelopment project under construction, scheduled to open in fall 2019.

Associate Vice Chancellor Emily Galindo presented information on projected student enrollment and housing project planning through 2023 and the location of the project. She briefly outlined other student housing locations and projects. The most significant current dining hall project was the addition of a second dining commons in the Tercero neighborhood, scheduled to open in fall 2019, which would add 500 seats. The Emerson Hall Replacement project would include demolition of an existing building and would construct three buildings with 809 residence hall beds, spaces for informal interactions, a student advising center, and other spaces. Based on the Regents’ discussion of this project at the September 2017 meeting, the campus had increased the density of the project, adding a fifth story to the largest of the three buildings and providing 100 additional beds. The project would use the design-build approach and would strive for a Leadership in Energy and Environmental Design Gold certification. Ms. Galindo described the courtyard configuration for the five-story building and the two four-story buildings. She noted that 95 percent of UC Davis' first-year students choose to live on campus. Pricing for residence halls uses a tiered structure of occupancy and dining, which provides options for students and their families. The project budget of $109 million would be funded through external financing and housing reserves. The project would meet UC requirements for cash flow and debt service coverage, with a minor exception for debt coverage at one point in time, in 2025.

In response to a question by Student Advisor Sands, Ms. Galindo explained that the rental savings projection of 23 percent to 30 percent was based on a comparison to the West Village apartments. Mr. Sands expressed concern about savings figures presented by UC Davis and other campuses in presentations of student housing projects; students themselves might not experience these savings. Presentations on future construction projects should include student-reported cost of attendance. Ms. Galindo responded that UC Davis is concerned about affordability for students. No new buildings comparable in magnitude to the Emerson Hall Replacement project had been built in the City of Davis for over ten years.

Committee Chair Makarechian remarked that the building design as shown in an architectural rendering was unremarkable, with simple construction and ordinary floor plans. He asked about the reasons for the approximate cost of $420 per square foot, and why the density of the project was not higher, given student need and the fact that no new housing was being built in the City of Davis. The University must use its land as extensively as it can and lower construction costs per unit. Ms. Galindo recalled that there were constraints on the project site, located within a neighborhood of the City of Davis, adjacent to the campus. Committee Chair Makarechian suggested that students could advocate effectively with City of Davis officials to allow greater density of student housing on the site. Chancellor May responded that in its plans over a ten-year period for this and other projects, UC Davis would densify student housing.

Committee Chair Makarechian asked about the benefit of the design-build approach versus competitive bidding. Ms. Galindo responded that UC Davis had used this approach for several of its most recent projects and had achieved cost savings. There would be a competition.

Committee Chair Makarechian asked that the campus seek to secure further savings and bring down the cost of this project. He stated that the Committee would approve this item on the condition that he and any other interested Regents receive follow-up information on how the campus would lower the project cost.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

4. **APPROVAL OF UNDERGRADUATE NONRESIDENT SUPPLEMENTAL TUITION AND ADJUSTMENTS OF THE EMPLOYER CONTRIBUTION TO THE UNIVERSITY OF CALIFORNIA RETIREMENT PLAN**

The President of the University recommended that the Regents:

A. Approve the increase in undergraduate Nonresident Supplemental Tuition shown in Display 1, to be effective with the 2018-19 academic year.

B. Rescind the prior Regents' approval in the July 2017 action, *Authorization to Increase the University Employer Contribution Rate and Make Additional Contributions to the University of California Retirement Plan*, to increase the University's contribution rate for the Campus and Medical Centers segment of the University of California Retirement Plan ("UCRP" or "Plan"), effective July 1, 2018, to 15 percent (from 14 percent) for all member classes and tiers, other than Tier Two and 7.5 percent (from seven percent) for Tier Two members.[1]

C. Rescind an increase in the employer assessment to seven percent (from six percent) for Savings Choice Participants in the Defined Contribution Plan.

DISPLAY 1: Proposed Increases to Undergraduate Nonresident Supplemental Tuition

	2017-18 Charges	*Proposed Adjustment*	*Proposed % Change*	Charges Effective 2018-19
Nonresident Supplemental Tuition				
Undergraduate	$28,014	*$978*	3.5%	$28,992

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

Executive Vice President and Chief Financial Officer Brostrom introduced the item. He stated that these actions on Nonresident Supplemental Tuition and the UC Retirement Plan (UCRP) together would have an impact on the 2018-19 budget amounting to approximately $70 million. He presented a chart with the projected financial impact on each campus of a 3.5 percent increase in undergraduate Nonresident Supplemental Tuition, a total of about $35 million. The impact would be greatest for campuses with the highest percentages of nonresident students.

The UCRP was currently 85 percent funded, on both an actuarial value of assets and market value of assets basis. The University would continue its practice of borrowing up to the

1 The UCRP member class known as "Tier Two" is a frozen group. As of July 1, 2017, it had three active members.

Annual Required Contribution. Even with the proposed rescission, the UCRP would reach a level of 90 percent funding by fiscal year 2023, and 95 percent funding by 2029.

Committee Chair Makarechian stated that the main reason for the proposed action was lack of funding from the State. This lack of funding causes the University to borrow from its own cash flow. He emphasized the responsibility of the Governor and the Legislature. Students' voices are powerful and can make the case in Sacramento for UC funding. He asked about the possibility of the State covering the tuition increase. Mr. Brostrom responded that the University has never received a buyout from the State for nonresident tuition. The Legislature was not receptive to this idea, asking instead that UC place a cap on nonresident enrollment and not provide financial aid to nonresident students.

Committee Chair Makarechian asked why the State felt that the University should treat nonresident students differently. Mr. Brostrom responded that for legislators, the fact that parents of California resident students had paid taxes into the State system was significant. A counterargument in favor of investment in nonresident students might be made based on UC surveys, which indicated that nonresident graduates tend to stay in California at rates only slightly lower than resident students; they then contribute to the California economy.

Chair Kieffer recalled that the Regents had deferred acting on Nonresident Supplemental Tuition in January. Support to be received from the State was now lower than the University's expectations, and this accounted for the proposed action on employer contributions to the UCRP.

Committee Chair Makarechian emphasized the dire consequences of insufficient funding and decline in net assets for the University in the long term, and the importance of student advocacy for State funding for UC.

Regent Anguiano asked about the amount that would be left in the Short Term Investment Pool (STIP) after the University borrowed about $2 billion over the coming four years for the UCRP. Mr. Brostrom responded that liquidity was a critical issue. Rating agencies would expect the University to maintain a minimum of $4 billion in STIP, and an additional $1 billion of STIP-like investments in the Total Return Investment Pool. He estimated that STIP would have sufficient capacity for the borrowing of the next four years.

Regent Park asked why the Nonresident Supplemental Tuition increase was being proposed at this meeting rather than in May, along with the University budget. Mr. Brostrom responded that action on the tuition increase now would provide greater certainty for students and families in their planning for the upcoming academic year. Admissions decisions would be sent out this month. The impact of this tuition increase would be greater than the impact of an in-state tuition increase. It was important for students considering whether to enroll at UC to know what the cost of attendance would be. The action would also provide more certainty for campuses. The revenue from the Nonresident Supplemental Tuition increase would be significant for a number of the campuses, and the campuses would be able to plan for course offerings and teaching assistants.

Regent Park asked if UC anticipated that fewer nonresident students would accept admission and enroll at the University if tuition were increased. Associate Vice President David Alcocer responded that this was a concern for the University. The increase being proposed for Nonresident Supplemental Tuition was smaller than increases proposed in past years. UC was unique among research universities nationally in seeing continued growth in applications from international and domestic nonresident students, and there had been an increase in the number of different campuses nonresident students apply to, indicating that more UC campuses were becoming well-known. UC had not observed a decline in interest by nonresident applicants.

Regent Park asked how this tuition increase would affect diversity. Mr. Brostrom responded there had been a significant effect on nonresident student diversity when the State no longer allowed institutional financial aid for nonresident students; this was a far more significant change than the proposed tuition increase.

Staff Advisor Valdry asked about the risk of lower returns in changing UCRP contribution rates, and if decreasing the contribution rates was in the long-term interest of the institution. Mr. Brostrom clarified that the overall contribution amount would remain the same; the employer contribution amount would decrease, and a larger portion of the contribution would come from STIP. The portion from STIP would be repaid over a 20-year term. This action was premised on market returns of 7.25 percent. He expressed confidence in the proposed action as being in UC’s long-term interest. The University would also have the option of increasing the amount of STIP borrowing if returns were lower.

Committee Chair Makarechian recalled that the cost of borrowing from STIP was approximately 1.2 percent, while funds in the UCRP might earn 7.5 percent. Mr. Brostrom added that STIP borrowing had had a positive impact of about six to seven percent on the UCRP funded level.

Faculty Representative May observed that even with the STIP borrowing, the University would not meet the Annual Required Contribution this year. Mr. Brostrom responded that UC would not achieve this level from STIP, but was considering other possibilities, such as unrestricted funds committed to benefits. Markets were unpredictable, but to date UC was ahead of a 7.25 percent return; this would reduce the amount to be borrowed and meet the Annual Required Contribution.

Mr. May recalled that the July 2017 action to increase the employer contribution from 14 percent to 15 percent was based on economic conditions and considerations. Now the rate was being brought back down to 14 percent based on another set of considerations. He asked about the reason for rescinding rather than suspending the action; in the latter case, the University could return to the 15 percent rate if conditions warranted this. Mr. Brostrom responded that the primary argument for increasing the contribution to 15 percent was based on liquidity constraints. If the rate had been at 14 percent the previous year, UC would have had to borrow to such an extent that its liquidity would have dropped below the level it has promised campuses and rating agencies to maintain. The increase in the employer contribution rate reduced the amount of STIP borrowing needed.

Mr. May asked why the contribution rate would drop a full percentage point, rather than being reduced to a rate between 14 and 15 percent, such as 14.2 percent. This could serve to indicate that the higher contribution rate was preferable to borrowing over time. Mr. Brostrom responded that this one percent reduction nearly matched the reduction in UC's base budget adjustment by the State. He opined that a higher contribution rate would not necessarily be preferable. Excess liquidity in STIP should be moved to higher-performing funds.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

5. **APPROVAL OF BUDGET AND DESIGN FOLLOWING ACTION PURSUANT TO CALIFORNIA ENVIRONMENTAL QUALITY ACT, NORTHERN REGIONAL LIBRARY FACILITY PHASE 4 EXPANSION, SYSTEMWIDE**

The President of the University recommended that:

A. The 2017-18 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Systemwide: <u>Northern Regional Library Facility Phase 4 Expansion</u> – preliminary plans − $600,000 to be funded from the UCOP Strategic Priority Fund resulting from one-time budget savings in prior year(s).

To: Systemwide: <u>Northern Regional Library Facility Phase 4 Expansion</u> – preliminary plans, working drawings, construction, and equipment – $32.5 million to be funded from the UCOP Strategic Priority Fund ($2.5 million) and external financing supported by State appropriations under the process described in Sections 92493 through 92496 of the California Education Code ($30 million).

B. The scope of the Northern Regional Library Facility Phase 4 Expansion project shall consist of constructing an approximately 27,500-gross-square-foot, 24,750-assignable-square-foot addition to the existing Northern Regional Library Facility at the UC Richmond Field Station. The project has a one-story stack area utilizing a high bay storage system, a staff work area, and associated site work (including infrastructure, limited exterior landscaping, and site improvements).

C. The President recommended that, following review and consideration of the environmental consequences of the proposed Northern Regional Library Facility Phase 4 Expansion, 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 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 Finance and Capital Strategies Committee recommend that the Regents:

(1) Find the project to be in conformance with CEQA as indicated in Addendum #1 to the Richmond Bay Campus 2014 Long Range Development Plan Final Environmental Impact Report.

(2) Adopt the CEQA Findings in support of the project.

(3) Approve the design of the Northern Regional Library Facility Phase 4 Expansion project.

D. The President be authorized, in consultation with the General Counsel, to execute all documents necessary in connection with the above.

[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.]

Vice Provost Susan Carlson introduced the item, noting that it enjoyed the support of the President, the chancellors, campus provosts and executive vice chancellors, University librarians, the Executive Director of the California Digital Library, and the Academic Senate.

UC Berkeley University Librarian Jeffrey MacKie-Mason recalled that the Northern Regional Library Facility (NRLF) Phase 4 Expansion project had been discussed at the July 2017 meeting, and the Regents had approved $600,000 in preliminary plans funding in September. The University's Regional Library Facilities benefit all ten campuses by providing high-density, low-cost storage that enables UC to build and maintain a world-class research collection. High-density, secure preservation saves an estimated $3.40 per book each year, for a total of $45 million in annual savings. Remote-location shelving allows campuses to convert scarce on-campus space to serve pressing needs, especially for undergraduate learning. The Regional Library Facilities share collections across all ten campuses, ensuring access to high-quality materials for all students. The anticipated completion date for the NRLF Phase 4 Expansion project was August 2020.

The remote storage needs of the University's libraries were continuing to grow. Mr. MacKie-Mason presented a chart demonstrating that past expansions of the Northern and Southern Regional Library Facilities had covered storage needs for successively longer periods. The NRLF Phase 4 Expansion was expected to meet storage needs for the following ten years. The ability of these expansions to meet storage needs for longer periods was attributable to aggressive improvements in collection management techniques, in particular the reduction of systemwide duplications. Despite this improved use of storage space, both the Regional Library Facilities were nearly full. Without an investment in NRLF Phase 4, the University would have to find other, more expensive solutions.

The NRLF Phase 4 Expansion would build on existing infrastructure. The NRLF is located at the Richmond Field Station, about five miles from the Berkeley campus. The University anticipated no significant increase in transportation costs due to the nature of the NRLF and how it is used. A daily pickup and delivery service to all campuses from both Regional

Library Facilities already existed. The length of this “loop” around the state each day would be the same for any facility location within the ten-campus area. Periodic deposits from campuses to the NRLF would have somewhat higher transportation costs than current deposits, because deposits currently were divided between the Northern and Southern facilities. However, the deposit transportation cost would be the same for any single expansion facility location. The only way to reduce deposit transportation costs would be to construct two or more new facilities at much higher capital costs.

The design of the proposed facility, using a high bay storage system with 30-foot high shelving, accessed with mobile lifts, would increase collection density and lower the costs of construction, operation, and fire suppression. The design was unusually cost-efficient, and the cost per square foot might be a deceptive measure in this case. With its high bay system, the building would have only one floor, but the space would be equivalent to about three-and-a-half floors of storage, or about triple the number of stated square feet. The construction cost per square foot was low relative to comparably designed buildings around the U.S. Another, more meaningful criterion might be cost per volume or book stored, and this cost for the NRLF Phase 4 was the lowest in a comparator group. The cost of the project reflected the fact that the building would not be a warehouse, but more like a museum, a high-performance, long-term preservation facility, with a temperature- and humidity-controlled environment to meet federal preservation standards. The facility would have high fire resistance protection and high seismic performance to meet UC insurance requirements for the high-value collection. Current assets stored at the NRLF were estimated to be worth over $1.8 billion.

Committee Chair Makarechian asked about the cost of transporting materials to the campuses. Mr. MacKie-Mason responded that this was basically a mileage cost. Executive Vice President and Chief Financial Officer Brostrom added that there would be no incremental transportation cost, although more books might be transported.

Committee Chair Makarechian asked about the cost of shipping books to campuses versus the cost of building on campus. Mr. MacKie-Mason responded that having a shared collection across all campuses and shipping books to the campuses was more efficient than building multiple collections, on every campus.

Faculty Representative May asked if the University carries out analysis on how often books are used, to ensure that the books moved to these repositories are low-use books. Mr. MacKie-Mason confirmed that the University carefully analyzes the use of materials in determining which materials to move to off-campus storage. This determination is mostly based on usage, with some exceptions; for example, UC was developing permanent single-copy preservation for scientific journals.

Mr. May asked if scholarly journals would be available electronically. Mr. MacKie-Mason responded in the affirmative. This was increasingly the case, and for some high-usage journals, UC would provide the material electronically and ensure that it has a single permanent shared print copy.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

6. **AUTHORIZATION TO APPROVE FORMATION OF CELL CAPTIVE INSURANCE COMPANIES**

The President of the University recommended that the Regents authorize the President, in consultation with the General Counsel, to form a core incorporated cell captive insurance company and authorize the President, the Chief Financial Officer, the Chief Operating Officer, the Chief Risk Officer, and the General Counsel as members of the board of directors of the core incorporated cell captive insurance company to approve the creation and use of an incorporated cell insurance company by the California State University.

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

Executive Vice President and Chief Financial Officer Brostrom introduced this item, explaining that UC had been approached by the California State University (CSU) about the formation of a cell captive insurance company, leveraging the UC framework and vendors. This would allow CSU to enter the captive insurance market, and CSU would use this structure to finance its Workers' Compensation program. CSU would engage the same law firm that set up UC's captive insurance company, Fiat Lux. CSU would have complete ownership and control, appointing its own board members. At any point, CSU could separate its company from the UC framework. CSU would pay rent to the University. UC was considering providing this opportunity to other educational institutions as well.

Chief Risk Officer Cheryl Lloyd observed that this was not a money-making endeavor per se, although it might lead to further collaboration on cell captive endeavors with CSU. The rent paid by CSU would simply cover the cost of this service.

Committee Chair Makarechian asked about savings and potential liabilities. Mr. Brostrom responded that there would be no liabilities, based on strong outside legal opinions. CSU's assets and liabilities would be segregated. UC was providing this service at cost for administration and overhead. General Counsel Robinson stated that there was some risk or liability, although the risk would be manageable. Cell captive companies were a relatively new structure and there was not yet relevant case law. The University was observing corporate formalities and ensuring that CSU's captive cell company would be completely separate.

Regent-designate Morimoto asked about the potential for other cell company initiatives. Ms. Lloyd responded that Fiat Lux insures the business of the University, while UC must form separate cell companies to insure third parties, and these companies must be approved by the Regents. There have been proposals to form a cell company to provide renters insurance to students. Mr. Brostrom added that UC was considering a cell company for voluntary benefits, such as life and disability insurance, provided to UC employees. In this case, employees would be considered a third party. Ms. Lloyd remarked that a feasibility study must be carried out for any such proposal. Proposals are reviewed by an actuary, a lawyer, and the Fiat Lux board.

Committee Chair Makarechian asked if a significant loss could result from this arrangement. Mr. Brostrom responded that CSU would have reinsurance and be able to curb its exposure, and Ms. Lloyd confirmed that in Fiat Lux's view, the risk was minimal. Mr. Robinson explained that the reason for forming a cell captive insurance company is to isolate liabilities in a separate legal entity.

Regent Sherman asked if the University had considered establishing a cell company for philanthropic planned donations to the campuses. Mr. Brostrom responded that UC had not yet examined this possibility.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

7. SIGNIFICANT INFORMATION TECHNOLOGY PROJECTS REPORT

[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.]

Vice President Andriola recalled that an audit released by the California State Auditor in August 2017 had included a recommendation to ensure that the Regents are able to exercise necessary oversight of the University's significant information technology (IT) projects, and in November the Regents adopted the Policy on Reporting Standards for University of California Significant Information Technology Projects, Regents Policy 5103. The current item represented the first formal report, with a listing of all IT projects, single-, multi-campus, and systemwide, with an estimated or actual cumulative cost of $5 million or more, and additional information for those projects costing $25 million or more. Nineteen projects costing $5 million or more were reported, and three were above the $25 million threshold.

Regent Sherman observed that the report used the same descriptive language for certain projects at different campuses and asked if this indicated duplication of effort on these projects, or if UC was benefiting from shared systems. Mr. Andriola responded that the University was seeking opportunities for leveraging existing methods and for collaborative teamwork. For example, the San Diego, Irvine, and Riverside campuses share electronic medical records software. There were discussions among campuses about using the same vendor for student information systems, combining their buying power to lower licensing or implementation costs. There was increasing dialogue and collaboration.

Regent Anguiano noted that two projects, the Student Information System Project at UC Irvine and the Pension Administration Modernization Project at the Office of the President, had exceeded their original budgets. She asked what measures were being taken to avoid further cost overruns. Mr. Andriola explained that the scope and complexity of these two projects had increased as the work proceeded. In the case of the Pension Administration

Modernization Project, new regulatory requirements went into effect that required reworking of the project.

Committee Chair Makarechian asked how the University decides which projects to undertake, and if projects are funded by the campuses or from the Office of the President. Mr. Andriola responded that each UC location owns and governs its own projects, including identifying funding, but stressed that the campus chief information officers communicate with each other about projects and seek to leverage resources. Executive Vice President and Chief Operating Officer Nava added that the chancellor of each campus has authority to approve and monitor projects, with the exception of the few systemwide projects. The Office of the President provides advice and consultation.

Regent Park stated that she would like to receive more information about the Pension Administration Modernization Project. She asked if this technology upgrade would result in more self-service by retirees and cost savings. Ms. Nava responded that this project could be discussed in more detail at a future meeting. The project would improve the pension system’s user interface and provide more self-service options for accessing retirement benefits information. It would produce savings. The current system was 35 years old and had not been designed to deliver strong user interfaces.

In response to a question by Staff Advisor Valdry, Mr. Andriola explained that the report ratings on the project dashboard for budget, schedule, and overall health were provided by the projects’ sponsors and teams. Essential criteria in assessing the status of a project were scope, schedule, budget, and risk. The University was developing methodology and guidelines so that evaluations would be consistent across the UC system.

Staff Advisor Valdry asked how this consistency could be ensured, so that the dashboard information in the report would be meaningful. Mr. Andriola responded that there were specific definitions and quantifiable criteria for evaluations, and senior project managers systemwide would receive training for this reporting methodology.

Regent Park asked about the rationale for the many different student information systems in place across UC, or if these systems had developed in this way over time. Mr. Andriola acknowledged that these systems had grown into their current forms over time. He described student information systems as the “heartbeat of the campus”; important decisions that affect students pass through these systems. Campuses feel that their system must be tailored to the campus environment, and that they must be the ones to make decisions about their work processes and about which software will support their work. Regent Park requested a specific example. Mr. Andriola responded that student enrollment and financial aid are handled by these systems. A similar situation existed at the medical centers with the electronic medical records system, which was implemented in different ways at the different sites. A long, arduous process was required to achieve alignment between the system and UC Irvine and UC San Diego. These campuses share certain but not all aspects of the electronic medical records system.

8. **BUDGET CATEGORIES AND DEFINITIONS: SYSTEMWIDE PROGRAMS AND PRESIDENTIAL INITIATIVES**

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

Executive Vice President and Chief Operating Officer Nava provided a context for this and the following two items. The Office of the President (UCOP) was completing the first year of responding to recommendations that had been made by the State Auditor. The recommendations were structured in one-year phases, over three years. The focus of the first year had been assessing and analyzing UCOP methodologies, and establishing strong practices and definitions. The second year would focus on implementation, and the third year on identifying potential savings.

Associate Vice President Zoanne Nelson explained that the State Auditor required that UCOP develop and provide (1) clear definitions of systemwide initiatives and administration, and (2) a comprehensive list of programs and initiatives, including purposes and actual cost, by April 2018. Over the past year, UCOP had reviewed these materials with Sjoberg and Evashenk Consulting, the Council of Chancellors, and the Executive Budget Committee. California legislative and Department of Finance staff reviewed earlier versions of the analysis during discussions of AB 97, the State Budget Act's requirement that UC redirect $15 million from its budget to fund an additional 1,500 resident undergraduate students in the next academic year.

Ms. Nelson presented and distinguished definitions for two UCOP budget areas: Central and Administrative Services, which are UCOP administrative support functions, or centralized operational services for which there is a clear benefit to having one entity perform on behalf of the entire system, capturing economies of scale; and UCOP-Affiliated Programs and Initiatives, which are functions that are funded wholly or in part through the UCOP budget and/or receive State General Funds through an annual set-aside allocation, which flows directly to the campus and not through the UCOP budget. Central and Administrative Services include UCOP's Financial Accounting office, which provides the University's annual audited financial statements, and Apply UC, the systemwide undergraduate application portal. UCOP-Affiliated Programs and Initiatives include set-aside programs for which UCOP determines the allocation of State General Funds, such as the Education Abroad Program. Contracts and grants negotiated directly between State agencies and campuses are not included in this budget category.

Ms. Nelson further outlined five mutually exclusive categories within the UCOP-Affiliated Programs and Initiatives and provided examples of each category: State and federal programs, campus programs, systemwide programs, systemwide initiatives, and Presidential initiatives. She noted that there was currently only one existing systemwide initiative, the Center for Health Quality and Innovation. The Presidential initiatives were funded solely by time-bound or single-occasion funding commitments. Ms. Nelson briefly described the nine Presidential initiatives currently under way: Carbon Neutrality, UC National Center for Free Speech and Civic Engagement, Global Food, Undocumented

Students, Cuba Faculty Matching Funds, UC-Mexico, Smoke- and Tobacco-Free Student Fellowships, Student Public Service Fellowships, and Public Service Law Fellowships. The President's Initiative Fund was a permanent budget line item, but the specific initiatives could change from one year to the next. As part of AB 97, President Napolitano had committed to reducing this fund from the current $9.8 million to $7.8 million in the 2018-19 budget.

9. UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT FUND RESTRICTIONS

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

Executive Vice President and Chief Operating Officer Nava recalled that the State Auditor had asked the Office of the President (UCOP) to review all its fund restrictions, document the restrictions and the rationale for the restrictions, and ensure that UCOP uses clear and consistent definitions for classifying funds. Further, the State Auditor had requested that UCOP publish these results, make any necessary adjustments, and reallocate any available funds to the campuses. During the past year, UCOP had reexamined all its funds and reclassified them based on new fund definitions. Funds were divided into the categories of restricted funds, those subject to externally imposed restrictions, and unrestricted funds, not subject to external restrictions. Unrestricted funds were further divided into two categories, designated and undesignated funds.

Executive Vice President and Chief Financial Officer Brostrom presented a chart with a summary of UCOP fund balances. Of 466 funds, 217 were restricted funds. There were 168 unrestricted and designated funds, and 81 unrestricted and undesignated funds. He noted that many of the "undesignated" funds were in fact committed to certain purposes. Nearly $49 million generated by UC's benefit programs would remain in those programs, $39 million had been committed for programs in 2017-18, some of which had been described in the preceding item, and another $28.5 million was investment income generated by UC bond proceeds that UC would like to use for capital projects.

Committee Chair Makarechian asked why funds were being referred to as "undesignated" when in fact they had designated purposes. Associate Vice President Peggy Arrivas explained that the University had developed a narrow definition of this term based on discussions with the campuses. In cases when the campuses had not been aware of funds, or campuses or the Regents had not approved specific uses for funds, these funds were deemed "undesignated." Over the next several months, UCOP would receive input from the campuses on how undesignated funds should be used.

Committee Chair Makarechian requested clarification of agency pass-through funds, listed in the background materials. Ms. Arrivas explained that these funds reflect the banking function that UCOP provides for the campuses, holding, distributing, and sometimes collecting funds.

Committee Chair Makarechian asked about funds for which the Regents designate the purpose, and about program-specific funds. Mr. Brostrom responded that Regents policy governs the Mortgage Origination Program and that the Regents approve the allocation of National Laboratory fee income. Program-specific funds were for UC enterprises expected to run a balanced budget, such as UC Press and the Energy and Sustainability program. He stated that the fund balances shown for these enterprises in the background materials were appropriate reserves.

Regent Sherman asked if the Regents would receive annual reports on UCOP fund balances. Mr. Brostrom responded in the affirmative.

Regent Park requested clarification of the approximately $138 million in undesignated funds. Mr. Brostrom confirmed that these funds would fluctuate, but could not be considered one-time funds. Regent Park referred to information shown on a slide according to which about $87 million of the undesignated funds was committed. She asked if this meant that there were no commitments for the remaining $51 million. Mr. Brostrom responded that UC did not have a commitment for bond proceeds, but in his view these funds should be committed to capital projects or deferred maintenance. Regent Park asked which amount was completely uncommitted at this point. Ms. Arrivas noted that the reported fund balances were as of June 30, 2017, the most recent fiscal year close. Some of the funds had been spent down in the current year. The total amount of undesignated funds was not $138 million at this point; the amount would be updated on June 30, 2018. Mr. Brostrom estimated that as of the end of December 2017, there was roughly $33 in uncommitted balances.

Regent Park referred to the preceding item, the discussion of budget categories and definitions, and asked who controlled expenditures for the systemwide programs. Associate Vice President Zoanne Nelson responded that these programs undergo periodic review; sometimes this review is carried out by the Academic Senate. In the coming years, UCOP would develop a standardized evaluation process. Ms. Nava added that the Academic Senate assesses programs and makes recommendations for funding, which are further reviewed by the Provost and President, and approved by the Regents in the UCOP budget.

Regent Park observed that there appeared to be no policy governing the duration of funding for Presidential initiatives. Ms. Nava responded that duration of funding would depend on the nature of a specific project, its organizational needs, and how long the project would take to achieve a desired effect. Presidential initiatives had limited terms, and were not intended to be long-term. The UCOP budget to be presented at the May meeting would include the Presidential initiatives, as well as the other previously mentioned programs and initiatives, for review and approval by the Board.

10. **UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT FISCAL YEAR 2018-19 BUDGET PROCESS AND PRESENTATION PROTOTYPE**

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

Executive Director Thera Kalmijn recalled that among other recommendations, the State Auditor had asked the Office of the President (UCOP) to revise its budget presentation format and schedules in the current fiscal year, in time for the 2018-19 budget. She reported progress in ongoing UCOP budget activities since January, including budget to actuals, analysis and scenario planning, taking into account the impact of restructuring at UCOP, and revenue budgeting. In order to allow the State Auditor to more easily track UCOP budget numbers, all budget work was being done in the online Budget Development System, rather than in offline documents.

UCOP was striving to achieve consistency in its budget guidelines, reflecting all planned revenues and expenses, excluding systemwide pass-through financial transactions, which are not properly part of the UCOP operating budget, and focusing on internal budgeting practices, reducing and streamlining internal recharges between departments.

In developing its budget presentation, UCOP considered a number of best practices identified by the Government Finance Officers Association, the National Association of College and University Business Officers, industry, and the State Auditor. Ms. Kalmijn presented slides with examples of the proposed budget formats, which would align with recommendations of the State Auditor. UCOP had worked closely with its budget system developer to produce a comprehensive view, including specific elements that the State Auditor wished UCOP to describe explicitly.

Committee Chair Makarechian asked how the budget format would present funding sources, in particular unrestricted funding, and expressed concern that the public might misunderstand the nature of this funding. Ms. Kalmijn responded that the main source of unrestricted funding was State General Funds. Executive Vice President and Chief Operating Officer Nava added that future presentations would further explicate the UCOP budget. Budget schedules would demonstrate how restricted and unrestricted funding is used.

Committee Chair Makarechian asked about the designation of sources and revenues in the budget, given that definitions might change due to new Governmental Accounting Standards Board pronouncements. Ms. Kalmijn responded that the format would remain the same. There would be clear definitions of funds and their categories.

Regent Anguiano referred to background materials provided and one of the goals shown on the "UCOP Budget Presentation Implementation Roadmap," which was to provide a consolidated statement of revenue, expense, and changes in net assets by fund group. A note provided for this goal stated that the budget for fiscal year 2019-20 would show expenditures only, with full implementation later. She asked why revenue information for fund groups was not available. Ms. Kalmijn explained that this was the first year that UCOP would be budgeting revenues in its Budget Development System. UCOP would present its budget at the May meeting, and did not have time to fully test revenue planning by then. UCOP would provide this schedule when it had been tested, which she anticipated in 2020-21.

President Napolitano emphasized the importance of this work, which showed clearly to the Regents, State Auditor, Legislature, and the public how UCOP is budgeted and how UCOP manages its resources.

11. **UCPATH UPDATE**

[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.]

Associate Vice President Mark Cianca began his presentation by outlining the revised UCPath deployment timeline. UC Merced, UC Riverside, and the Associated Students of UCLA had implemented UCPath in January. UCLA and UC Santa Barbara were scheduled to deploy UCPath in September, and other locations were preparing for deployments in March and September 2019. The new schedule, which accommodated UCLA's deployment delay from the previous year, extended the project end date by nine months and increased the project budget from roughly $504 million to $547 million. The project had also added a new contingency of $18.7 million, or 15 percent of the remaining project costs. Local deployment costs reported by the campuses had grown by about $34 million to a current total of $198 million. Most of the UCPath software development had been completed in the pilot deployment, and the University was now applying lessons learned in that experience to the success of subsequent deployments.

Mr. Cianca presented a chart listing UCPath Center operating costs for the current year and amounts forecasted for the next four years. In the current year, UCPath Center operations were funded by direct State appropriation. The Center would reach full staffing in fiscal year 2020, and would apply a three percent annual budget adjustment thereafter. The debt service costs would include principal and interest payments beginning in fiscal year 2022. As UCPath scaled operations to support the remaining deployments, it would need to increase staff. This was an important factor when considering the current operational funding model. Prior to the current fiscal year, UCPath had been delivered through a fee-for-service model. Locations were assessed charges based on the percentage of W-2 forms processed there. The University needed to determine how it would increase staffing at the UCPath Center if the program remained State-funded. If State funding remained level, UCPath's ability to meet staffing targets at the Center for the deployments after UCLA and UC Santa Barbara would be compromised, and this might entail suspension or delay of the later deployments. Mr. Cianca emphasized that this was the most significant risk faced by the project. The leadership of UCPath was advocating for a return to the fee-for-service model, allowing the return of State funds to the campuses, and allowing the campuses to determine how best to cover these expenses.

Committee Chair Makarechian remarked that UCPath was not merely a payroll system, but an extensive information system. He expressed concern about the rate at which the University was expending funds to implement the system. He estimated that with use of the contingency funds, the project budget had increased by about $70 million. Executive Vice President and Chief Financial Officer Brostrom explained that UC had reduced the amount of the contingency based on a shorter time frame for the remaining project.

Committee Chair Makarechian observed that the realistic cost of the project amounted to about $7 million to $8 million per month. He asked how this cost could be justified and what the factors were driving the cost. Mr. Cianca responded that the cost of labor was the primary factor, labor that was supporting the campuses. With the deployments at the pilot campuses, the University had essentially completed building the software; it was 98 to 99 percent complete. When UCPath was implemented at the Office of the President, the software was 70 percent complete. The remaining 30 percent represented the most complex payroll business processes, and this had now been completed. Many employees were now assisting the campuses in converting legacy data.

Committee Chair Makarechian asked about the number of individuals hired to perform this work, and the status of these employees. Mr. Cianca responded that 217 people were working on the project team, distributed across all locations. These individuals were contractors. He anticipated that there would be a precipitous reduction in expenses for the capital budget beginning in the current year, but realized mainly in the next fiscal year, with a further decrease in fiscal year 2020. When the pilot campus implementations occurred, a number of expenses held in the capital budget were moved to the operating expenses budget, because UC determined that the software was materially complete at that point. These expenses accounted for a large portion of an increase in UCPath operating costs that would occur from fiscal year 2018 to 2019, expenses for the labor of developers and analysts who support the project software, hosting costs for Oracle, and production-related expenses.

Committee Chair Makarechian estimated that with 200 individuals employed and a monthly cost of $7 million, the cost was approximately $30,000 per person per month. Mr. Cianca stated that this figure was correct, if one included all non-labor costs. Committee Chair Makarechian asked when these costs would end. Mr. Cianca responded that they would end as of the last deployment, projected in September 2019. The project would be substantially finished, with a few months of closing down and final reporting. At that point all UC employees would be using UCPath. The $547 million budget was associated with the work of achieving this goal.

Staff Advisor Valdry referred to the earlier discussion of the significant information technology projects report, and the dashboard report with information on UCPath risks. He asked how the UCPath project was implementing this dashboard information. Mr. Cianca responded that this was the first issuance of this dashboard report, and the University was still testing the effectiveness of this tool.

Mr. Valdry commented that the increased costs of campus implementation did not appear to be reflected in the dashboard report. Mr. Cianca explained that these costs had not been included in the dashboard report, but could be reported. UCPath typically did not report campus expenses because it could not control them, and the campuses' data were not standardized, but self-reported by the campuses. Mr. Valdry expressed concern that the actual risk of the UCPath project was greater than had been indicated.

Regent-designate Morimoto asked about the number of 440 required staff, stated on one of the slides presented. Mr. Cianca responded that a higher target had been established at the beginning of the project and revised downward to 440. There would be future assessment of workload before the end of the project to determine if this number were appropriate. Executive Vice President and Chief Operating Officer Nava clarified that these 440 staff were full-time equivalent positions, required to operate the UCPath Center, with an associated ongoing budget of $102 million. The $547 million project budget was the budget for launching the software and implementing UCPath at all campuses.

Regent Park asked if campuses were in fact paying the full cost of UCPath deployment. Mr. Cianca responded that with the exception of the initial $220 million, which the University financed, campuses had paid in-year costs on an assessment basis since that point. In response to another question by Regent Park, Mr. Cianca clarified that the $102 million budget was the steady-state budget including debt service. The 440 employees would include production teams running the payroll and benefits systems, information technology teams, and call center employees. The call center employees would make up about 20 percent of the total number.

Regent Park asked if the costs to the campuses for UCPath would represent additional costs, with no savings. Mr. Brostrom responded that the University assumed that there would be savings over time, as campuses rationalized their workforces, and staff populations would grow at a slower rate than students or faculty.

Regent Park asked if the 440 employees would be Office of the President employees. Mr. Cianca responded in the affirmative. The UCPath Center is a unit within the Office of the President, but based in Riverside.

Regent Lemus estimated that, based on projected operating costs in 2022 of $80.6 million, a total number of 220,000 employees, and 24 pay periods, the cost of issuing a paycheck through UCPath would be roughly $125 per paycheck. Mr. Brostrom responded that the University calculated this cost to be $28. Mr. Cianca added that this calculation was for fiscal year 2021, before the beginning of debt service costs, and based on 12 monthly payroll cycles and 26 biweekly payroll cycles.

Regent Lemus underscored the need to have a good understanding of the real costs of operating UCPath, and how these compare to the payroll services marketplace. Mr. Brostrom concurred that the operating cost would be the most significant cost in the future. The project budget had been amortized. Ms. Nava added that after UCPath was launched and stabilized, the University would need to optimize operations. The service levels that campuses wished to receive from the UCPath Center would determine the costs of the Center to a large extent.

Regent Lemus commented that the ongoing operating costs of UCPath would be a concern for all the Regents. He asked how the University would reduce the cost curve and if UC had considered every possible option, including third-party partnerships. Mr. Brostrom emphasized that the University would optimize the UCPath system. UC had originally estimated that there would be more than 500 UCPath employees; this had been reduced to 440 employees. Campus controllers had identified dozens of functions on the campuses that could migrate to UCPath, such as travel and entertainment reimbursement, accounts payable, and student payments. Once UCPath was fully functional, the University could aggregate even more services.

Regent Lemus again asked if all options to bring down operating costs had been discussed by the UCPath team; these had not been discussed in presentations to the Regents. Mr. Cianca responded that key areas of optimization might be the subject for a future UCPath presentation. With regard to third parties, one of the main UCPath expenses was software hosting. UC was seeking ways to reduce the hosting cost. This and other initiatives were being pursued even before completion of the project.

12. **ORCHARD PARK FAMILY HOUSING AND GRADUATE STUDENT HOUSING REDEVELOPMENT PROJECT AND WEST VILLAGE TRANSFER STUDENT HOUSING PROJECT, DAVIS 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 May explained that the Orchard Park and West Village student housing projects would add about 5,200 beds, and would be the first phase of student apartments that would enable the Davis campus to achieve its goal of adding up to 8,500 new student beds over the next decade.

Vice Chancellor Kelly Ratliff briefly described the Orchard Park and West Village sites. The Orchard Park project was important for UC Davis' graduate students; it would offer below-market family housing, a high quality of residential life, and include open spaces. UC Davis had issued a Request for Proposals for 200 apartments and 700 graduate student beds; University Student Living had responded with a proposal to add 1,200 beds. The same firm would develop the West Village project and add up to 3,800 beds. The campus was early in the design process for West Village and at this point envisioned four-story buildings. Ms. Ratliff presented a chart with rental rate comparisons for the two projects.

Committee Chair Makarechian hoped that the campus would secure lower building costs, offer lower rental rates for students, and develop designs with higher density for these projects, as he had requested for the Emerson Hall Replacement project earlier in the meeting. Ms. Ratliff responded that the campus was working with the developer. The number of units proposed by the developer was higher than had been put forward in the

Request for Proposals. Executive Vice President and Chief Financial Officer Brostrom added that these projects were public-private partnerships, unlike the Emerson Hall Replacement project. The developer would build 5,200 beds, many more than the number UC Davis had requested.

Regent Anguiano referred to information about the West Village project on one of the slides shown, according to which, out of a total of 3,800 beds, up to 1,200 beds would be master leased for transfer student housing. She asked who would lease the remaining beds and set rental rates. Associate Vice Chancellor Emily Galindo responded that UC Davis would manage this.

13. STUDENT HOUSING WEST HOUSING PROJECT, SANTA CRUZ CAMPUS

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

Chancellor Blumenthal introduced the Student Housing West project, which he described as transformative for the Santa Cruz campus, an approximately $800 million project that would increase the campus' existing housing stock by 32 percent, with 2,100 net new beds on two project sites. Student Housing West would address density reduction for current undergraduate housing, and campus lounges that had been converted to bedrooms would be returned to their original use as communal and study spaces. The project would add housing in the legally required proportion to enrollment growth under the current Long Range Development Plan and the Plan's Comprehensive Settlement Agreement. Family student housing now past its useful age would be replaced by modern family student housing in a more suitable location, including a child care center for all campus constituency groups. The project would be a significant step toward meeting critical needs for graduate student and upper-division undergraduate housing. The campus would be mindful of affordability for students, managing campus risk, and ensuring sustainability in operations.

Vice Chancellor Sarah Latham commented on the challenges of the Santa Cruz area, where housing vacancy rates were less than three percent. Off-campus rental rates had increased by more than 30 percent over the past five years, while UC Santa Cruz had maintained its rental rate increases at below three percent annually. The Student Housing West project would proceed in two phases. The first phase, the Hagar Site, encompassed about 12 to 13 acres on the eastern side of the campus. The site would provide 140 units for students with families. The child care center at this site would address a critical need; UC Santa Cruz was the only UC campus without employee child care on campus. Ms. Latham then briefly described the Heller Site on the western side of the campus, the second phase of the project, which would provide undergraduate and graduate housing, community spaces, and courtyards and gardens. The site design would take into account special habitat area in the adjacent redwood forest. The Heller Site would enjoy beautiful views of Monterey Bay.

Vice Chancellor Peggy Delaney anticipated that the campus would present business terms for this project at the May Regents meeting, and seek design and California Environmental

Quality Act approval at the July meeting. Construction for Phase I would begin as soon as all approvals and financing were in hand. Phase I would be complete in fall 2019, and occupants of the western site would be moved, allowing Phase II to begin. Phase II would be delivered in two steps. In fall 2021, at least half of the undergraduate beds would be available for occupancy, and in fall 2022 the remaining undergraduate and graduate beds would be delivered.

Committee Chair Makarechian hoped that the campus would benefit from this public-private partnership arrangement. Executive Vice President and Chief Financial Officer Brostrom responded that the benefits of the financing would accrue to the students and the campus. Committee Chair Makarechian praised the campus for the fact that the 2018 rental rate for a one-bedroom, on-campus apartment was 41 percent below market.

Chair Kieffer requested information at a future meeting about a student center on the Santa Cruz campus. He stated his perception that, once sufficient student housing was in place, the campus needed a center for students to gather. Chancellor Blumenthal agreed that this was a priority for the campus and for students.

14. **UPDATE ON THREE HOUSING PROJECTS, LOS ANGELES CAMPUS**

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

Vice Chancellor Steven Olsen recalled that the Regents had approved three UCLA housing projects at the January meeting, the 10995 Le Conte Apartments, the Lot 15 Residence Hall, and the Southwest Campus Apartments. The projects would be delivered through the "construction manager at risk" model. The campus was staggering its bids for the three projects in order to avoid overloading the Los Angeles construction market; at this time it was difficult to secure bids from contractors and subcontractors. UCLA had one bid in hand for the general contractor of the Le Conte project: general conditions, overhead and profit, and the mechanical, electrical, and plumbing design-build packages. Bids for these items were 21 percent below the budget level approved by the Regents, savings of $12 million relative to estimates. An advantage of engaging the general contractor/construction manager at this point is that the manager would be working with the design teams to identify all opportunities for savings in order to deliver these projects as efficiently as possible. The next stage would occur on April 3, when UCLA would open bid packages for the Lot 15 Residence Hall project.

15. **REPORT ON THE DELEGATED PROCESS FOR CAPITAL IMPROVEMENT PROJECTS**

[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.]

Associate Vice President Peggy Arrivas recalled that at the January meeting, Committee Chair Makarechian had asked for information about the delegated process for capital projects and its effectiveness. She noted that two tables were included in the background materials, one with information on projects over $10 million approved through the delegated process over the past two-and-a-half years, and another with information on project augmentations made over the same period. The augmentations had been made under Regental or under Presidential authority and were generally small. The most significant augmentations had been brought to the Regents for approval.

16. **CONSENT AGENDA**

A. ***Regents Policies on Capital, External Financing, and Employee Housing Assistance Program Matters***

The President of the University recommended that the Regents:

(1) Adopt a Regents Policy on Capital Project Matters, as shown in Attachment 1.

(2) Adopt a Regents Policy on External Financing, as shown in Attachment 2.

(3) Adopt a Regents Policy on Borrowing from Combined Investment Portfolios of the Short Term Investment Pool and the Total Return Investment Pool, as shown in Attachment 3.

(4) Amend Bylaw 22.2 (c) to reference the Regents' authority for approving University of California Employee Housing Assistance Program Policies, following service of appropriate notice, as shown in Attachment 4.

(5) Amend the Charter of the Finance and Capital Strategies Committee (Section D) to include the University of California Employee Housing Assistance Program in Oversight Responsibilities, as shown in Attachment 5.

(6) Adopt Regents Policy on the University of California Employee Housing Assistance Program, as shown in Attachment 6.

(7) Rescind Standing Orders: 100.4 (o), (q)(1), (q)(2), (y), (z), (aa), (cc), (dd)(1), (dd)(8), (ff), (gg), (hh), (jj)(1), (jj)(2), (kk), (ll)(1), (ll)(2), (ll)(3), (nn)(1), and (nn)(2), following service of appropriate notice, as shown in Attachment 7.

(8) Rescind Regents Policies: 5302 - Policy on Interest Rates for Loans from Regents' Funds; 5303 - Policy on Borrowing from Combined Investment Portfolios of STIP and TRIP; 5304 - Policy on the Administration of UC Housing Facilities; 5305 - Policy on University of California Mortgage Origination Program; 5306 - Policy on University of California Supplemental Home Loan Program; 5503 - Policy on Bonding

Requirements for Construction Contracts; 8101 - Policy on Campus and Community Planning and Development; and 8102 - Policy on Approval of Design, Long Range Development Plans, and Administration of the California Environmental Quality Act, as shown in Attachment 7.

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

B. ***Amendment of the Budget and Approval of External Financing, Joan and Sanford I. Weill Neurosciences Building, San Francisco Campus***

The President of the University recommended that:

(1) The 2017-18 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: San Francisco: The <u>Joan and Sanford I. Weill Neurosciences Building</u> – preliminary plans, working drawings, construction, and equipment – $357.6 million, to be funded from external financing ($141.6 million), gifts ($175 million), and campus funds ($41 million).

To: San Francisco: The <u>Joan and Sanford I. Weill Neurosciences Building</u> – preliminary plans, working drawings, construction, and equipment – $447 million, to be funded from external financing ($272 million) and gifts ($175 million).

(2) The President be authorized to obtain external financing not to exceed $272 million plus additional related financing costs, for the project. 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 the debt is outstanding, the general revenues of the San Francisco 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.

(3) The President be authorized, in consultation with the General Counsel, to execute all documents necessary in connection with the above.

[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.]

C. ***Approval of Preliminary Plans Funding, Franklin Antonio Hall, San Diego Campus***

The President of the University recommended that the 2017-18 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: Franklin Antonio Hall – preliminary plans – $8 million to be funded from campus funds.

[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.]

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

17. **REPORT OF BUDGET TO ACTUAL EXPENDITURES FOR FIRST AND SECOND QUARTERS FISCAL YEAR 2017-18 FOR THE OFFICE OF THE PRESIDENT**

[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.]

This item was presented for information, and there was no discussion.

The meeting adjourned at 5:15 p.m.

Attest:

Secretary and Chief of Staff

ATTACHMENT 1

Regents Policy [NUMBER]: POLICY ON CAPITAL PROJECT MATTERS

POLICY SUMMARY/BACKGROUND

The Finance and Capital Strategies Committee (Committee) of the Board of Regents (Board) provides strategic direction and oversight and makes recommendations to the Board on, among other things, matters pertaining to the University's capital projects including capital budget requests, real estate transactions, and Long Range Development Plans (LRDP). This Policy on Capital Project Matters (Policy) is intended to work in conjunction with Bylaw 22.2 (d), which reserves to the Board the authority to approve or take action on certain capital project matters.

As amended on March 16, 2017, the Charter of the Finance and Capital Strategies Committee charges the Committee with reviewing and making recommendations to the Board regarding, among other things: capital planning and capital budget requests; state budget requests for capital; the Capital Financial Plan; sales, purchases, leases, and licenses of real estate and real property interests acquired or used for University-related purposes; Physical Design Frameworks; project design; and Long Range Development Plans (collectively, Capital Project Matters).

POLICY TEXT

For this Policy, University-related purposes means real estate and real property interests acquired for or used by the University for teaching, research, or public service. It specifically excludes real estate and real property interests held for investment purposes and managed by the Chief Investment Officer. All significant Capital Project Matters are reserved to the Committee and Board under Bylaw 22.2 (d). However, in the interest of operational efficiency of the University, the authority to approve or act on certain Capital Project Matters is deemed best exercised by the President and designees rather than the Board or its Committees. As provided by the California Environmental Quality Act (CEQA), the certification or adoption of environmental documents is undertaken at the level of the associated project approval. A project cannot be divided into separate phases for independent consideration. Phased work includes, but is not limited to, using the same contractor to perform similar modifications on multiple buildings, performing multiple projects over a period of years on the same building, constructing multiple buildings in a complex or separating work into several projects. In such cases, separate projects or phases will be considered part of the same budget, subject to the stated budget thresholds below. The Regents hereby delegate authority for certain Capital Project Matters and ancillary actions to the President of the University, as follows:

	Transaction Type	**President's Maximum Authority**
1.	Acquisition of real property <u>consistent</u> with the approved Capital Financial Plan. Acceptance of gifts of real property	Approve transactions and execute agreements related to acquisitions and gifts of real property valued up to and including $70 million

	Transaction Type	President's Maximum Authority
2.	Acquisition of real property not consistent with the approved Capital Financial Plan	Approve transactions and execute agreements related to acquisitions of real property valued up to and including $20 million
3.	Budget or design for capital projects consistent with the approved Capital Financial Plan, accepted Physical Design Framework (PhDF), and approved Long Range Development Plan (LRDP). Consistency with PhDF and LRDP not required for off-campus projects for which there is no applicable PhDF or LRDP	Approve budget and design for capital projects up to and including $70 million
4.	Budget or design for capital projects not consistent with the approved Capital Financial Plan or accepted Physical Design Framework (PhDF), but consistent with the approved Long Range Development Plan (LRDP). Consistency with PhDF and LRDP not required for off-campus projects for which there is no applicable PhDF or LRDP	Approve budget and design for capital projects up to and including $20 million
5.	Augmentation and scope change for acquisition of real property and budget for capital projects - original approval by the President	Approve cumulative augmentations and scope changes up to $20 million, but in no event exceeding a total project cost (as augmented) of $70 million
6.	Augmentation and scope changes for acquisition of real property and budget for capital projects - original approval by the Regents	Approve cumulative augmentations and scope changes up to 15% of the original approval, but in no event exceeding a total augmentation of $20 million
7.	Dispositions of real property	Approve transactions and execute disposition agreements related to real property valued up to and including $70 million
8.	Leases (including ground leases) and, if necessary, to the extent applicable, design of buildings developed pursuant to a lease	Approve and execute leases that: (i) have a term of up to and including 20 years, excluding options when UC is Tenant but including options when UC is Landlord, and (ii) have an initial base annual consideration up to and including $5 million. Approve design for buildings developed pursuant to such leases

	Transaction Type	President's Maximum Authority
9.	Licenses	Approve and execute licenses pertaining to capital project matters
10.	Reimbursement agreements and stipend agreements ancillary to real property transactions	Approve and execute such agreements where the University assumes an obligation to pay up to a cost of and including $20 million
11.	Third Party Indemnification (where the University assumes liability for conduct of persons other than University officers, agents, employees, students, invitees, and guests)	In consultation with the General Counsel, approve and execute indemnification provisions in favor of state or federal permitting agencies where providing indemnification is a necessary condition to secure the relevant permit in order to proceed with the capital project matter
12.	Other Real Estate matters	Approve and execute: easements; rights of way; covenants, conditions, and restrictions; encumbrances; mineral rights; geothermal resources; documents required under the Subdivision Map Act or with respect to Subdivided Lands Act; miscellaneous real property documents; and other contracts and ancillary documents as necessary to implement real estate transactions
13.	Minor Long Range Development Plan (LRDP) amendments	Approve Minor LRDP amendments. Minor LRDP amendments are defined as those that modify but preserve the fundamental planning principles and objectives of the previously adopted LRDP, and are limited to: (i) modifying up to and including 30,000 gross square feet of allocated building space, (ii) changing land use boundaries or designations for up to and including 4 acres of land, or (iii)administrative corrections or changes
14.	Minor Physical Design Framework (PhDF) amendments	Accept Minor PhDF amendments. Minor PhDF amendments are defined as those that modify but preserve the fundamental planning principles and objectives of the previously adopted PhDF
15.	Modification of previously adopted or certified environmental document pursuant to the California Environmental Quality Act (CEQA)	Modify an environmental document certified or adopted by the Regents pursuant to CEQA so long as the modification does not result in new or increased significant environmental impacts
16.	Capital project matters approved by the Regents	In consultation with the General Counsel, execute documents necessary in connection with Regents-approved capital project matters

COMPLIANCE/DELEGATION

Compliance with this Policy, including the University's compliance with CEQA, shall be administered by the Office of the Chief Financial Officer (or successor), or as otherwise determined by the President. Authority for the negotiation, approval, and execution of certain Capital Project Matters may be further delegated to other University officials at the President's discretion.

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

N/A

ATTACHMENT 2

Regents Policy [NUMBER]: EXTERNAL FINANCING

POLICY SUMMARY/BACKGROUND

This policy is intended to work in conjunction with Bylaw 22.2(c) of The Regents of the University of California, which provides that authorizing University external financing is reserved to the Board and/or its Committees for approval or other action within parameters specified by Committee Charter or Regents Policy.

POLICY TEXT

The President of the University of California is the manager of all University related external financings. The President of the University of California is authorized to obtain external financing as specified in the table below.

Approval	President's Maximum Authority
External financing for any University-related purpose, including, but not limited to, capital projects or working capital needs	Up to and including $20 million
External financing for capital projects consistent with the approved Capital Financial Plan, accepted Physical Design Framework, and approved Long Range Development Plan[1]	Up to and including $70 million
External financing for real estate purchases consistent with the approved Capital Financial Plan	Up to and including $70 million
Augmentations to external financing originally approved by the Board or by action by concurrence	Up to and including $20 million
Refinancing existing external financing for the purpose of realizing lower interest expense	Unlimited

The President of the University of California's external finance authority shall include, but not be limited to, the authority to (1) obtain interim financing for any external financing, (2) structure, issue, and sell revenue bonds or other types of external financing, (3) issue variable rate or fixed rate debt, and execute interest rate swaps to convert fixed or variable rate debt, if desired, into variable or fixed rate debt, respectively, subject to the requirements of the Interest Rate Swap Guidelines, (4) provide for reserve funds and for the payment of costs of issuance of such external financing, (5) guarantee the repayment of indebtedness, (6) obtain letters of credit or similar instruments, (7) perform all acts reasonably necessary or appropriate in connection with the foregoing, and (8) approve and execute all documents in connection with the foregoing,

[1] Consistency with approved Physical Design Framework and Long Range Development is not required for off-campus projects for which there is no applicable Physical Design Framework or Long Range Development Plan

including documents with indemnity provisions, provided that the general credit of The Regents shall not be pledged for any form of external financing.

COMPLIANCE/DELEGATION

The University's Office of the Chief Financial Officer (or any successor office based on a change of title) shall be responsible for overseeing compliance with this policy.

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

Regents Policy 5307: University of California Debt Policy
Regents Policy [NUMBER]: [Capital Project Matters]

Changes to procedures and related documents do not require Regents approval, and inclusion or amendment of references to these documents can be implemented administratively by the Office of the Secretary and Chief of Staff upon request by the unit responsible for the linked documents

ATTACHMENT 3

Regents Policy [NUMBER]: POLICY ON BORROWING FROM COMBINED INVESTMENT PORTFOLIOS OF THE SHORT TERM INVESTMENT POOL AND THE TOTAL RETURN INVESTMENT POOL

POLICY SUMMARY/BACKGROUND

This Policy authorizes the use of the University's Short Term Investment Pool and Total Return Investment Pool for liquidity support for the Commercial Paper Program, medical centers' working capital borrowings, Mortgage Origination Program loans, and contributions to the University of California Retirement Plan.

POLICY TEXT

The President is authorized to utilize the combined Short Term Investment Pool and Total Return Investment Pool portfolios for the following:

A. The Commercial Paper Program:
The President is authorized to either utilize a portion of Short Term Investment Pool/Total Return Investment Pool (STIP/TRIP) as liquidity support for the Commercial Paper (CP) Program or, if necessary, negotiate standby letters of credit, lines of credit or other liquidity agreements to provide additional liquidity support for the CP Program. Repayment of advances under any such liquidity facility shall be repaid from revenue sources identified by the President so that the general credit of The Regents is not pledged.

B. Medical Centers' Working Capital Borrowing:
The President is authorized to utilize the combined investment portfolios of STIP/TRIP for medical centers' working capital borrowings. A hospital's working capital borrowings from STIP/TRIP for a month shall not exceed 60 percent of the hospital's total accounts receivable for that same month (total accounts receivable being defined as patient accounts receivable, net of allowances).

C. Mortgage Origination Program Loans:
The President is authorized to utilize the liquidity available in the combined investment portfolios of STIP/TRIP for the Mortgage Origination Program (MOP) Loans.

D. University of California Retirement Plan
The President is authorized to utilize the liquidity available in the combined investment portfolios of STIP/TRIP to make contributions to the University of California Retirement Plan as authorized by The Regents.

COMPLIANCE/DELEGATION

The University's Office of the Chief Financial Officer and Office of the Chief Investment Officer (or any successor office based on a change of title) shall be responsible for overseeing compliance with this policy.

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

Regents Policy 6108: Total Return Investment Pool (TRIP) Policy Statement
Regents Policy 6109: Short Term Investment Pool (STIP) Investment Guidelines

Changes to procedures and related documents do not require Regents approval, and inclusion or amendment of references to these documents can be implemented administratively by the Office of the Secretary and Chief of Staff upon request by the unit responsible for the linked documents.

ATTACHMENT 4

Bylaw 22. Authority of the Board

22.1 Authority/Delegation.

Pursuant to Article IX Section 9 of the Constitution of the State of California, the full powers of organization and government of the University inhere in and originate with the Board, which has the authority to delegate those powers as it determines to be in the best interest of the University. Any authority delegated by the Board may be rescinded by action of the Board. The Regents hereby delegate authority to the President of the University to oversee the operation of the University, in accordance with policies and directives adopted by the Board, and as further specified in Bylaw 30 (President of the University). This delegation is subject to the powers specifically reserved to the Regents in Bylaw 22.2 below (Reserved Powers), in Committee Charters, and in Regents Policies requiring that matters be approved or otherwise acted on by the Board.

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:

****

(c) Finance Matters

- Approving the University budget and requests for state appropriations
- Approving the annual budget for the Office of the President
- Accepting the reports of the independent financial auditor
- Approving non-audited related services by the University's independent financial auditor
- Approving tuition, registration fees, education fees, and compulsory student government fees within parameters specified by Committee Charter or Regents Policy
- Authorizing University external financing within parameters specified by Committee Charter or Regents Policy
- Approving overall policies for the University of California Employee Housing Assistance Program.
- Approving loans by the University to other parties, other than loans from established student, faculty, and staff loan funds, and subject to exceptions and parameters specified by Committee Charter or Regents Policy
- Approving agreements to indemnify third-parties, subject to exceptions and parameters specified by Committee Charter or Regents Policy
- Approving alliances and affiliations involving University financial commitments, use of the University's name, research resources, and the University's reputation, within parameters specified by Committee Charter or Regents Policy
- Approving University participation in non-health–related corporations, partnerships and other entities, except for investment purposes, and within parameters specified by Committee Charter or Regents Policy
- Adopting UC Retirement plans and approving plan amendments

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(d) Capital Project Matters

- Approving capital budget requests and augmentation requests within parameters specified by Committee Charter or Regents Policy
- Approving purchases, sales, leases or gifts of real estate within parameters specified by Committee Charter or Regents Policy
- Approving Long Range Development Plans (LRDPs) and amendments to LRDPs within parameters specified by Committee Charter or Regents Policy
- Approving Capital Financial Plans (e.g., 10-year Capital Financial Plans)

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ATTACHMENT 5

Charter of the Finance and Capital Strategies Committee

D. **Other Oversight Responsibilities**. In addition to the authority delegated 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 delegation and 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.

Regents Policy [NUMBER]: POLICY ON THE UNIVERSITY OF CALIFORNIA EMPLOYEE HOUSING ASSISTANCE PROGRAM

POLICY SUMMARY/BACKGROUND

This policy is intended to work in conjunction with Bylaw 22.2 (c) of the Regents of the University of California (Regents), which provides the Regents with the approval authority for the University of California Employee Housing Assistance Program (Program) policies. The Program is administered by the University of California Home Loan Program Corporation (Corporation).

POLICY TEXT

A. University of California Housing Assistance Program

Program loans provide financing using deeds of trust secured on real property to assist faculty and other eligible employees with the purchase of a primary residence. Program loans are available for eligible employees at the University of California (University) campuses, Lawrence Berkeley National Laboratory, UC Hastings College of the Law (UC Hastings) and the University's Office of the President and Division of Agriculture and Natural Resources.

B. Eligibility

The eligible population for Program participation consists of full-time University appointees with positions in the following categories:

1. Academic Senate members.
2. Academic titles equivalent to titles held by Academic Senate members as defined in University policy.
3. Acting Assistant Professors.
4. Senior Management Group employees.
5. UC Hastings faculty members.
6. University or UC Hastings employees who will be appointed to any of these eligible categories effective no more than 180 days after loan closing.
7. Other appointees who have received required additional approvals to be eligible for participation.

C. Eligible Properties

1. Properties financed using a Program loan must be used primarily for residential, non-income producing purposes.
2. Eligible properties are limited to Single Family Residences, Condominiums and properties located in a Planned Unit Development.

3. The subject property must be the principal place of residence for the participant throughout the term of the loan, other than during absences for sabbatical leave or other approved leaves of absence.

D. <u>General Loan Parameters</u>

1. The sum of monthly mortgage payments (principal and interest) of the Program loan and all other loans secured by the subject property may not exceed 40% of the participant's household income.
2. Program loan payments shall be made by payroll deduction while a participant is on salary status, unless it is not administratively feasible.
3. Program loans are not assumable.
4. Program loans carry no prepayment penalty.
5. Program loans carry no balloon payments.
6. Program loans are condition of employment loans.
7. Program participation may continue during the term of the participant’s employment, as long as the subject property continues to meet the requirements for an eligible property. If the subject property no longer meets these specifications, the Program loan shall be reviewed for appropriate disposition.

E. <u>Loan Options</u>

1. The University of California Employee Housing Assistance Program is comprised of the following loan options:

   a) Mortgage Origination Program (MOP)
   b) Graduated Payment Mortgage Origination Program (GP-MOP)
   c) 5/1 Mortgage Origination Program (5/1-MOP)
   d) Supplemental Home Loan Program (SHLP)
   e) Centrally-Funded Supplemental Home Loan Program (CF-SHLP)
   f) Interest-Only Supplemental Home Loan Program (IO-SHLP)

2. Detailed descriptions of the available loan options are included in the Program Implementation Guidelines that are incorporated into Presidential guidance.

COMPLIANCE/DELEGATION

1. All housing loans issued by the University are governed by Program policies. The President is authorized to take all appropriate actions associated with the administration of the Program that are in conformance with standard mortgage industry procedures for the origination and servicing of mortgage loans. Specific procedures for administering the Program are included in the Program Implementation Guidelines that are incorporated into Presidential guidance. The President is also authorized to administer the periodic sale of selected Program loan pools.

2. Implementation and compliance with this policy shall be administered by the Office of the Executive Vice President - Chief Financial Officer (or any successor position based on a change of title). The Office of the Executive Vice President - Chief Financial Officer is authorized to represent the University in administrative transactions with financial institutions, lenders, and governmental and other agencies in matters related to the day-to-day operation of the Program.

3. The President is required to report to the Regents annually on the status of the Program.

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

1. University of California Housing Assistance Program – Implementation Guidelines.
2. University of California Home Loan Program Corporation Master Note Agreement.
3. University of California Home Loan Program Corporation Services Agreement.

Changes to procedures and related documents do not require Regents approval, and inclusion or amendment of references to these documents can be implemented administratively by the Office of the Secretary and Chief of Staff upon request by the unit responsible for the linked documents.

ATTACHMENT 7

Regents Policies and Standing Orders on Capital, External Financing, and Employee Housing Assistance Matters Recommended for Rescission

The following Regents Policies will be rescinded and incorporated into new Policies as shown in the Attachments.

Policy 5303: Policy on Borrowing from Combined Investment Portfolios of STIP and TRIP (see Attachment 3 for new Policy)

Policy 5305: Policy on University of California Mortgage Origination Program (see Attachment 6 for new Policy)

Policy 5306: Policy on University of California Supplemental Home Loan Program (see Attachment 6 for new Policy)

Policy 8102: Policy on Approval of Design, Long Range Development Plans, and Administration of the California Environmental Quality Act (see Attachment 1 for new Policy on Capital Project Matters)

The Regents Standing Orders, below, will be rescinded and incorporated into new Regents Policies as shown in the Attachments.

Standing Order 100.4(nn)(1) and (2): External financing (see Attachment 2 for new Policy on External Financing)

Standing Order 100.4(ll)(1), (2) and (3): Actions regarding approved home loan programs (see Attachment 6 for new Policy on UC Employee Housing Assistance Program)

Standing Order 100.4(dd)(1): No fund source, unapproved construction (see Attachment 1 for new Policy on Capital Project Matters)

Standing Order 100.4(o): Funds for capital improvements (see Attachment 1 for new Policy on Capital Project Matters)

Standing Order 100.4(q)(1) and (2): Amendments to capital improvement program (see Attachment 1 for new Policy on Capital Project Matters)

Standing Order 100.4(cc): Execute contracts, leases for real estate (see Attachment 1 for new Policy on Capital Project Matters)

Standing Order 100.4(ff): Negotiate disposition of real property (see Attachment 1 for new Policy on Capital Project Matters)

Standing Order 100.4(gg): Disposition of real property (see Attachment 1 for new Policy on Capital Project Matters)

Standing Order 100.4(hh): Execute real estate documents (see Attachment 1 for new Policy on Capital Project Matters)

Standing Order 100.4(jj)(1) and (2): Execute licenses, easements (see Attachment 1 for new Policy on Capital Project Matters)

Standing Order 100.4(kk): Leases for mineral rights (see Attachment 1 for new Policy on Capital Project Matters)

The Regents Policies and Standing Orders, below, will be rescinded because they either are obsolete or the authority is provided to the President pursuant to Bylaw 30.

Policy 5302: Policy on Interest Rates for Loans from Regents' Funds

Policy 5304: Policy on the Administration of UC Housing Facilities

Policy 5503: Policy on Bonding Requirements for Construction Contracts

Policy 8101: Policy on Campus and Community Planning and Development

Standing Order 100.4(aa): Siting Buildings

Standing Order 100.4(y): Appoint architects and engineers

Standing Order 100.4(z): Approve building plans, solicit bids

Standing Order 100.4 (dd)(8): construction contracts and appropriated funds

100.4: Duties of the President of the University

~~**(o)** The President is authorized to approve transfers or allocations of University operating funds and transfers of funds designated for Capital Improvement purposes, subject to any limitations which might be imposed by the terms of said funds, provided:~~

~~That no such transfer or allocation shall result in the establishment of a new policy, program, or project involving a continuing commitment;~~

~~That no transfer shall be made from a reserve fund for a purpose other than that for which the reserve fund was established.~~

~~**(q)(1)** Except as provided in paragraph **(q)(2)** below, the President is authorized to approve amendments to the Capital Improvement Program for projects not to exceed $10 million. The President is also authorized to approve amendments to the Capital Improvement Program for projects exceeding $10 million up to and including $20 million, provided that concurrence is obtained from the Chairman of the Board and the Chairman of the Finance and Capital Strategies Committee, and also provided that all actions taken in excess of $10 million up to and including $20 million under this authority be reported at the next following meeting of the Board. However, the following shall be approved by the Board: (1) projects with a total cost in excess of $20 million, (2) for projects in excess of $20 million, any modification in project cost over standard cost-rise augmentation in excess of 25%, or (3) capital improvement projects of any construction cost when, in the judgment of the President, a project merits review and approval by The Regents because of special circumstances related to budget matters, external financing, fundraising activities, project design, environmental impacts, community concerns, or substantial program modifications.~~

~~**(q)(2)** This paragraph shall apply exclusively to capital projects for those campus entities approved by the Finance and Capital Strategies Committee for inclusion in the pilot phase of the Delegated Process for Capital Improvement Projects.~~

~~The President is authorized to approve amendments to the Capital Improvement Program for projects not to exceed $70 million. However, the following shall be approved by the Board: (1) projects with a total cost in excess of $70 million, (2) capital improvement projects of any construction cost when, in the judgment of the President, a project merits review and approval by The Regents because of special circumstances related to budget matters, external financing, fundraising activities, project design, environmental impacts, community concerns, or substantial program modifications. The President is authorized to approve an increase in project cost as long as the total augmented project cost remains under $70 million; for augmented projects resulting in a total project cost in excess of $70 million, the augmented project shall be approved by the Board.~~

~~This paragraph shall become inoperative and is repealed on March 31, 2018, unless a later Regents' action, that becomes effective on or before March 31, 2018, deletes or extends the date on which it becomes inoperative and is repealed.~~

~~**(y)** The President is authorized to appoint and to execute necessary agreements with executive architects, executive landscape architects, and executive and consulting engineers for approved projects.~~

~~**(z)** The President is authorized to approve building plans and to solicit bids in connection with approved projects, except that the President shall not approve the design of such projects as the Board has specifically designated as requiring design approval by the Committee on Grounds and Buildings.~~

~~**(aa)** The President is authorized to approve the siting of individual buildings or projects, provided that their locations are generally in accordance with a long-range development plan previously approved in principle by the Board, and to approve the siting of individual buildings or projects on University properties, such as field stations and research stations, which may not be covered by approved long-range development plans.~~

~~**(cc)** Except as otherwise specifically provided in the Bylaws and Standing Orders:~~

~~The President is authorized to approve and execute on behalf of the Corporation contracts, real property rental agreements, leases, ground leases and other documents pertaining to the use of real property for University-related purposes with a term of not more than twenty years (excluding options when the University is the lessee but including options provided by the University as lessor).~~

~~As used in these Standing Orders, the term University-related purposes refers to real property and interests therein held and/or used by the University in furtherance of its mission, but excluding real property held for investment purposes.~~

~~**(dd)** Except as otherwise specifically provided in the Bylaws and Standing Orders, the President is authorized to execute on behalf of the Corporation all contracts and other documents necessary in the exercise of the President's duties, including documents to solicit and accept pledges, gifts, and grants, except that specific authorization by resolution of the Board shall be required for documents which involve or which are:~~

~~**1.** Exceptions to approved University programs and policies or obligations on the part of the University to expenditures or costs for which there is no established fund source or which require the construction of facilities not previously approved.~~

~~**8.** Construction contracts in excess of appropriated funds.~~

~~**(ff)** The President is authorized to negotiate the sale, purchase, receipt by gift, or lease of all interests in real property used or to be used for University-related purposes, and to administer all such properties and interests~~

~~**(gg)** The President is authorized to approve the sale, purchase, receipt by gift, or other acquisition of all interests in real property used or to be used for University-related purposes when the consideration does not exceed $20 million. The President is also authorized to approve the sale, purchase, receipt by gift, or other acquisition of all such interests in real property when the consideration exceeds $20 million up to and including $60 million, provided that concurrence is obtained from the Chairman of the Board and the Chairman of the Committee on Finance, and also provided that all actions taken for these amounts under this authority be reported at the next meeting of the Board. Such transactions with consideration exceeding $60 million require Board approval.~~

~~**(hh)** In furtherance of the authorities set forth in (ff) and (gg) above, the President is authorized to execute all documents, except those conveying title; provided, however, that any such documents executed prior to approval required in accordance with (gg) above, shall be conditioned upon obtaining such approval.~~

~~**(jj)** The President is authorized to approve and execute licenses, easements, and rights-of-way with respect to **(1)** real property used or to be used for University-related purposes or **(2)** University-related real property to be used by others.~~

~~**(kk)** The President is authorized to approve leases, assignments of leases or subleases, and related amendments of such documents for mineral rights, including gas, oil, and other hydrocarbons, or geothermal resources as to real property used or to be used for University-related purposes if the land rent does not exceed $500,000 per year during the primary lease term.~~

~~**(ll)** The President is authorized to take all appropriate action incident to the administration of University home loan programs as approved by The Regents, including (1) receiving and administering promissory notes, mortgages, deeds of trust, grant deeds, and deeds-in-lieu of foreclosure, (2) executing releases and satisfactions of mortgages and requests for reconveyances of deeds of trust when the University home loan program notes secured by such mortgages and deeds of trust have been paid in full or otherwise satisfied, and (3) accepting title to real property through foreclosure, deed-in-lieu of foreclosure, or other similar actions.~~

~~**(nn)(1)** Except as provided in paragraph **(nn)(2)** below, the President shall be the manager of all external financing of the Corporation. The President is authorized to obtain external financing for amounts up to and including $10 million for the planning, construction, acquisition, equipping, and improvement of projects. The President is also authorized to obtain external financing for amounts in excess of $10 million up to and including $20 million, provided that concurrence is obtained from the Chairman of the Board and the Chairman of the Finance and Capital Strategies Committee, and also provided that all actions taken to obtain external financing for amounts in excess of $10 million up to and including $20 million be reported at the next following meeting of the Board. External financing in excess of $20 million requires Board approval. The President shall have the authority to (1) negotiate for and obtain interim financing for any external financing, (2) design, issue, and sell revenue bonds or other types of external financing, (3) issue variable~~

~~rate or fixed rate debt, and execute interest rate swaps to convert fixed or variable rate debt, if desired, into variable or fixed rate debt, respectively, (4) refinance existing external financing for the purpose of realizing lower interest expense, provided that the President's authority to issue such refinancing shall not be limited in amount, (5) provide for reserve funds and for the payment of costs of issuance of such external financing, (6) perform all acts reasonably necessary in connection with the foregoing, and (7) execute all documents in connection with the foregoing, provided that the general credit of The Regents shall not be pledged for the issuance of any form of external financing.~~

~~**(nn)(2)** This paragraph shall apply exclusively to capital projects for those campus entities approved by the Finance and Capital Strategies Committee for inclusion in the pilot phase of the Delegated Process for Capital Improvement Projects.~~

~~The President shall be the manager of all external financing of the Corporation. The President is authorized to obtain external financing for amounts up to and including $70 million for the planning, construction, acquisition, equipping, and improvement of projects. The President shall have the authority to (1) negotiate for and obtain interim financing for any external financing, (2) design, issue, and sell revenue bonds or other types of external financing, (3) issue variable rate or fixed rate debt, and execute interest rate swaps to convert fixed or variable rate debt, if desired, into variable or fixed rate debt, respectively, (4) refinance existing external financing for the purpose of realizing lower interest expense, provided that the President's authority to issue such refinancing shall not be limited in amount, (5) provide for reserve funds and for the payment of costs of issuance of such external financing, (6) perform all acts reasonably necessary in connection with the foregoing, and (7) execute all documents in connection with the foregoing, provided that the general credit of The Regents shall not be pledged for the issuance of any form of external financing.~~

~~This paragraph shall become inoperative and is repealed on March 31, 2018, unless a later Regents' action, that becomes effective on or before March 31, 2018, deletes or extends the date on which it becomes inoperative and is repealed.~~

~~**Regents Policy 5302: Policy on Interest Rates for Loans from Regents' Funds**~~

~~*Approved September 16, 1988*~~

~~That effective October 1, 1988, any new loans from Regents' funds for University projects be at an interest rate equal to the Short Term Investment Pool's quarterly rate of return in effect for the quarter immediately preceding the date when the first drawdown occurs, with the loan's interest rate to be adjusted each succeeding quarter when a new quarterly STIP rate is calculated.~~

~~Regents Policy 5303: Policy on Borrowing from Combined Investment Portfolios of the Short-Term Investment Pool and the Total Return Investment Pool~~

~~Approved May 19, 1989~~

~~Revised March 18, 1999~~

~~Amended November 2008 and November 2009~~

~~A. The Commercial Paper Program:~~

~~The President is authorized to either utilize a portion of Short Term Investment Pool/Total Return Investment Pool (STIP/TRIP) as liquidity support for the Commercial Paper (CP) Program or, if necessary, negotiate standby letters of credit, lines of credit or other liquidity agreements to provide additional liquidity support for the CP Program. Repayment of advances under any such liquidity facility shall be repaid from revenue sources identified by the President so that the general credit of The Regents is not pledged.~~

~~B. Medical Centers' Working Capital Borrowing:~~

~~The President is authorized to utilize the combined investment portfolios of STIP/TRIP for medical centers' working capital borrowings. A hospital's working capital borrowings from STIP/TRIP for a month shall not exceed 60 percent of the hospital's total accounts receivable for that same month (total accounts receivable being defined as patient accounts receivable, net of allowances).~~

~~C. Mortgage Origination Program Loans:~~

~~The President is authorized to utilize the liquidity available in the combined investment portfolios of STIP/TRIP for the Mortgage Origination Program (MOP) Loans.~~

~~Regents Policy 5304: Policy on the Administration of UC Housing Facilities~~

~~Approved January 21, 1994~~

~~A. The President shall establish an annual net earnings target for the University of California Housing System (UCHS), which amount shall be at least sufficient to comply with all relevant covenants of The Regents pertaining to debt service coverage and maintenance obligations which are contained in loan documents applicable to UCHS facilities and to otherwise assure the continuing financial viability of the UCHS.~~

~~B. The President shall establish rents and other fees for use of UCHS facilities at levels which are adequate to generate the net revenues necessary to comply with such covenants and financial objectives.~~

~~C. The President shall also establish rents and other fees for use of University-operated housing facilities that are not part of the University of California Housing System (Campus Housing Facilities) which are at least sufficient to comply with debt service coverage and maintenance obligations contained in loan documents applicable to those facilities.~~

~~D. The President shall provide The Regents annually with a summary of rents to be charged in the next succeeding fiscal year for all University-operated housing facilities.~~

~~**Regents Policy 5305: Policy on University of California Mortgage Origination Program**~~

~~*Approved July 2010*~~

~~*Amended November 14, 2013*~~

~~*Amended November 20, 2015*~~

~~*Amended November 17, 2016*~~

~~A. ELIGIBILITY AND PARTICIPATION POLICIES~~

~~In all eligibility and participation policies described herein, it is understood that any appointee in a position specifically designated by the Regents as requiring Regents' approval for compensation-related matters, must be approved for Mortgage Origination Program participation by the Regents.~~

~~All references to MOP loan eligibility, participation policies, and loan policies also apply to GP-MOP and 5/1-MOP loans unless otherwise described herein.~~

~~1. The eligible population for the Mortgage Origination Program (MOP) consists of full-time University appointees with positions in the following categories:~~

~~– Academic Senate members;~~

~~– Academic titles equivalent to titles held by Academic Senate members as specified in Section 105.1 and 103.3 of the Standing Orders of the Regents of the University of California or in successor Regents Policy;~~

~~– Acting Assistant Professors;~~

~~– Senior Management Group members;~~

~~– UC Hastings College of the Law (UC Hastings) faculty members;~~

~~– University or UC Hastings employees who will be appointed to any of these eligible categories effective no more than 180 days after loan closing;~~

~~– Other appointees who have received required additional approvals to be eligible for participation.~~

~~2. From the eligible population, the Chancellor, Lawrence Berkeley National Laboratory (LBNL) Director, or the Dean of UC Hastings shall designate eligible individuals for participation in MOP based on each location's determination of its requirements for recruitment and retention. Additionally, the President is authorized to approve individuals~~

~~not in the eligible population defined in Section A.1 for participation in MOP, based upon the essential recruitment and retention needs and goals of the institution. The University of California Delegation of Authority (DA) 2587, dated July 18, 2015, delegates this authority from the President to the Chancellors, LBNL Director, Executive Vice President-Chief Operating Officer, and the Agriculture and Natural Resources Vice President for specific titles as outlined in an Appendix to the University of California Home Loan Program Corporation - Program Lending and Administrative Manual.~~

~~3. A minimum of 60% of funds allocated for MOP is designated for participants who are purchasing their first principal place of residence within a reasonable distance of their work location. These loans are further designated for participants who have not owned a principal place of residence within a reasonable distance of their work location within the 12-month period preceding the closing date of their MOP loan.~~

~~4. Up to 40% of the allocation is available to address essential recruitment or retention needs for otherwise eligible appointees for one or more of the following purposes (Limited Purpose loans):~~

~~– to refinance existing qualifying housing-related debt secured on a participant's principal residence, including related loan transaction expenses included in the prior loan balance or related to the MOP loan. MOP loans may not be used to pay off loans, secured or not secured, used for non-housing-related expenses or for any mortgages on other properties. For any debt secured on a participant's principal residence that was incurred during the five years prior to loan closing, the participant must document the purpose and use of funds as qualifying housing-related indebtedness associated with the subject property.~~

~~– to provide a new MOP loan to a current or prior MOP participant at the same work location; or~~

~~– to provide a MOP loan to a participant who has owned a home within a reasonable distance of the work location within a 12 month period prior to the funding of a MOP loan.~~

~~5. MOP participation may continue for the term of employment by the University of California or UC Hastings, as long as the property securing the loan continues to meet the specifications outlined in Section B.1, it being understood that:~~

~~– if the property securing the loan no longer meets the specifications outlined in Section B.1, the MOP loan shall be reviewed for appropriate disposition; and~~

~~– if University or UC Hastings employment is terminated or, in the case of academic appointees, there is a permanent change to an appointment status not considered to be in full-time service to the University or UC Hastings, the MOP loan is to be repaid within 180 days of such date of separation or change in status, with the understanding that:~~

~~participation can continue when separation is due to disability or retirement under the provisions of the University of California Retirement Plan or other retirement plan to which the University or UC Hastings contributes on behalf of the participant; or~~

~~in the event of the death of the participant, participation can continue for a surviving spouse or surviving Domestic Partner or, in the absence of a surviving spouse or surviving Domestic Partner, for a surviving Eligible Child (as the terms Domestic Partner and Eligible Child are defined by the University of California Retirement Plan); or~~

~~in hardship cases, reasonable forbearance beyond the required repayment period may be granted, provided all other terms and conditions of the loan are satisfied.~~

~~B. MOP LOAN POLICIES~~

~~1. MOP loans shall be secured, using a recorded deed of trust for residences that are:~~

~~owner-occupied single-family residences, including planned unit development and condominium units, which may include one secondary unit that does not comprise more than one-third of the total living area of the home;~~

~~the principal place of residence for the participant, other than during absences for sabbatical leave or other approved leaves of absence;~~

~~used primarily for residential, non-income producing purposes; and~~

~~50% or more participant-owned.~~

~~2. MOP loans may not be used for direct construction loans; however, MOP loans may be used to refinance commercial construction loans upon completion of a new residence or the completion of the renovation of an existing residence.~~

~~3. The maximum loan-to-value ratio (LTV) of a MOP loan is to be determined as follows:~~

~~for loans up to (including) $910,000 (indexed limit as of April 2016), the maximum LTV is 90% when the loan does not include any financing of closing costs and 92% with financing of documented closing costs;~~

~~for loans greater than $910,000 up to (including) the Indexed Program Loan Amount ($1,430,000 as of April 2016), the maximum LTV is 90%;~~

~~for loans greater than the Indexed Program Loan Amount, the maximum LTV is 80%; and~~

~~– MOP loan amounts greater than the Indexed Program Loan Amount shall require the approval of the President and the concurrence of the Chair of the Finance and Capital Strategies Committee.~~

~~An increase to the 80% maximum LTV for loans in excess of the Indexed Program Loan Amount to no more than 85% may be approved upon recommendation by the President, with concurrence of the Chair of the Finance and Capital Strategies Committee. The value of the residence is, in all cases, defined as the lesser of the purchase price or current appraised value. The above dollar threshold amounts for determining the maximum LTV and for the Indexed Program Loan Amount reflect applicable levels in effect as of April 2016, which shall be adjusted annually each April, based upon any increases in the All-Campus Average Sales Price determined by the annual zip code study performed by the Office of Loan Programs.~~

~~4. The maximum term of a MOP loan shall be 40-years. Authorization by the Chancellor or other designated official is required when offering a loan with a term greater than 30 years.~~

~~5. The standard mortgage interest rate (Standard MOP Rate) will be equal to the most recently available average rate of return earned by the Short-Term Investment Pool (STIP) for the four quarters preceding the issuance of a loan commitment letter for the mortgage loan, plus an administrative fee component of 0.25%:~~

~~– the Standard MOP Rate will be adjusted annually on the anniversary date of the loan;~~

~~– the maximum amount of adjustment up or down of the Standard MOP Rate will be 1% per year;~~

~~– for MOP and GP-MOP loans made on or after January 1, 2014, the overall cap on the adjustment of the interest rate over the term of the loan will be 10% above the initial interest rate for the loan;~~

~~– effective with loans approved on or after February 1, 2017, the minimum initial Standard MOP Rate shall be 2.75%, and the annual rate adjustment on these loans will have a floor rate of 2.75%;~~

~~– in the event a loan commitment letter is issued for a MOP or GP-MOP loan and the Standard MOP Rate subsequently decreases prior to the loan funding, the participant will receive the more favorable rate; and~~

~~– the difference between the earnings of the UC-Owned MOP and GP-MOP mortgage portfolios versus the comparable earnings if the funds had been invested in STIP will be calculated monthly, with any earnings shortfall in the combined MOP and GP-MOP portfolios being covered by the Faculty Housing Program Reserve. The 5/1 MOP earnings will not be included in this calculation during the Fixed Rate Term, as defined in this document. Following the Fixed Rate Term, the 5/1 MOP loans will be considered MOP loans for the purposes of the monthly calculation. Any earnings excess will be retained in~~

~~the Faculty Housing Program Reserve. The Faculty Housing Program Reserve will reimburse STIP for any principal losses resulting from portfolio loan losses.~~

~~6. Each Chancellor, the LBNL Director, and the Dean of UC Hastings is authorized to designate eligible participants for participation in the Graduated Payment Mortgage Origination Program (GP-MOP) option, which provides for a reduction in the Standard MOP Rate in the manner described below:~~

~~– the maximum rate reduction in the Standard MOP Rate is 3.0% and the minimum resulting mortgage interest rate for such loans shall be 2.75%;~~

~~– the rate reduction amount will be decreased by a predetermined annual adjustment (ranging from 0.25% to 0.50%) until the mortgage interest rate equals the Standard MOP Rate;~~

~~– for the time period in which the rate reduction is in effect for each GP-MOP loan, the work location shall provide for a monthly transfer of funds (from available funds, including discretionary funds, as well as unrestricted and appropriate restricted gift funds) to STIP or to a third-party investor, if the loan has been sold, to provide the same yield that would have been realized under the Standard MOP Rate; and~~

~~– the President is authorized to approve an initial rate reduction greater than 3.0% and an annual adjustment amount outside the standard range of 0.25% to 0.50% based upon the essential recruitment and retention needs and goals of the institution.~~

~~7. Participants may request a 5/1 ARM product (5/1 MOP) that has a temporary fixed-rate period (Fixed Rate Term), after which the loan converts to a standard MOP loan.~~

~~– The initial interest rate (Initial Rate) will remain fixed until the date that the 60th payment is due, resulting in a fixed payment amount for the first 60 monthly payments.~~

~~– The minimum Initial Rate will be 3.25%.~~

~~– The overall cap on the adjustment of a 5/1 MOP loan's interest rate over the term of the loan will be 10% above the Initial Rate for the loan.~~

~~– After the Fixed Rate Term, the interest rate will adjust to the Standard MOP Rate in effect at that time, subject to a 5% interest rate adjustment cap, and a 2.75% minimum interest rate.~~

~~– After the Fixed Rate Term and the initial rate adjustment at the end of the Fixed Rate Term, the maximum annual adjustment is 1%.~~

~~– The Fixed Rate Term is not renewable beyond 5 years.~~

~~8. The sum of monthly mortgage payments (principal and interest) of the MOP loan and all other loans secured by the residence may not exceed 40% of the participant's household income.~~

~~9. When administratively feasible, MOP loan payments shall be made by payroll deduction while on salary status.~~

~~10. MOP loans are not assumable.~~

~~11. MOP loans carry no prepayment penalty.~~

~~12. MOP loans carry no balloon payments.~~

~~Regents Policy 5306: Policy on University of California Supplemental Home Loan Program~~

~~Approved July 2010~~

~~Amended November 20, 2015~~

~~Amended November 17, 2016~~

~~Generally, Supplemental Home Loan Program (SHLP) loans are funded from available campus resources, which may include discretionary funds, as well as unrestricted and appropriate restricted gift funds. State funds (19900) cannot be used to fund SHLP loans.~~

~~The President is authorized to designate a portion of the Faculty Housing Programs Reserve Fund (Reserve) as a centrally-available pool of funds to make SHLP loans that comply with the parameters outlined in Section C. below.~~

~~A. ELIGIBILITY AND PARTICIPATION POLICIES~~

~~In all eligibility and participation policies described herein, it is understood that any appointee in a position specifically designated by the Regents as requiring Regents' approval for compensation-related matters, must be approved for SHLP participation by the Regents.~~

~~1. The eligible population for SHLP consists of full-time University appointees with positions in the following categories:~~

~~– Academic Senate members;~~

~~– Academic titles equivalent to titles held by Academic Senate members as specified in Section 105.1 and 103.3 of the Standing Orders of the Regents of the University of California or in successor Regents Policy;~~

~~– Acting Assistant Professors;~~

~~– Senior Management Group members;~~

~~– UC Hastings College of the Law (UC Hastings) faculty members;~~

~~– University or UC Hastings employees who will be appointed to any of these eligible categories effective no more than 180 days after loan closing;~~

~~– Other appointees who have received required additional approvals to be eligible for participation.~~

~~2. From the eligible population, the Chancellor, Lawrence Berkeley National Laboratory (LBNL) Director, or the Dean of UC Hastings shall designate eligible individuals for participation in SHLP based on each location's determination of its requirements for recruitment and retention. Additionally, the President is authorized to approve individuals not in the eligible population defined in Section A.1 for participation in SHLP, based upon the essential recruitment and retention needs and goals of the institution. The University of California Delegation of Authority (DA) 2587, dated July 18, 2015, delegates this authority from the President to the Chancellors, LBNL Director, Executive Vice President-Chief Operating Officer, and the Agriculture and Natural Resources Vice President for specific titles as outlined in an Appendix to the University of California Home Loan Program Corporation-Program Lending and Administrative Manual.~~

~~3. SHLP participation may continue for the term of employment by the University of California or UC Hastings, as long as the property securing the loan continues to meet the specifications outlined in Section B.2, it being understood that:~~

- ~~if the property securing the loan no longer meets the specifications outlined in Section B.2, the SHLP loan shall be reviewed for appropriate disposition; and~~

- ~~if University or UC Hastings employment is terminated or, in the case of academic appointees, there is a permanent change to an appointment status not considered to be in full-time service to the University or UC Hastings, the SHLP loan is to be repaid within 180 days of such date of separation or change in status, with the understanding that:~~

  - ~~participation can continue when separation is due to disability or retirement under the provisions of the University of California Retirement Plan or other retirement plan to which the University or UC Hastings contributes on behalf of the participant; or~~

  - ~~in the event of the death of the participant, participation can continue for a surviving spouse or surviving Domestic Partner, or, in the absence of a surviving spouse or surviving Domestic Partner, for a surviving Eligible Child (as the terms Domestic Partner and Eligible Child are defined by the University of California Retirement Plan); or~~

  - ~~in hardship cases, reasonable forbearance beyond the required repayment period may be granted, provided all other terms and conditions of the loan are satisfied.~~

~~B. SHLP LOAN POLICIES~~

~~1. SHLP loans shall be used primarily for the purchase of a participant's primary principal residence. At the discretion of the authority designating participation, SHLP loans may also be used to refinance existing qualifying housing-related debt secured on a participant's principal residence, including related loan transaction expenses included in the prior loan balance or related to the SHLP loan. SHLP loans may not be used to pay off loans, secured or not secured, used for non-housing-related expenses or for any mortgages on other properties. For any debt secured on a participant's prinicipal residence that was incurred during the five years prior to loan closing, the participant must document the purpose and~~

~~use of funds as qualifying housing-related indebtedness associated with the subject property.~~

~~2. SHLP loans shall be secured, using a recorded Deed of Trust for residences that are:~~

~~— owner-occupied single-family residences, including planned unit development and condominium units, which may include one secondary unit that does not comprise more than one-third of the total living area of the home;~~

~~— the principal place of residence for the participant, other than during absences for sabbatical leave or other approved leaves of absence;~~

~~— used primarily for residential, non-income-producing purposes; and~~

~~— 50% or more participant-owned.~~

~~3. The maximum loan-to-value ratio (LTV) of a SHLP loan, either alone or in combination with other loans, is to be determined as follows:~~

~~— for loans totaling up to (including) the Indexed Program Loan Amount ($1,430,000 as of April 2016), the maximum combined LTV is 95%;~~

~~— for loans totaling more than the Indexed Program Loan Amount, the maximum combined LTV is 90%;~~

~~— SHLP loan amounts greater than the Indexed Program Loan Amount shall require the approval of the President and the concurrence of the Chair of the Finance and Capital Strategies Committee.~~

~~The value of the residence is in all cases defined as the lesser of the purchase price or current appraised value. The above dollar threshold amounts for determining the maximum LTV and for the Indexed Program Loan Amount reflect applicable levels in effect as of April 2016, which shall be adjusted annually each April, based upon any increases in the All-Campus Average Sales Price determined by the annual zip code study performed by the Office of Loan Programs.~~

~~4. The maximum term of a SHLP loan shall be 40 years, with repayment schedules designed to accommodate the needs of SHLP participants as well as any requirements of the funding source. Authorization by the Chancellor or other designated official is required when offering a loan with a term greater than 30 years.~~

~~5. Each location shall determine the mortgage interest rate to be charged on a given loan, with the understanding that maximum rates may be established to comply with federal and State lending and tax laws and regulations. All SHLP interest rates must include a service~~

~~fee component of .25%. The minimum SHLP interest rate shall be equal to the most recently available average rate of return earned by the Short-Term Investment Pool (STIP) for the four quarters preceding the issuance of a loan commitment letter for the mortgage loan, plus a margin of 25 basis points (.25%).~~

~~6. For adjustable rate SHLP loans approved on or after February 1, 2017, the overall cap on the adjustment of the interest rate over the term of the loan will be 10% above the initial interest rate for the loan.~~

~~7. The sum of monthly mortgage payments (principal and interest) of the SHLP loan and all other loans secured by the residence may not exceed 40% of the participant's household income.~~

~~8. When administratively feasible, SHLP payments shall be made by payroll deduction while on salary status.~~

~~9. SHLP loans are not assumable.~~

~~10. SHLP loans carry no prepayment penalty.~~

~~C. CENTRALLY FUNDED SHLP LOAN PROGRAM~~

~~The parameters of the loans made from the Reserve will fall within the guidelines as outlined in Sections A. and B. with the following additional restrictions:~~

~~1. Loans must be in second position.~~

~~2. The maximum loan amount will be the lesser of 5.0% of the purchase price or $75,000. The maximum loan amount will be indexed to any increase in the All-Campus Average Sales Price determined by the annual zip code study performed by the Office of Loan Programs.~~

~~3. The maximum term is 15 years (180 months).~~

~~4. The loans will have a fixed interest rate equal to the most recently available 4-quarter average rate of return of STIP, plus a .25% servicing fee. The minimum interest rate will be 2.75%.~~

~~D. INTEREST-ONLY SHLP (IO-SHLP) LOAN PROGRAM~~

~~The Campuses have the option to offer IO-SHLP loans using authorized Campus funding sources. There are no central funds available for the IO-SHLP loans. All loan parameters~~

~~must fall within the guidelines outlined in Sections A. and B., with the following additional terms:~~

~~1. The Interest-Only Term (IO-Term) is available for 5, 7, or 10 years. Following the IO-Term, the loan will convert to a fully amortizing loan with an overall term as follows:~~

~~— 5 year IO-Term: 15 year fully amortizing (20 year total amortization)~~

~~— 7 year IO-Term: 23 year fully amortizing (30 year total amortization)~~

~~— 10 year IO-Term: 30 year fully amortizing (40 year total amortization)~~

~~2. The Chancellor or other designated official will be required to acknowledge and accept any regulatory risk or potential litigation associated with making IO-SHLP loans, which are non-Qualified Mortgages, according to the CFBP's definition.~~

~~Regents Policy 5503: Policy on Bonding Requirements for Construction Contracts~~

~~Approved June 15, 1973~~

~~Amended October 21, 1977~~

~~That the President be authorized to set requirements for bid bonds or other forms of bid security, performance bonds, and payment bonds for construction contracts unless such requirements would be inconsistent with the requirements of a funding agency for a funded project or with mandatory requirements established by State law.~~

~~**Regents Policy 8101: Policy on Campus and Community Planning and Development**~~

~~*Approved October 22, 1965*~~

~~*Amended November 12, 1970*~~

~~*Updated September 22, 2005*~~

~~The Regents of the University of California have adopted and maintain for each campus a Long Range Development Plan, as a guide to orderly development, and every effort is being made to develop campuses of academic distinction and physical beauty;~~

~~Each campus and its surrounding community are highly interdependent with respect to housing, traffic, commercial services, community facilities, and environmental design, and~~

~~The success of the University's efforts is greatly affected by the compatibility of the community development.~~

~~The Regents declare as policy an objective to secure the development of each campus community to the highest and best standards of contemporary planning and design responsible to and compatible with unique campus requirements.~~

~~In implementation of the above, the administration requests that appropriate community authorities strive vigorously and continuously for the development of a distinctive community in the environs of each campus compatible with the requirements of that campus.~~

~~The Regents acknowledge concern with social and economic conditions in the environs of the several campuses and encourage appropriate consultations with community interests and offer campus resources and leadership for community planning and development.~~

~~**Regents Policy 8102: Policy on Approval of Design, Long Range Development Plans, and the Administration of the California Environmental Quality Act**~~

~~*Approved July 16, 1993;*~~

~~*Amended and Renamed January 16, 2003;*~~

~~*Amended September 18, 2008, January 21, 2010, January 20, 2011, January 23, 2014, January 22, 2015, and January 26, 2017*~~

~~(1) The Regents designate the following categories of projects as requiring design approval by the Finance and Capital Strategies Committee:~~

~~Building projects with a total project cost in excess of $10,000,000, except when such projects consist of the following:~~

~~alterations or remodeling where the exterior of the building is not materially changed;~~

~~buildings or facilities located on agricultural, engineering, or other field stations; or~~

~~agriculture-related buildings or facilities located in areas of a campus devoted to agricultural functions.~~

~~Capital improvement projects of any construction cost when, in the judgment of the President, a project merits review and approval by the Regents because of budget matters, fundraising activities, environmental impacts, community concerns, or other reasons.~~

~~(2)This paragraph shall apply exclusively to eligible projects for those campus entities approved by the Finance and Capital Strategies Committee for inclusion in the pilot phase of the Delegated Process for Capital Projects. The President of the University is authorized to approved the project's design. This subparagraph shall become inoperative and is repealed on March 31, 2018, unless a later Regents' action, that becomes effective on or before March 31, 2018, deletes or extends the date on which it becomes inoperative and is repealed.~~

~~(3) The approval of building projects other than those subject to approval by the Finance and Capital Strategies Committee as set forth above is governed by applicable Bylaws, Standing Orders, and delegations.~~

~~(4) Consistent with applicable Bylaws and Standing Orders, the President shall determine the responsibility for unique project approvals and other actions significantly affecting land use that, given their nature, do not involve a design approval.~~

~~(5) All building project approvals shall be generally in accordance with an applicable Long Range Development Plan. Adoption by the Regents is required for new and substantially~~

~~updated LRDPs. All LRDP amendments or actions having the practical effect of an LRDP amendment shall be approved at the following level:~~

~~The Finance and Capital Strategies Committee shall consider for approval all LRDP amendments except those delegated in b. below;~~

~~The President is authorized to approve minor LRDP amendments, provided that the amendment preserves the fundamental planning principles of the LRDP and is limited to:~~

~~siting a building project of $10,000,000 or less;~~

~~shifting less than 30,000 gross square feet of allocated building space; and/or~~

~~changing land-use boundaries and designations for 4 acres or less of land.~~

~~(6) The President has the responsibility for the administration of the University's compliance with the California Environmental Quality Act. As provided by CEQA, the certification or adoption of environmental documents is undertaken at the level of the associated project approval. The modification of environmental documents, including mitigation measures, may occur at the same level as the original certification or adoption, provided that the President is authorized to modify an environmental document certified or adopted by the Regents so long as the modification does not result in new or increased significant impacts.~~

~~(7) Notwithstanding the foregoing, the approval of the Finance and Capital Strategies Committee, or in appropriate circumstances the Regents, may be required for any project or other action addressed by this policy when, in the judgment of the President, an action merits review and approval by the Regents because of budget matters, fundraising activities, environmental impacts, community concerns, or other reasons.~~