

The Regents of the University of California

FINANCE AND CAPITAL STRATEGIES COMMITTEE

January 16, 2019

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

Members present: Regents Anderson, Anguiano, Blum, Leib, Makarechian, Park, and Sherman; Ex officio member Kieffer; Advisory members Bhavnani and Um; Chancellors Blumenthal, Gillman, Hawgood, Khosla, and May; Staff Advisor Main; Student Advisor Huang

In attendance: Regents Butler, Kounalakis, and Sures, Secretary and Chief of Staff Shaw, Chief Compliance and Audit Officer Bustamante, Chief Investment Officer Bachher, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Vice President Duckett, Chief of Staff and Special Counsel Drumm, and Recording Secretary Johns

The meeting convened at 1:15 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 November 14, 2018 were approved.

2. **CONSENT AGENDA: APPROVAL OF PRELIMINARY PLANS FUNDING, AMBULATORY CARE CENTER EXPANSION WITH EYE CENTER, DAVIS HEALTH CAMPUS**

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

Davis: Ambulatory Care Center Expansion with Eye Center – preliminary plans – \$6,706,000 to be funded from Medical Center reserves.

[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 recalled that this item had been endorsed by the Health Services Committee at its October 2018 meeting and discussed by the Finance and Capital Strategies Committee at the November 2018 meeting.

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 AND EXTERNAL FINANCING, FRANKLIN ANTONIO HALL, SAN DIEGO CAMPUS**

The President of the University recommended that:

- A. The 2018-19 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

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

To: San Diego: Franklin Antonio Hall – preliminary plans, working drawings, construction, and equipment – \$185 million to be funded from external financing (\$180 million) and campus funds (\$5 million).

- B. The scope of the Franklin Antonio Hall project shall provide approximately 128,800 assignable square feet (188,500 gross square feet) of collaborative research laboratory centers, faculty offices, space for the Institute for the Global Entrepreneur; education space (general assignment classrooms including a 250-seat auditorium and two 100-seat classrooms, student collaborative study space, and an executive outreach classroom); space for undergraduate student extracurricular projects; shared meeting space; and a café.

- C. The President be authorized to obtain external financing in an amount not to exceed \$180 million plus additional related financing costs. The President shall require that:

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

(2) As long as the debt is outstanding, the general revenues of the San Diego 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 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.]

Executive Vice President and Chief Financial Officer Brostrom recalled that the Regents had approved preliminary plans funding for this project at the March 2018 meeting.

Chancellor Khosla explained that Franklin Antonio Hall would be a new building for UC San Diego's engineering program, a hallmark program at UCSD and the largest engineering program in California. The number of students at the Jacobs School of Engineering had increased 31 percent from 2011-12 to 2017-18 and was projected to increase by another 22 percent by 2023-24. To support this growth, UCSD needed state-of-the-art research space. Much of Franklin Antonio Hall would take the form of so-called "collaboratories," ten or 11 multidisciplinary flexible research spaces that would change occupants as new programs are developed. Other spaces would accommodate undergraduate research. UCSD was trying to encourage more undergraduate research because it is a valuable experience for students. The building would also house the Institute for the Global Entrepreneur. There would be large classrooms, and this was planned with the campus' overall classroom inventory in mind; UCSD wished to achieve a balance in its numbers of larger and smaller classrooms. The building would also have a large auditorium for classes and large gatherings, such as campus speaker events.

Associate Vice Chancellor Eric Smith stated that this project had an aggressive target budget and expressed confidence in the campus' ability to achieve this target through an integrated project delivery approach. He presented a chart comparing the construction cost of Franklin Antonio Hall to the costs of similar projects at other UC campuses, the California Institute of Technology, and Stanford University. Working with the construction manager/general contractor, key trade contractors, and the design team, the campus was able to find savings and optimize the design.

Vice Chancellor Pierre Ouillet presented a financial summary chart, noting that the debt service to operations was projected to exceed the University's six percent threshold for a few years. These figures were based on fairly conservative assumptions, using a planning interest rate of six percent non-taxable and 7.25 percent taxable, while the actual market rate was four to 4.5 percent.

Regent Park asked about the projected growth in graduate students during the period 2017-18 to 2023-24 and if UCSD expected these to be mostly master's students or doctoral students. The projected growth for undergraduate students and faculty appeared to be small in relation to that for the graduate student population. She asked about the space needs for these graduate students relative to other students. Chancellor Khosla responded that outstanding engineering faculty expect to have outstanding graduate students. Engineering faculty typically have four to six Ph.D. students. Projected growth in faculty between 2011-12 and 2023-24 was from 192 to 286 faculty members. If each faculty member mentored four to six graduate students, this would mean an increase of approximately 360 to 500 students. Ph.D. and master's students were also needed as teaching assistants. UCSD was trying to increase the number of classes with fewer than 20 students because this factor has a positive impact on the student experience and on UCSD's rankings. UCSD needed to expand its graduate program along with increasing faculty. This would lead to more research revenue and indirect cost recovery that would help to pay for this building.

Regent Cohen asked if the increase in faculty would be paid for out of UCSD's existing budget allocation or if this new building would create pressure to generate additional funds. Chancellor Khosla responded that the increase in faculty would be supported by existing allocations to UCSD from the Office of the President. Campus budgets are based on calculations from the Office of the President, not on the number of full-time equivalent employees or students. In response to another question by Regent Cohen, Chancellor Khosla stated that UCSD would not be asking for an additional allocation for the new building.

Regent Anguiano asked about the most recent financing rate and the next anticipated rate. The proposed ratios would not work without an assumption of a four percent market rate. Mr. Brostrom responded that the University had executed two financing trust structures in December 2018 with a BBB rating at 4.3 percent for 33-year financing. This project would be financed with UC's general revenue bond credit. The University anticipated a difference of 35 to 40 basis points between the financing trust structures and the financing for the UCSD project, but this would still result in a rate below four percent. He acknowledged that the University did not know when it would be financing this project and pointed out that the Office of the President could waive the six percent threshold for debt service to operations, given that UCSD was currently carrying out many housing projects at the same time. Associate Vice President Peggy Arrivas added that UC general revenue bonds and limited project revenue bonds issued in summer 2018 had rates just below four percent.

Committee Chair Makarechian asked how the annual debt service of approximately \$13 million would be funded. Chancellor Khosla responded that this would be funded by indirect cost recovery, which would expand along with the faculty base and research program. Mr. Ouillet stated that two-thirds of the debt service would be funded by indirect cost recovery. Ms. Arrivas explained that indirect costs are charged for federal contracts and grants. Indirect cost recovery ranged between 50 and 60 percent for all the campuses, a fairly significant amount.

Committee Chair Makarechian recalled that the University's indirect cost recovery rates had been lower than for comparable institutions and that UC was making efforts to increase these rates, and asked about current rates. Mr. Ouillet responded that UCSD's recovery rate was about 58 to 59 percent, of which 26 percent goes to administration and over 30 percent to facilities.

Committee Chair Makarechian noted that the campus had received a \$30 million gift for this building. Chancellor Khosla explained that fundraising for the project would total \$60 million, while indirect cost recovery would fund the remaining \$120 million over a 30-year period.

Committee Chair Makarechian remarked that this was a very costly building. Chancellor Khosla responded that buildings of this quality were necessary in order to be able to recruit star faculty and compete with institutions such as Stanford University and the California Institute of Technology.

Regent Leib asked how the student-faculty ratio affects a school's rankings. Chancellor Khosla responded that there are two types of rankings in engineering, undergraduate and graduate. The undergraduate ranking is based on a survey of deans. The graduate ranking is based half on numerical ratios, such research dollars per faculty member and graduate students per faculty member, and half on qualitative measures, such as the perception of other deans of engineering. About five years prior, the Jacobs School of Engineering was ranked as number 17 or 18; currently it was ranked number 12, and its goal was to be in the top ten. In working toward this goal, the School of Engineering was performing well in terms of funding per faculty member but could attract more students and expand its Ph.D. programs. The School needs more teaching assistants to support undergraduate teaching and more classes with fewer than 20 students. Chancellor Khosla anticipated that if the School continued to pursue these goals, it would rank in the top ten engineering schools in a few years.

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

4. **PEPPER CANYON WEST UPPER DIVISION UNDERGRADUATE STUDENT HOUSING PROJECT, SAN DIEGO CAMPUS**

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

Chancellor Khosla began the discussion of this item by noting that UC San Diego was moving in the direction of being primarily a residential campus. Living on campus was a much better experience for undergraduates than commuting to campus, and the cost of living in San Diego was high. UCSD was using its real estate assets to build more housing and would guarantee four years of undergraduate housing at 20 percent below market rates. The campus would pursue the same goal for its Ph.D. students. UCSD wished to build upper division student housing similar to graduate student housing with one student per room, at about 275 to 300 square feet per person. UCSD planned to nearly double the number of student beds over the coming five years.

Executive Director Hemlata Jhaveri recalled that Sixth College would be moved to the North Torrey Pines Living and Learning Neighborhood in 2020. This provided an opportunity to redevelop the Pepper Canyon West site. This site was next to a light rail transit station, so that upper division students living there would have access to the San Diego community. This project would deliver 1,400 bedrooms with a variety of units including studio apartments and two-, four-, and six-bedroom units, which would provide price point options for students. Upper division students at UCSD had communicated that they do not want mandatory meal plans and the project would include retail food options. The design phase of the project had not yet begun.

Regent Sherman asked if the campus had considered greater density, such as two beds per 200 square feet, to offer a lower-cost alternative for students. The Regents frequently hear that housing costs are as challenging for students as tuition. He asked if UCSD had carried

out a market study to determine if students might be interested in this kind of alternative. Ms. Jhaveri responded that UCSD had carried out a market study with students the past summer. Students gravitated toward the option of having their own bedroom and bathroom. UCSD was proposing shared bathrooms but private bedrooms. Students clearly stated that not having a meal plan would reduce the cost for them. Units would have a fully equipped kitchen.

In response to another question by Regent Sherman, Ms. Jhaveri remarked that students expressed their preference for studios and two-bedroom units, even though the price for a six-bedroom unit would be lower. Chancellor Khosla noted that 200 square feet, the size of many student rooms, is about the size of a hotel room, and that students spend two, three, and four years in such spaces. UCSD wishes to construct human-sized, human-scale living facilities where communities can develop and students enjoy their experience, rather than packing students in densely and creating problems.

Regent Sherman countered that some students might not be able to afford monthly rent of \$1,000, and asked if these students might choose a cheaper alternative, even if it were less livable. Chancellor Khosla responded that UCSD creates financial aid packages for every student. Students are admitted on a “need-blind” basis, and the campus does not want to create a differential among students.

Regent Cohen expressed concern that UCSD would eliminate an option for students and push them to take out greater student loans to cover living expenses. Chancellor Khosla objected that this was not the intention. He emphasized that offering students a 100-square-foot living space with triple the density would not lead to one-third of the cost but to three times the number of problems. UCSD was trying to create adequately sized living facilities that might not be generous, but not so cramped that living in them for three or four years would become unpleasant. Vice Chancellor Pierre Ouillet added that the smallest footprint in this project was 275 square feet, in the six-bedroom units. UCSD could charge its design team to consider reducing the footprint even further. He noted that key savings are obtained through shared bathrooms. UCSD was trying to lower the cost for students through shared amenities. The campus would review design options to determine if it was possible to create spaces smaller than 275 square feet. Chancellor Khosla pointed out that UCSD currently offered the cheapest housing in the UC system.

Regent Cohen stated that at the systemwide level the University was not close to meeting student housing demands. He emphasized the need to meet this demand efficiently across the state. Executive Vice President and Chief Financial Officer Brostrom noted that the student self-help contribution was the same across all the campuses. Even on campuses with higher housing costs and higher total cost of attendance, students with full financial aid are expected to make the same contribution. Some of the most expensive student housing was at UC Merced because all these housing units were encumbered by debt. Older campuses such as San Diego, UCLA, and Berkeley have paid off some of this debt, but newer campuses have higher housing costs due to debt service.

Regent Cohen observed that, if UC can reduce housing costs for students, it would reduce the strain on the University's financial aid system and on students' personal finances. Charging more for housing would not benefit the UC system overall. Students' expectations about housing were shifting, and UC should not assume that it should build student housing as it had 20 years earlier. Chancellor Khosla stated that UCSD would take this feedback into consideration and factor it into the next presentation.

Committee Chair Makarechian asked when the North Torrey Pines Living and Learning Neighborhood would be completed. Chancellor Khosla responded that the Torrey Pines project would be completed around June 2020. The Torrey Pines site would become the home of Sixth College. Committee Chair Makarechian encouraged the campus to build as many units as possible on the Pepper Canyon West site, recalling that UCSD had about 8,500 students on a waiting list for housing. Chancellor Khosla responded that the campus wished to house as many students as possible on this site while avoiding density that would have a negative impact on the student experience. Building very tall structures with 30 stories would not harmonize with the overall architectural character of the campus. Chancellor Khosla stressed that he wanted to maintain the campus aesthetic and make UCSD a place that people want to visit, a destination for the local community.

In response to a question by Committee Chair Makarechian, Chancellor Khosla stated that there would be no parking included in this project.

Committee Chair Makarechian reflected that the campus needed to consider density as well as students' needs for living spaces on campus at a time when some students are living in cars and tents. While a 30-story building would not be desirable, UCSD was running out of land. Chancellor Khosla warned of the "psychological dissonance" students might experience when moving from a two-story to an 11-story building and how crowded they might feel. Committee Chair Makarechian stated his view that for the La Jolla campus, two-story structures were now a thing of the past. Mr. Ouillet added that the issue of massing would be addressed in a future presentation.

Faculty Representative Bhavnani observed that, when students live one to a room, their academic work is better. Transfer students are more likely to graduate in two years if they are living on campus in adequate accommodations. She asked about the rental rates for these rooms. Ms. Jhaveri responded that the campus did not know how much the market would escalate but estimated that rents would be approximately \$1,100 for nine months with all amenities and without a meal plan. The cost for a year would be \$9,000 to \$10,000.

Regent Park remarked that the proximity to the light rail station was a valuable aspect of this project, allowing students to get around without cars. For this reason, UCSD should fully explore how much capacity can be built into the project. She recalled that the issue of temporary housing had been raised the previous day by the Special Committee on Basic Needs. She asked how UCSD accommodates basic needs for housing. Ms. Jhaveri responded that the Housing Dining Hospitality department works with UCSD's Basic Needs Committee and with students one-on-one. Students can be accommodated with

housing and meals for up to 30 days. Housing Dining Hospitality reserves rooms at the beginning of the year to ensure that it can accommodate students quickly.

Regent Leib noted that while students indicated a preference for studio apartments, these are the most costly units to build. Building fewer studios might result in lower construction costs, and he asked the campus to consider greater density. He praised UCSD for pursuing the goal of a four-year housing guarantee for undergraduates and for including retail stores in its planning for the campus. Ms. Jhaveri responded that UCSD would try to achieve a desirable density and maintain lower costs.

Regent-designate Um commented on the importance of personal space for students and noted that, in dormitories with shared rooms, there may also be larger common spaces where people can get away from each other. Chancellor Khosla responded that every student has his or her own room in recently built graduate student housing, but there are still common spaces for students to study together.

5. LONG RANGE DEVELOPMENT PLAN AMENDMENT AND DESIGN, STUDENT HOUSING WEST 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.]

Committee Chair Makarechian began the discussion of the Student Housing West project at the Santa Cruz campus, which proposed construction of housing for approximately 3,000 students at two sites on the main campus, one site in an area west of Porter College near Heller Drive (the Heller site), and the second site at the intersection of Hagar and Coolidge Drives (the Hagar site). He noted that the project had generated much interest by groups who supported or opposed it. He remarked that he, along with Chair Kieffer and Regent Park, had had meetings and telephone calls with various groups, including two lengthy meetings the previous day. Besides the campus representatives, two community representatives would also participate in this discussion and present their points of view. Committee Chair Makarechian drew attention to the fact that there was a great need for additional student housing on the Santa Cruz campus. Rental rates in the Santa Cruz area were high.

Chancellor Blumenthal explained that the Student Housing West project would add 3,000 desperately needed beds to UCSC for upper division students, graduate students, and students with families. The project would also include a childcare center serving students, faculty, and staff. This project was not related to campus growth but was intended to serve the current student body and would increase the number of available beds by one-third.

Although the main Santa Cruz campus enjoys a large area of over 2,000 acres, decisions about land use at UCSC are a delicate balancing act between competing interests. Given the scale of the proposed project, it was not a surprise that it had roused some emotion and that there was opposition. Much of the opposition was focused on the impact the project would have on the Hagar site. Chancellor Blumenthal stated that he had listened carefully

to project supporters and dissenting voices and weighed these concerns seriously. He had also heard the concerns of students about the impact of housing on their education and the need for additional, affordable on-campus housing. The campus had taken extraordinary steps to allow the concerns of various stakeholders to be fully heard and had worked to address the concerns. Chancellor Blumenthal had extended the public comment period on the draft Environmental Impact Report (EIR) by more than 45 days, even at a cost to the project. He and his staff met with stakeholders, heard their concerns in depth, and listened to the alternatives they suggested. The campus evaluated these alternatives and, based on feedback received, made significant modifications to the project and circulated a revised draft EIR, with an associated comment period. Chancellor Blumenthal declared that this project was respectful of campus history and values and focused on the needs of students in one of the most expensive housing markets in the U.S.

Provost Marlene Tromp emphasized the need for additional housing for UCSC students. Among UCSC students, students with families and graduate students were the most underserved. The campus also lacked sufficient space to meet the needs of undergraduates. UCSC had been forced to convert residence hall study lounges to bedrooms and to crowd additional beds into rooms designed for smaller numbers.

To address these needs, the Student Housing West project would construct five buildings on the Heller or western site, providing approximately 2,700 beds for continuing undergraduates in a mix of unit types. This would include innovative communal living options for a mix of price points, with greater choice for undergraduate and graduate students. The current occupants of UCSC's family student housing were an equal mix of undergraduate and graduate students, and they were financially needier than the general student population. Rents for these students needed to be manageable. Ms. Tromp noted that UCSC currently was and for a number of years had been the only UC campus without campus childcare for faculty and staff.

Vice Chancellor Sarah Latham elaborated on various aspects of the project. UCSC's existing family student housing and student-serving childcare facilities had become obsolete and urgently needed replacement. These facilities were currently located at the Heller site, a site that was in fact better suited for higher density and taller buildings that could be placed against and below the tree line, and that would correspond to the height and density of the colleges surrounding that development. After a careful consideration of options, the campus reached a decision to locate family student housing and an early education services center on the eastern Hagar site. The project would create 140 student units in two-story buildings with families, housing more than 400 occupants. The density of the site as proposed was appropriate for a residential family development. The buildings would be located to create safe and welcoming interior commons spaces and play areas. Previous campus studies of this site concluded that it could be suitable for this type of housing. The project provides the opportunity to build a larger childcare facility that can serve students, faculty, and staff. The Hagar site component of the project must be built first so that UCSC can move the current family student housing residents and existing student-serving childcare to the new facilities. Although limited work could begin on the Heller site before the residents move, work at the Heller site would begin in full when it

becomes possible to demolish the outdated buildings there. Family student housing and childcare at the Hagar site would be across the road from three employee housing developments, within walking distance of a fourth, and within walking distance of a local elementary school. The site is near the entrance to the campus, making it convenient for employees who live off campus to access childcare. The plan for the site was consistent with developments next to the East Meadow, and the proposed density and height were in line with surrounding developments.

Due to environmental conditions and concerns, the area for building on the Heller site became constrained early on in the development of this project. In the process of evaluating potential developers and using prior area studies of potential housing locations, including those at the Hagar site, the campus determined that moving the family student housing and childcare to an area that was already family-focused could address issues of the Heller site and maintain a financially viable project. The proposed disposition of the project elements would create separation of students with families from other student groups with very different needs with regard to community setting, quiet, and other factors.

The Hagar site had been evaluated a number of times over the years. The campus was proposing to build two-story structures and take advantage of hollows on the site to minimize the impact of buildings, although buildings would disrupt the view. Since the founding of the campus, development had been envisioned for the East Meadow in multiple Long Range Development Plans (LRDPs). In the 2005 LRDP, the land at the Hagar site is designated as campus resource land. This designation means that it was not anticipated that UCSC would have to use this land for development during the current enrollment period, but this designation is distinct from the designation of campus reserve land, which is not intended for development at all. In addition to its LRDP, UCSC is guided by the 2008 Comprehensive Settlement Agreement with the City and County of Santa Cruz and nine citizens. Under this Agreement, UCSC increased the requirement for the number and proportion of students it would house on campus. The land use designation for the Hagar site was not modified. UCSC was nearing the enrollment limit in the 2005 LRDP, and given the requirement to house a larger fraction of student enrollment growth, the campus was looking at an area that had been reserved for future development. In addition, there were significant unmet housing needs for existing students. An action item for this project would include the necessary LRDP amendment to make this parcel available for use. Past studies had shown that, based on geological and viewshed considerations, this site was not necessarily suited for large-scale development.

The local Santa Cruz housing market was challenging, with low vacancy rates, year-over-year rental cost increases averaging 11 percent, and students living in overcrowded conditions, some even living in their cars. The campus would require that the Student Housing West project maintain a rental rate structure at or below existing housing stock, with limits on annual rent increases throughout the life of the project. Ms. Latham presented a chart with rental rates for comparable units on and off campus, indicating that UCSC rates were better than market rates. Construction and project costs would be paid for by student rents. A challenge at UCSC is what expert consultants had identified as additional costs associated with construction in Santa Cruz. The campus location can be

considered remote for construction firms and trades, and UCSC must compete with Silicon Valley and the entire San Francisco Bay Area. Families currently housed at the Heller site would have to be accommodated until project completion, and the campus had worked to phase the development and construction to be as efficient as possible. The first step would be to build the new family student housing and childcare facility at the Hagar site, while beginning site work at the Heller site that would not be disruptive to residents. The campus felt that this approach would be the least disruptive and least costly. UCSC had selected an efficient, high-quality construction method for the family student housing, which would be completed within approximately one year. Demolition, additional site work, and the first three buildings on the Heller site would be the bulk of Phase 1. Ms. Latham presented a slide comparing the construction cost per bed for this project with similar projects at other UC campuses, for both family student housing and undergraduate housing. The costs were comparable.

Vice Chancellor Margaret Delaney reported that in response to concerns heard during the circulation of the original draft EIR, the project evolved considerably, and this was reflected in the revised EIR. Maximum building heights on the Heller site were lowered to five to seven stories rather than the ten stories originally planned. Different unit type mixes were created, including communal living options. The revised draft EIR alternatives were assessed for how they met project objectives including environmental and programmatic considerations. Cost and schedule impacts were also considered. UCSC was committed to maintaining housing and childcare for students in the current family student housing during the construction interval. In considering alternatives, the campus found that a site lacking sufficient infrastructure and roads would pose further environmental concerns and create costs for bringing infrastructure to the site; building in a wooded area that currently lacks infrastructure would also raise opposition and increase costs; and moving the project to multiple smaller sites would destroy the economy of scale in construction that can be achieved in the current plan, and this would have implications for costs and student rents. Ms. Delaney concluded that the Student Housing West project was in the best interest of the campus, its relationship with the surrounding community, campus values, and students.

Committee Chair Makarechian stressed that the Regents were aware that UCSC must build student housing as required by its LRDP and by the fact that the campus had a shortage of student housing; they were also aware that rental rates in Santa Cruz were high and not affordable for students. He requested clarification of the campus' obligations under the Comprehensive Settlement Agreement. Chancellor Blumenthal responded that in the 2005 LRDP, UCSC offered to provide housing for 50 percent of its students during the period of growth from 15,000 to 19,500 students. UCSC currently housed slightly more than 50 percent of students. At this point in time, UCSC housed a higher percentage of its students than all but one other public university in California. The Comprehensive Settlement Agreement calls on UCSC to house two-thirds of all students above the enrollment level of 15,000. The campus needed this project to complete its growth to the 19,500 enrollment level. The campus had begun the process to develop a new LRDP to replace the 2005 LRDP. This work was still in an early stage, and the new LRDP would not be presented to the Regents for at least a year-and-a-half.

Chair Kieffer observed that the essential controversy in this project concerned the Hagar site. It would be helpful for the Regents to hear the points of view of people who opposed this project as well as those of its supporters. He underscored his concern that the Santa Cruz campus must act prudently and avoid making a major mistake, even if it was a mistake with the laudable goal of providing much-needed student housing.

Paul Hall, an alumnus of UC Santa Cruz and UC Berkeley, former president of the UC Santa Cruz Foundation, and former Alumni Regent, spoke on behalf of about 50 signatories, including Foundation alumni and distinguished faculty. Mr. Hall and his group supported the overall project and the public-private partnership financing concept. They recognized the need to build new housing and the specific need for family student housing and a childcare center located nearby. They supported the proposed construction on the Heller site, which accounted for 95 percent of the bed count; their objection was to the Hagar site, which accounted for just five percent of the bed count. The Hagar site was near the main entrance to the campus, and Mr. Hall described it as a large gateway meadow that makes a strong first impression of the Santa Cruz campus and its commitment to the environment. He and his group believed that the proposed development on the Hagar site would mistakenly use this land with an insufficient result. They were also concerned about grossly inefficient use of scarce land. UCSC has little buildable land even though its gross acreage is large. Development at the Hagar site would make up 57 percent of the total project land for only five percent of the bed count and about ten percent of the total residential population. He criticized this inefficient use of space for construction of 1950s-style garden apartments. This proposed level of density would be typical for multimillion-dollar homes in urban areas today. Mr. Hall and his group respectfully suggested that family student housing and the childcare facility should not be located on this valuable site, and that, with regard to architectural style, they should be more akin to townhouses found in urban areas today. Mr. Hall also expressed the concern that the proposed project would prematurely preempt the total development future of the very large East Meadow. Former Campus Provost Alison Galloway had submitted a letter in opposition to this project, noting that if the East Meadow needed to be developed in the future, it should be developed in a holistic, grand manner, both as a gateway to the campus and put to better use for academic purposes. Mr. Hall and his group had proposed alternatives and were not seeking to delay the project. One alternative they had suggested was use of the East Campus Infill area, a project that had been approved in 2009 and then cancelled. This site would offer appropriately dense infill in a pre-existing residential neighborhood. He outlined other suggestions they had made for the transition phase of the project, the temporary location of family student housing, and alternative sites for the final location of family student housing after the transition phase. Mr. Hall and his group believed that the campus should reconsider its decision to use the Hagar site and that better alternatives were available, and hoped that a better alternative would be adopted so that this project could move forward.

David Soares, an alumnus of UC Santa Cruz and a retired deputy district attorney for Santa Clara County who had lived in Santa Cruz continuously since the 1970s, noted that his current home was located within a ten-minute walk from the Hagar site. He reflected on changes in UCSC student demographics since his own student days; currently there were a greater number of older students and economically disadvantaged students than there had

been in the 1970s. Objections to construction on the Hagar site were based on aesthetics. In the 1970s, the Hagar site was indeed a country meadow on both sides of Coolidge Drive. This changed in 1981 when the campus decided to build 130 units of family faculty housing made up of single-family residences, condominium townhouse residences, and apartments on the south side of the Meadow. This area is densely inhabited by several hundred faculty members, their dependents, and children and has become a “family zone” in the campus. The intersection there, once a bucolic country road, now sees nearly 8,300 car trips a day, 176 bus trips, and 168 campus shuttle trips. This “family zone” is within walking distance of Westlake Elementary School. Mr. Soares emphasized his view that locating family student housing near family faculty housing was a good idea. He noted that he had initially been opposed to the plan, but as campus leadership listened to concerns from the community and from alumni, he became convinced that it would be desirable to group family housing together in this area and to develop an expanded childcare facility here. He noted that there were currently 134 children up to age 18 living at the Heller site. The proposed construction of low-rise buildings would not block the wonderful view. Mr. Soares concluded by describing this project as “the ideal becoming real,” a motto of UCSC in the 1970s.

Regent Leib observed that the two sides in this debate were not far apart and asked if some compromise would be possible. Committee Chair Makarechian recalled that there had been many hours of discussion the previous day. The Committee has the obligation to listen to both sides; it also has a primary obligation of responding to student needs. The campus should try to accommodate the concerns of both sides as well as possible.

Chair Kieffer noted that Mr. Hall had outlined a number of different options. It might be helpful for the campus to respond to these options. The Committee should understand what the alternatives might be. Committee Chair Makarechian recalled that, in the discussion the previous day, he had asked the campus to assign a cost figure to each alternative. The campus stated that some of the proposed locations were good locations but cost-prohibitive. Chancellor Blumenthal stated that he had a fair amount of sympathy for the point of view expressed by Mr. Hall regarding the disruption of views at the Hagar site, but different factors had to be weighed in this situation. In his view, the importance of providing affordable housing for students outweighed the desirability of maintaining certain views of the campus. Chancellor Blumenthal suggested that the next presentation of this item could include a video showing the view and the potential disruption so that the Regents could judge for themselves. Mr. Hall had mentioned the East Campus Infill as an alternative. The campus had examined the cost structure of an East Campus Infill project. It would lead to increased costs due to the necessity of building a parking structure and it would change the way UCSC pursues construction on the Heller site, because the campus would ultimately have to locate family student housing and the childcare center on the Heller site. With regard to other proposed alternative sites, the North Remote site imposes additional costs because, based on an opinion from the fire marshal, an additional road would have to be built. Ranch View Terrace was set aside for faculty housing. UCSC had as much need for faculty housing as for student housing, and the idea of using Ranch View Terrace for student housing was not realizable. Use of Arboretum land would involve restrictions and environmental protection concerns for flora and fauna, so this proposed solution was not

practical. Land across from Empire Grade might ultimately be usable for housing, but not in the short term because it is within the coastal zone. The last time UCSC sought approval from the California Coastal Commission for a project, this required four visits to the Commission. This site might prove to be a solution in the long term but not within a time scale for current students and students in the near future. Practical considerations had led the campus to dismiss these other sites as possibilities and the campus could provide cost figures. Committee Chair Makarechian asked that these cost figures be included in the next presentation.

Regent-designate Um reported that he had visited the site. His impression was that the campus would have to build on this site at some point in the future. The Regents wish to approve the best-case scenario. The low-rise design of the buildings would minimize the disruption of views. It would be desirable to include pictures of the site in the next presentation. He stressed his view that all the parties involved had made a good faith effort in presenting their views; it would be important to bear this in mind, since all the parties would have to work together in the future, whatever the outcome of this project.

Regent Anderson asked that visual simulations or virtual reality images of the site be provided in the next presentation, showing different perspectives.

Regent Sures stated that it would be helpful to see video or drone footage of the site so that Regents could make an aesthetic decision. He asked that the two sides try to reach a compromise before a decision by the Regents.

Chancellor Hawgood observed that there appeared to be acknowledgment by all involved that there would have to be development on this site at some point. Mr. Hall had raised the question of whether the proposed development would fit into the larger development of the East Meadow. He asked if there was a larger, long-term vision for the East Meadow, and how the proposed development on the Hagar site would complement that or create a problem. Chancellor Blumenthal responded that there was no intention for further development of the East Meadow. UCSC was now going through its LRDP process and had circulated three different scenarios for the future development of the campus. It was questionable whether any large building project could be accommodated on the Hagar site due to the presence of karst or caves beneath the land, and building there might become prohibitively expensive. He expressed skepticism about UCSC ever building any large-scale project that would require deep drilling on this site. At this point UCSC did not envision further development on the East Meadow.

Regent Park stated that fuller analysis of alternatives, shared in writing, would be helpful to the Committee. Aesthetic decisions should be left to the campus and the community, while decisions on financing were in the purview of the Regents. To Regent Park, nothing indicated that the project was a bad plan. There might be a grander vision of the Hagar site as a gateway to the campus but in her view, the UCSC administration had taken a correct view of the matter.

Mr. Hall stated that his and his group's concern was only in part aesthetic. There is faculty and staff housing immediately to the south of the Hagar site, but this is not part of the East Meadow. It was inaccurate to say, as Mr. Soares had, that this was already a residentially developed place. The concerns about karst had also been inaccurately stated. The Hagar site was not particularly affected by karst formations and this would not be a dispositive point. Mr. Hall was concerned about efficiency and the spending of scarce land resources. All the alternatives proposed by his group were within a quarter to half a mile from this site, alternatives which they hoped the campus would consider.

Committee Chair Makarechian concluded the discussion by noting that all parties concerned understood that there was a need for more student housing at UCSC and that this housing must be affordable. The concerns raised in this discussion would be reflected and taken account of in the next presentation of this item. The Regents would try as much as possible to accommodate the different sides and find some compromise. He thanked Mr. Hall and Mr. Soares for presenting their views.

6. **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.]

Executive Vice President and Chief Financial Officer Brostrom announced that UCPATH now served one-third of UC employees and deployment at additional campuses would take place in March and December of the current year.

Associate Vice President Mark Cianca asserted that UCPATH, immediately upon implementation, provides better payroll accuracy than the legacy payroll system had provided. The software component of the UCPATH solution was generally working as expected. UCPATH could now focus on initiatives to improve speed and service delivery to employees. UC was still in the early lifecycle of UCPATH and refinements were being made based on actual experience and production data. He acknowledged that some employees had experienced difficulties with the system and receiving their pay. When campuses transition to UCPATH, existing support processes and safety nets are disrupted. UCPATH seeks to minimize this disruption and move through it as quickly as possible. UC students had helped identify problem areas in UCPATH and this had led to progress in deploying UCPATH.

UCPATH Center Executive Director Dan Russi stated that UCPATH management and staff were acutely aware of the impact of pay issues on students. Small errors in student pay can be significant for these employees. Student pay is particularly complex, given that fund sources for student employees change frequently. The vast majority of payment errors that affected students were related to Federal Insurance Contributions Act (FICA) deductions. FICA eligibility determination is significantly more complex in UCPATH than it was in the legacy payroll system. Enhancements in this area of UCPATH were implemented to ensure that UC is in compliance with federal regulations. From the period of January 2018 through August 2018, UCPATH repaired 12 minor defects that had caused deduction errors in student

pay. The inaccuracies had resulted in both underpayment and overpayment. The errors affected students at UC Riverside and UC Merced, two pilot locations. The defects were repaired before the UCLA and UC Santa Barbara deployment. More recently, student pay inaccuracies had been caused by process errors both at the UCPATH Center and at campuses and by duplicate time files, missing time files, and time files with errors. Given the vulnerability of this population, UC has made several changes to UCPATH Center procedures with the goal of avoiding pay problems and to ensure that when pay inaccuracies occur, corrections are made as quickly as possible. With regard to avoidance, the UCPATH Center has strengthened its partnership with the campuses by providing more information to the campuses, so that working together, they can find and correct pay errors before checks are cut. An example of this was a “zero gross pay report,” sent to a campus whenever the UCPATH Center sees that an employee is not receiving a paycheck; the UCPATH Center then asks the campus for feedback. Recently, the UCPATH Center had discovered a situation of 600 employees in a zero gross pay report who were missing from a time file. UCPATH was able to rectify this situation before paychecks were issued. UCPATH had taken other actions to make payroll corrections more quickly, including issuing off-cycle checks and using 24-hour direct deposit as a standard. For students who do not use direct deposit, UCPATH had implemented instant pay cards, debit-like cards that UCPATH can fulfill on campus within hours if it becomes aware of the situation before noon that day. In addition, UCPATH will send overnight hard copy checks to students who do not have checking accounts. UCPATH was also exploring digital solutions such as Bank of America’s Zelle, which would allow a money transfer to a student almost immediately.

In addition to corrective actions, the UCPATH Center had also undertaken preventive measures. UCPATH had implemented a quality care team that focuses on immediate action for payroll inaccuracies. UCPATH was developing a “fast lane” to address student issues in particular. This was an example of how the UCPATH Center, having begun with a conceptual design, was modifying its procedures to adapt to experiential data. Mr. Russi and Mr. Cianca had also engaged with UC student associations and had learned from this engagement, especially with respect to communication with new students who do not have established communication channels. The UCPATH communication officer was working with each campus to improve outreach to students so that students are aware of where and how to get help if needed. Student association leaders had visited the UCPATH Center to share their stories and suggestions with the entire UCPATH team. Mr. Russi had attended other undergraduate and graduate student meetings to listen and receive suggestions about how UCPATH could be improved. UCPATH has learned that it can improve its pre-deployment training and post-deployment supplemental training for campus employees carrying out transactions. This was an ongoing initiative to improve training and ensure accuracy. There was a strong partnership between the UCPATH Center and the campuses to ensure that pay is accurate; UCPATH was continuing to explore ways to strengthen failsafe processes. UCPATH was sharing what it has learned with campuses where deployments were yet to occur. The UCPATH Center team was dedicated to serving UC employees, with the goal of paying every employee accurately and on time, and was keenly aware of the impact of pay issues on employees, and in particular on student employees.

Mr. Cianca reported that the UCPATH executive leadership team had made a decision the previous month to move the final deployment three months later, from September to December 2019. As part of this change, UC Irvine had shifted from the March deployment to the December deployment group. The purpose of the three-month delay was to give the final deployment campuses additional time to test interfaces and converted data. In previous deployments UCPATH had learned that the more time campuses spend cleaning up legacy data, the fewer problems these locations have once they go into production. Mr. Cianca noted that UC Irvine's move to the December deployment added some incremental risk to that deployment, but UC Irvine had made significant progress toward deployment readiness and he anticipated that this would have minimal impact on the other deployment campuses. The schedule change of the final deployment would use up almost all of the \$18.7 million contingency held in fiscal year 2020 but would not change the overall forecast budget amount for the project of \$547.2 million.

Committee Chair Makarechian asked if UCPATH keeps a central record or register of all complaints, such as telephone calls and emails reporting problems. Mr. Russi responded that there is a central telephone number where any employee can report a problem. This telephone number is posted on websites at all the campuses and this information is made available before deployment. Information is also provided about seeking assistance on campus. Mr. Cianca added that there are three ways for any employee to contact the UCPATH Center: online through the UCPATH portal, via telephone, and via email. UCPATH uses Salesforce for case management. Any contact comes to Salesforce, and UCPATH can track it from that point forward. Students may be used to seeking assistance from their campus department for payroll-related issues rather than from the campus administration or the UCPATH Center. For graduate students in particular, their home departments are the center of their academic experience, and it would be the natural place for them to go for assistance. This "safety net" has been disrupted. UCPATH has worked with departments to clarify how best to refer students if there are problems, and to ensure that UCPATH has students' contact information. Once UCPATH learns of a problem, it can address the problem.

Committee Chair Makarechian asked if UCPATH was keeping track of complaints received and the length of time required to address them. Mr. Russi and Mr. Cianca responded in the affirmative. Mr. Russi stated that the UCPATH Center takes about 400 telephone calls a day, with a staff of about 50. If an individual calls and does not get through, the Center knows about this and can track it. In addition, the Center receives about 200 online cases per day as well as email communications; in total, this amounts to about 600 to 800 inquiries daily.

In response to another question by Committee Chair Makarechian, Mr. Russi explained that if the UCPATH Center employee who answers a telephone call or email cannot address a problem, the case is escalated to another group, staffed with about 200 people. Committee Chair Makarechian requested statistics on the UCPATH Center's responses to customer inquiries. Mr. Russi responded that this information could be provided. He acknowledged that there was room for improvement in these services and added that the Center was trying to improve its services.

Committee Chair Makarechian asked about the service provided by Salesforce. Mr. Cianca responded that incident reporting comes from Salesforce. UCPATH uses call-routing software. Salesforce provides the software engine but UC employees respond to the inquiries.

Regent Park noted that the UCPATH deployment had been very successful to date, stressed the importance of resolving pay issues for student employees, and stated that using up the contingency suggested that the project might incur more costs. She asked when or how the pay problems would be eliminated. Mr. Russi responded that the systemic issues experienced at UC Riverside and UC Merced had been resolved. There were far fewer pay issues currently than there had been a year prior. The issues arising now were not caused by one common factor. Many interactions occur between the campuses and UCPATH Center, and both were learning more about these interactions. The provision of accurate time files is crucial. These files are generated by campus systems. The UCPATH Center was working with the campuses to ensure that these files are delivered in a timely manner and that they are accurate. Training for campus employees who carry out UCPATH transactions would be an important focus area for the upcoming deployments. Mistakes are made at the UCPATH Center, especially when there is a shift to non-standard processes. For example, if the Center receives a late time file, it tries to squeeze the file into a payroll run, and this can cause additional errors. The problems now being encountered were not systemic. UCPATH was analyzing each problem, determining the root cause, and undertaking preventive actions. Mr. Cianca observed that a few major factors affect the success of a deployment and the system's performance in the months immediately following the deployment. One factor is the accuracy of the data transferred from the legacy system; the "cleaner" these data, the better. UCPATH has asked the campuses to make significant efforts to ensure that legacy data are cleaned up. Mr. Cianca noted that the legacy payroll system did not enforce data integrity. Second, UCPATH is first and foremost a human resources system that provides payroll. The legacy system was a payroll system containing just enough human resources data to allow UC to run payroll. The shift to UCPATH is a paradigm shift for the campuses, and so UCPATH has increased training in preparation for upcoming deployments and tailored this training more specifically to the business activities these campuses will be performing when UCPATH is deployed, rather than more generic training. UCPATH has had to make decisions about timing. The decision to delay deployment at UC Irvine was based on risk management. Chancellor Gillman had initially requested that deployment be moved to September. Based on the experience of past deployments, UCPATH realized that deployment at the beginning of the academic year, when campuses do much hiring, and campus employees carrying out data entry have not yet mastered the UCPATH system, presents too much risk. For this reason, UCPATH asked UC Irvine to move deployment to December. The deployment and cutover to UCPATH for UCLA and UC Santa Barbara took place in September 2018. In retrospect, Mr. Cianca reflected that this was somewhat risky, based on the University's business cycle. He concluded that Regent Park's concerns would be addressed by better training, learning from experience to improve processes, and removing manual steps from the payroll process wherever possible. The legacy payroll system required that three percent of payroll be corrected manually each month, on average. The UCPATH system requires manual correction or an off-cycle check of one to 1.5 percent of payroll. This was a significant improvement that was gained upon

implementation of UCPATH. Issues with student pay centered on the system's compliance regarding FICA and Safe Harbor deductions; data entry has had to become more precise than it was in the past.

Regent Park asked if FICA issues had been 100 percent resolved. Mr. Cianca responded that these issues had been resolved 100 percent at the system level.

Regent Park referred to background information provided and asked why the issuance of instant pay cards was subject to union restrictions. Mr. Cianca explained that a pay card is deemed a form of payment per collective bargaining agreements. Previously, collective bargaining agreements allowed for a paper check or direct deposit. Pay cards were seen as a new form of pay and as such had to be bargained.

Regent Park asked if all students with pay issues were being issued pay cards right away or if there were still delays. Mr. Russi responded that if UCPATH learns of this kind of problem, the student is paid right away and the situation is corrected. The solution might be a pay card or an overnight direct deposit, depending on the employee's wishes. Mr. Brostrom added that it was important to note that under the legacy PPS system there was a higher manual correction rate of three percent. Under that system, pay problems were addressed, not always accurately, in the student's home department. Departments now do not have the means to do this, and problems must be referred to the UCPATH Center. This results in more accurate manual correction, but he acknowledged that this was more cumbersome and that communication can break down at this point because an extra step is involved and because there has been a change in process and culture.

Regent Park asked how long it takes to resolve issues that students bring forward. Mr. Russi responded that the turnaround for off-cycle checks is about three days. Instant pay cards can be issued on the same day. UCPATH was also piloting a program at UC Santa Barbara that would allow the campus to issue a check. If this program worked well at UCSB it would be extended to other campuses.

Regent Park asked about overpayments to students. Mr. Russi responded that if UCPATH has overpaid a student, the system must collect back. This can be done through a payment plan with deductions over a period of months.

Regent Park asked what the likelihood would be of an error in a student's pay being carried over into the next pay cycle. Mr. Russi responded that, if UCPATH knows about a problem, it is corrected immediately. He reiterated that there currently was not one common cause for problems with student pay. If students do not submit their time sheets, UC cannot pay them. Errors in a file will cause errors in pay. UCPATH was working with the campuses to failsafe these processes and ensure continuous improvement.

Regent Park asked why some students were being charged fees for late payments when these situations were due to problems with UCPATH. Mr. Brostrom responded that his understanding was that the campuses had waived these late fees with regard to tuition.

There were fees of \$3 to \$10 associated with using instant pay cards in certain ways; UCPATH was addressing this in concert with graduate students.

Regent Anguiano asked about addressing the root causes of these errors. In spite of the three percent manual correction rate, the legacy payroll system ensured that students were paid. The complexity of changing student appointments and changing fund sources would not go away; the UCPATH system would have to manage this as part of its operations. She asked how UCPATH would focus on user-centered process design so that these problems were addressed throughout the system. Mr. Cianca responded that UCPATH was undertaking a number of initiatives, including engaging a third party to examine these processes to determine if there was waste, inefficiency, or if UCPATH was introducing error into the process unintentionally. The payroll process would always be a partnership between the UCPATH Center and the campuses, and the transmission of accurate data is essential. Some of the problems referenced by Regent Anguiano were due to the fact that this was a new system, breaking 35 years of habit. UCPATH was eager to identify and address any inefficiencies. Mr. Cianca stated his understanding that at this point, everyone who should be paid was being paid; he was not aware of any case of an employee not receiving pay. UCPATH wishes to ensure that the pathways for escalating a complaint are as clear and short as possible in order to eliminate the lag between identification and resolution of a problem. Executive Vice President and Chief Operating Officer Nava added that there were opportunities to improve change management by working with end users and the processes within the UCPATH Center. UCPATH was working with the campuses to improve engagement and accelerate training. UCPATH was making use of training test environments so that campus employees gain more experience using the system and data are correctly entered into data fields. Making these improvements was an area of intense focus.

Staff Advisor Main noted that UCPATH would be implemented at six campuses in December. Two of these locations were unique in many ways – UCSF and Lawrence Berkeley National Laboratory (LBNL). She asked about the risk of errors in a deployment at this many locations at the same time and how UCPATH would ensure sufficient staffing to support this deployment and change to the new system. Mr. Cianca acknowledged that this deployment would involve a high volume of employees. The UC Hastings College of the Law location presented the lowest risk, with a very straightforward payroll structure. LBNL currently ran its own payroll system using PeopleSoft, the same engine that runs the payroll for UCPATH, and the change from one PeopleSoft system to another would be more straightforward than the transition for the other UC locations. With regard to the remaining locations, Mr. Cianca noted that UCSF currently used PeopleSoft. UC Irvine had been preparing for the transition and had almost been ready for a March deployment. Once UCPATH had completed the March deployment there would be no parallel deployments, so that all staff would be focused on and fully dedicated to the December deployment locations.

Committee Chair Makarechian observed that UCPATH would now have about \$1.5 million left in contingency funds for the last year of implementation and recalled that the cost of the project had grown considerably over the history of the project. He asked when the UCPATH team would be able to present statistics and a cost-benefit analysis with hard

numbers showing what benefits the University had gained from creating UCPATH at a cost of approximately \$600 million, what the return on this investment had been. This analysis should also enumerate what other functions UCPATH would fulfill in addition to the payroll function and if UC had reduced the number of employees dedicated to payroll functions. A presentation of this information would also be helpful for the general public. Mr. Brostrom recalled that there had been a presentation at a prior meeting of the business case for UCPATH, including the issues of accuracy, compliance, and cost-benefit over time. The University had a relatively low percentage of employees dedicated to human resources and payroll relative to its total number of employees. This business case could be presented again or recirculated, but the business case would be updated when UCPATH is fully implemented. At that point, comparisons can be made between the legacy system and UCPATH for criteria such as the ratio of payroll specialists to the overall employee population. The contingency fund was related to the group involved in deployment and represented a cost of about \$5.5 million per month. He anticipated that the contingency fund should be adequate if the December deployment is successful at all the planned locations.

Committee Chair Makarechian asked about the outside contractor, Salesforce, engaged in the University's system for responding to user queries. He requested information on the number of these employees, location, and pay. Mr. Brostrom responded that this information and other operating figures were available. Mr. Cianca invited Regents to visit the UCPATH Center.

Student Observer Varsha Sarveshwar remarked that for students struggling with rent and food costs, a late paycheck can be a nightmarish situation. She stated that she was glad to see that student feedback was being taken seriously by the UCPATH team. She asked that students who were not unionized be included in this discussion. University administrators need to keep students informed about what to do when there is a paycheck delay. Students need to have access to in-person assistance to navigate this complex system, and they should not be penalized when paychecks do not arrive on time by being dropped from classes or charged late fees. The UC Student Association was concerned about the upcoming deployment of UCPATH at UC Berkeley and UC Davis, campuses with large populations of graduate students. Ms. Sarveshwar urged the UC administration and the Regents to use their leverage to ensure that these problems are avoided in the future.

The meeting adjourned at 3:55 p.m.

Attest:

Secretary and Chief of Staff