The Regents of the University of California

GOVERNANCE COMMITTEE
July 18, 2019

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

Members present: Regents Anguiano, Elliott, Estolano, Kieffer, Lansing, Leib, Makarechian, Napolitano, Pérez, Sherman, and Zettel

In attendance: Regents Cohen, Guber, Kounalakis, Ortiz Oakley, Park, Simmons, Sures, Um, and Weddle, Regents-designate Mart, Muwwakkil, and Stegura, Faculty Representatives Bhavnani and May, Secretary and Chief of Staff Shaw, General Counsel Robinson, Acting Provost Carlson, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Senior Vice President Holmes, Vice President Humiston, Interim Vice President Leasure, Chancellors Block, Christ, Gillman, Khosla, Larive, Leland, May, Wilcox, and Recording Secretary Johns

The meeting convened at 9:45 a.m. with Committee Chair Pérez presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of May 15, 2019 were approved.

2. **APPROVAL OF APPOINTMENT OF AND COMPENSATION FOR PEGGY ARRIVAS AS INTERIM ASSOCIATE VICE PRESIDENT – CAPITAL ASSET STRATEGIES AND FINANCE, IN ADDITION TO HER EXISTING APPOINTMENT AS ASSOCIATE VICE PRESIDENT – SYSTEMWIDE CONTROLLER, OFFICE OF THE PRESIDENT AS DISCUSSED IN CLOSED SESSION**

<u>Recommendation</u>

The Governance Committee recommended approval of the following items in connection with the appointment of and compensation for Peggy Arrivas as Interim Associate Vice President – Capital Asset Strategies and Finance, Office of the President, in addition to her existing appointment as Associate Vice President – Systemwide Controller, Office of the President:

A. Appointment of Peggy Arrivas as Interim Associate Vice President – Capital Asset Strategies and Finance, Office of the President, effective as an exception to policy

June 1, 2019 through May 31, 2020 or until the appointment of a new Associate Vice President – Capital Asset Strategies and Finance, whichever occurs first.

B. Per policy, continued appointment as Associate Vice President – Systemwide Controller, Office of the President.

C. Per policy, an annual base salary of $371,256 during the appointment as Interim Associate Vice President – Capital Asset Strategies and Finance, Office of the President. At the conclusion of the interim appointment, Ms. Arrivas's annual base salary will revert to her annual base salary in effect as of June 5, 2018, plus any adjustments made under the Office of the President salary program since that date.

D. Per policy, continuation of standard pension and health and welfare benefits and standard senior management benefits including eligibility for senior manager life insurance and executive salary continuation for disability.

E. Per policy, continued eligibility to participate in the UC Employee Housing Assistance Program, subject to all applicable program requirements.

F. Per policy, continuation of monthly contribution to the Senior Management Supplemental Benefit Program.

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

Background to Recommendation

The President of the University recommended the appointment of and compensation for Peggy Arrivas as Interim Associate Vice President (AVP) – Capital Asset Strategies and Finance, Office of the President, in addition to her existing appointment as AVP – Systemwide Controller, Office of the President, with a proposed base salary of $371,256. The proposed base salary is seven percent ($24,288) above Ms. Arrivas's current salary ($346,968), 0.8 percent above the 75th percentile ($368,300) of the Market Reference Zone for the AVP – Capital Asset Strategies and Finance position, and 14.3 percent above the previous incumbent's salary of $324,805. Ms. Arrivas will remain eligible to participate in the 2019 merit program consistent with University-wide guidelines.

In July 2018, the President approved a five percent stipend for Ms. Arrivas in recognition of the additional responsibilities she was given following the departure of the previous incumbent in the AVP – Capital Asset Strategies and Finance role, Sandra Kim. Ms. Arrivas remained eligible for the 2018 systemwide merit program and received a three percent merit increase effective July 1, 2018, bringing her base salary from $336,861 to $346,968. Following the 2018 merit increase, her base plus the five percent stipend, which ended on May 31, 2019, came to $364,316. The five percent stipend was effective June 6, 2018 to May 31, 2019 or until the appointment of a new AVP, whichever occurs first.

During that time, Executive Vice President and Chief Financial Officer (CFO) Nathan Brostrom decided not to backfill the position or launch a national search until an assessment of his organization had been completed to determine the appropriate structure. CFO Brostrom will begin his appointment as Interim Chancellor, Merced campus in August 2019; however, he will still complete the organizational review. In the meantime, he has requested that Ms. Arrivas be appointed as the Interim AVP – Capital Asset Strategies and Finance as she has taken on the full set of responsibilities of that role in addition to her current responsibilities as the AVP – Systemwide Controller.

The interim appointment and compensation would be effective for 12 months retroactively from June 1, 2019 through May 31, 2020, or until a new AVP – Capital Asset Strategies and Finance is appointed, whichever occurs first. Once the appropriate structure is determined, CFO Brostrom plans to launch a competitive national recruitment to backfill the Associate Vice President – Capital Asset Strategies and Finance position following the completion of the Office of the CFO organizational structure review.

At the conclusion of the interim appointment, Ms. Arrivas will continue in her current position as AVP – Systemwide Controller, Office of the President, and her base salary will revert to the base salary that was in effect as of June 5, 2018, plus any adjustments made under the Office of the President salary program during the time she received the stipend and/or during the interim appointment.

This action requires approval by the Regents because the proposed base salary is above the 75th percentile of the Market Reference Zone for this Level Two Senior Management Group position and because the retroactive effective date constitutes an exception to policy.

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

Chair Pérez briefly introduced the item.

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

3. **APPROVAL OF APPOINTMENT OF AND COMPENSATION FOR PK AGARWAL AS DEAN – UNIVERSITY EXTENSION, SANTA CRUZ CAMPUS AS DISCUSSED IN CLOSED SESSION**

<u>Recommendation</u>

The Governance Committee recommended approval of the following items in connection with the appointment of and compensation for PK Agarwal as Dean – University Extension, Santa Cruz campus:

A. Per policy, appointment of PK Agarwal as Dean – University Extension, Santa Cruz campus, at 100 percent time.

B. Per policy, an annual base salary of $260,000.

C. Per policy, standard pension and health and welfare benefits and standard senior management benefits including eligibility for senior management life insurance and executive salary continuation for disability (eligible after five consecutive years of Senior Management Group service).

D. Per policy, eligibility to participate in the UC Employee Housing Assistance Program, subject to all applicable program requirements.

E. This action will be effective on or about August 1, 2019.

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

Background to Recommendation

The President of the University recommended approval of the appointment of and compensation for PK Agarwal as Dean – University Extension, Santa Cruz campus, at 100 percent time with a proposed annual base salary of $260,000 effective upon his hire date which is estimated to be August 1, 2019.

The campus conducted a competitive national recruitment, and Mr. Agarwal emerged as the top candidate.

This action requires approval by the Regents because the proposed base salary ($260,000) is above the 60th percentile of this Level Two Senior Management Group position's Market Reference Zone (MRZ) and exceeds the previous incumbent's base salary by more than ten percent.

The proposed base salary and position in the MRZ are appropriately aligned with comparable positions at other UC campuses, taking into account Mr. Agarwal's depth and breadth of directly applicable experience in the areas of technology, education, and program creation coupled with the challenge of a talent pool that is limited and very competitive.

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

Chair Pérez briefly introduced the item.

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

4. **APPROVAL OF APPOINTMENT OF AND COMPENSATION FOR CARRIE BYINGTON, M.D., AS EXECUTIVE VICE PRESIDENT – UC HEALTH, OFFICE OF THE PRESIDENT AS DISCUSSED IN CLOSED SESSION**

Recommendation

The Governance Committee recommended approval of the following items in connection with the appointment of and compensation for Carrie Byington as Executive Vice President – UC Health, Office of the President:

A. Per policy, appointment of Carrie Byington, M.D. as Executive Vice President – UC Health, Office of the President, at 100 percent time.

B. Per policy, annual base salary of $869,800, which will be partially or fully State-funded.

C. Per policy, eligibility to participate in the Short Term Incentive (STI) component of the Clinical Enterprise Management Recognition Plan (CEMRP), with a target award of 20 percent of base salary ($173,960) and maximum potential award of 30 percent of base salary ($260,940), subject to all applicable plan requirements and Administrative Oversight Committee approval. Actual award will be determined based on performance against pre-established objectives and will be prorated in her first year of participation. CEMRP incentive awards are funded by Health Enterprise revenues. No State funds will be used.

D. Per policy, eligibility to participate in the Long Term Incentive (LTI) component of the Clinical Enterprise Management Recognition Plan (CEMRP), with a target award of ten percent of base salary and a maximum potential award of 15 percent of base salary, subject to all applicable plan requirements and Administrative Oversight Committee approval. The LTI uses rolling three-year performance periods, and any actual award will be determined based on performance against pre-established objectives over the three-year LTI performance period and will be prorated in her first three-year performance period. CEMRP incentive awards are funded by Health Enterprise revenues. No State funds will be used.

E. Reimbursement of actual and reasonable moving and relocation expenses associated with relocating Dr. Byington's primary residence, subject to the limitations under Regents Policy 7710, Senior Management Group Moving Reimbursement, except for the specific exception to policy listed below.

(1) As an exception to policy, authorize reimbursement of the cost of either furnished or unfurnished temporary lodging up to 180 days, not to exceed $30,000 in total. The policy limitations of 90 days for reasonable residential

parking fees and 30 days for meals, if the temporary quarters do not have cooking facilities, remain unchanged.

F. Per policy, eligibility to participate in the UC Employee Housing Assistance Program, subject to all applicable program requirements.

G. Per policy and contingent upon the San Francisco campus's approval of a tenured academic appointment, eligibility to accrue sabbatical credits as a member of the tenured faculty, consistent with academic personnel policy.

H. Per policy, standard pension and health and welfare benefits and standard senior management benefits including eligibility for senior management life insurance and eligibility for executive salary continuation for disability (eligible after five consecutive years of Senior Management Group service).

I. For any outside professional activities, Dr. Byington will comply with applicable Outside Professional Activity (OPA) policies and reporting requirements.

J. This action will be effective as of Dr. Byington's hire date, estimated to be on or about October 31, 2019.

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

Background to Recommendation

The President of the University recommended that the Regents approve the appointment of and compensation for Carrie Byington, M.D. as Executive Vice President (EVP) – UC Health, Office of the President, effective upon her hire date which is estimated to be on or about October 31, 2019.

The EVP-UC Health position is classified as a Level One position in the Senior Management Group (SMG); therefore, this action requires approval by the Regents. In accordance with the Governance Committee Charter, the Chair of the Health Services Committee was consulted on this salary action as this is a role within UC Health; however, because the position is funded at least in part using State General Funds, the Governance Committee is the committee to recommend this action to the full Board of Regents for approval.

The current incumbent, Dr. John Stobo, will be retiring. The Office of the President completed a national competitive recruitment for this position and Dr. Byington has been identified as the top candidate from a diverse applicant pool.

The President recommended an appointment at 100 percent time with an annual base salary of $869,800, which is at the 75th percentile of the Market Reference Zone (MRZ) for this position ($869,800) and 33.2 percent over the base salary of the current incumbent ($652,800). The proposed base salary is consistent with Regents Policy 7701, Senior Management Group Appointment and Compensation, and reflects an appropriate salary, taking into account Dr. Byington's level of experience and her unique skill set spanning both the management of a clinical enterprise as well as the teaching and research areas that are essential to UC's mission. Additionally, as it is hard to find proven leadership with experience in both the business and academic side of a health system, there is a limited talent pool and competitive market for this position.

Subject to academic personnel policy and review processes, the San Francisco campus will pursue a tenured faculty appointment for Dr. Byington at zero percent time and without salary. A tenured faculty position would underlie the EVP-UC Health position and be available at 100 percent time when she steps down from the EVP-UC Health position.

Additionally, the President recommended an exception to policy of up to 180 days for the period of time covered for temporary housing-related expenses in connection with furnished or unfurnished temporary lodging. Regents Policy 7710, Senior Management Group Moving Reimbursement, authorizes reimbursement for the cost of furnished temporary lodging up to 90 days, reasonable residential parking fees up to 90 days, and meals for the first 30 days of residence in temporary quarters that do not have cooking facilities. The exception request is to extend only the reimbursement for temporary housing from 90 days to 180 days at a total cost not to exceed $30,000 and also to allow for reimbursement of either unfurnished or furnished housing for that time period. Residential parking fees and meals as noted above will not be extended past the limitations in policy.

The Office of the President will manage all other details of the relocation package for Dr. Byington within the limitations of policy.

Following review and approval by the Administrative Oversight Committee, Dr. Byington will be eligible to participate in the Clinical Enterprise Management Recognition Plan's (CEMRP) Short Term Incentive (STI) component, with a target award of 20 percent of base salary ($173,960) and maximum potential award of 30 percent of base salary ($260,940), subject to all applicable plan requirements and Administrative Oversight Committee approval. Actual award will be determined based on performance against pre-established objectives and will be prorated in her first year of participation.

Also following review and approval by the Administrative Oversight Committee, Dr. Byington will be eligible to participate in CEMRP's Long Term Incentive (LTI) component as well, with a target award of ten percent of base salary and a maximum potential award of 15 percent of base salary, subject to all applicable plan requirements and Administrative Oversight Committee approval. Actual award will be determined based on performance against pre-established objectives and will be prorated in her first three-year period of participation based on the number of complete months employed during that performance period.

As EVP-UC Health, Dr. Byington will be authorized to exercise the full authority of this position. She will report to the President of the University and will be responsible for providing strategic direction, oversight, and guidance for the UC Health System, which spans across six UC campuses and the UC Health Division within the Office of the President. She will develop systemwide objectives, programs, and initiatives that promote and strengthen collaboration across the system and are focused on quality of education and clinical delivery, financial performance, patient satisfaction, resource management, and execution of the UC Health System strategic plan.

Dr. Byington currently serves as the Jean and Thomas McMullin Professor and Dean of the Texas A&M College of Medicine, Senior Vice President of the Texas A&M University Health Science Center, and Vice Chancellor for Health Services for Texas A&M University System, a multi-institution public University system. Prior to joining Texas A&M University in 2017, Dr. Byington served at the University of Utah for over 20 years, in roles with increasing levels of responsibility. Her most recent roles at the University of Utah were held concurrently as Presidential Professor of Pediatrics and Associate Vice President for Faculty and Academic Affairs for the University of Utah Health Sciences Center, Vice Dean for Academic Affairs and Faculty Development for the University of Utah School of Medicine, and Director and Principal Investigator for the Utah Center for Clinical and Translational Science. She was also a Distinguished Service Professor at the University of Utah.

She holds active Medical Licenses in Texas and Utah and has also held Medical Licenses in California and Nevada. Dr. Byington is an active member of the American Board of Pediatrics in both General Pediatrics and Pediatric Infectious Diseases.

Dr. Byington received her bachelor's degree from Texas A&M University and earned her medical degree from the Baylor College of Medicine, where she also completed an internship in pediatrics and residency in pediatrics, and served as the Neonatal Chief Resident. She also completed a fellowship at the University of California, San Francisco, in pediatric infectious diseases.

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

Chair Pérez briefly introduced the item.

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

5. **ESTABLISHMENT OF A NEW SENIOR MANAGEMENT GROUP POSITION OF CHIEF STRATEGY OFFICER AND HEAD OF HEALTH AFFILIATES NETWORK, UCSF HEALTH, AND THE MARKET REFERENCE ZONE FOR THE POSITION, SAN FRANCISCO CAMPUS**

The President of the University recommended that the Governance Committee approve:

A. Establishment of a new Senior Management Group position of Chief Strategy Officer and Head of Health Affiliates Network, UCSF Health, San Francisco campus. This will be a Level Two position in the Senior Management Group.

B. Establishment of a Market Reference Zone for this position as follows: 25th percentile – $557,500, 50th percentile – $689,900, 60th percentile – $747,900, 75th percentile – $834,800, and 90th percentile – $925,700.

C. The position also includes eligibility to participate in the Short Term Incentive (STI) component of the Clinical Enterprise Management Recognition Plan (CEMRP), with a target award of 15 percent and a maximum potential award of 25 percent of base salary. Participation is reviewed and approved prior to the start of each CEMRP Plan Year.

D. This action will be effective upon approval.

[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.]

UCSF Health Chief Executive Officer Mark Laret introduced this item by noting that, like many other academic medical centers, UCSF, over the past five to six years, had been actively developing a network of affiliated physicians and hospitals throughout its region to ensure that it can fulfill its academic mission by having enough patients for its teaching and clinical research programs as well as ensuring its financial viability. The UC medical centers were entirely self-supporting, competing for patients with Kaiser Permanente, Stanford Health Care, Sutter Health, and other health systems. Over the past several years, UCSF had built a large number of relationships with hospitals and physician groups. At this point, the management of all these affiliate relationships had become a significant task. The UCSF organization was originally designed to manage a hospital operation; then it expanded to incorporate the faculty practice plan, and now UCSF had a large number of affiliates in the community. This item was being presented for the Regents' approval so that UCSF could have a senior leader responsible for ensuring that all UCSF's relationships with affiliates meet UC standards for quality and safety, patient experience, and information technology security. This position had been highlighted by UCSF's external board of advisors, and this external board urged UCSF to implement the position.

As part of their fiduciary duties, the Regents wish to ensure that campuses are spending their funds wisely. When UCSF embarks on new relationships, the starting point is a set of pro forma financial statements and expectations. UCSF wishes to have a system of accountability so that, three or five years after UCSF has engaged in a relationship, UCSF could demonstrate successes as well as indicate where it had failed to meet financial projections. The proposed Senior Management Group position would play an important role in accountability. As UCSF considered this role in the context of a larger reorganization, Mr. Laret was concerned that the organization not become top-heavy. UCSF engaged Sullivan Cotter, which conducted a survey of 53 academic medical centers, determining the percentage of executives with a vice president title or above and the percentage of an organization's total expenses used to pay compensation to those executives. The results of the survey indicated that UCSF Health fell between the 50th and 75th percentiles of major academic medical centers in terms of size. UCSF was a $4.5 billion to $5 billion operation; the 50th percentile was $4.1 billion and the 75th percentile was $5.5 billion. With regard to the percentage of total expenses consumed by executive compensation, the 50th percentile was 0.41 percent and the 75th percentile was 0.57 percent. The percentage at UCSF was 0.46 percent, indicating that UCSF was not top-heavy but consistent with peer organizations. As a self-supporting organization, UCSF is concerned about managing expenses across the board. UCSF sought the Regents' support for this position, which it believes is critically important for UCSF operations and for accountability in meeting expectations.

Chair Pérez asked if this item had already been approved by the Health Services Committee. Mr. Laret responded in the affirmative.

Regent Zettel stated that Mr. Laret had made an excellent case for this position.

Regent Elliott asked if the Regents should expect that other campuses would want to establish similar positions in the near future. Director Rebekah Fernandez responded that this would be considered on a case-by-case basis. If another campus or medical center wished to propose such a position, it could do so. There were similar Senior Management Group roles at other locations, but without the combination of strategy and health affiliates network management; this position had more responsibilities. Regent Elliott asked if the Office of the President expected other medical centers to propose positions like this one, which would pay a higher salary. Ms. Fernandez responded that the University did not expect this at this time. Mr. Laret added that this position was not an effort to secure a higher salary for someone, but represented a new role and function. He recalled that, when he began working in hospital administration, there was no marketing function or quality and safety function. Currently every health system had these functions. He anticipated that this kind of position would become more common in academic medical centers. UCLA also had a large network of affiliates. This kind of role should not be a surprise to the Regents because it reflected a change in how UC Health does business, from being narrow and isolated to becoming part of a regional delivery system that UC Health does not completely own and control. This raises additional issues that require management attention.

Regent Elliott noted that the background material referred to a previous position. He asked if that position would be eliminated with the creation of this new position. Mr. Laret responded that this title had been used before. Ken Jones joined UCSF as Chief Financial Officer in 2001. In 2008, the UCSF Chief Operating Officer left; Mr. Jones assumed that role and remained in that role until 2016. In late 2016 he announced his intention to retire in 2017. Mr. Jones had been involved in establishing a number of UCSF's affiliations and its growing network. UCSF began a search for a replacement Chief Operating Officer but did not fill the position. At this point UCSF needed to fill this role.

Regent Elliott asked if UCSF intended to fill the remaining position that Mr. Jones held. Mr. Laret responded in the negative, explaining that this was that Senior Management Group position.

Upon motion duly made and seconded, the Committee approved the President's recommendation.

6. **RESOLUTION TO EXCLUDE ACCESS TO FEDERAL CLASSIFIED INFORMATION**

The President of the University recommended that the Governance Committee recommend to the Regents that the resolution pertaining to the University's Department of Energy Facility Security Clearance be approved as shown in Attachment 1.

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

Secretary and Chief of Staff Shaw explained that this was a routine item, per policy, to exclude the Board Chair from federal classified information while the relevant security clearance was being processed.

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

7. **ADOPTION OF REGENTS' PRINCIPLES ON CONTRACTING OUT**

The President of the University recommended that the Governance Committee recommend to the Regents that the Guiding Principles on Contracting Out as shown in Attachment 2 be adopted.

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

President Napolitano began the discussion by underscoring that the University is the third-largest employer in the State of California and that UC supports all its employees, including those who provide cleaning or custodial services, groundskeeping, building maintenance, transportation, food services, and other services. She understood why the issue of contracting out was of such import and interest to the Board and to UC employees. She felt that the University could further limit the use of outside labor. UC currently had limits in place but could better identify the specific limited circumstances under which UC would be allowed to use outside labor. The University should also align its practices as closely as possible with the State's standards for contracting outside labor. This item presented a set of Guiding Principles. If a more detailed policy were deemed necessary, the Office of the President would be prepared to propose such a policy at a future meeting.

Executive Vice President and Chief Financial Officer Brostrom commented that UC was reviewing its current contracting practices to determine if there were areas for further improvement and better alignment, without compromising the mission of the University. The Guiding Principles presented in this item were intended to limit instances in which contracting outside labor would be allowed, to specify when it may occur, to provide adequate notification to affected unions, to set limits on displacement, and to guide contractor requirements, enforcement, and reporting. The intent is that these principles would provide a framework to inform both future University policies and collective bargaining agreement provisions related to service contracts. Under current policy, UC will not contract out solely on the basis of savings that result from lower contractor pay and benefits. The University currently contracts out for services with very specific reasons. One such reason is short-term and temporary staffing needs. Under the Family and Medical Leave Act, UC uses contract labor to fill vacancies or when employees are out. Under the Act, employees are provided with up to 12 weeks of unpaid, job-protected leave annually. At the UC Davis Medical Center, between January and June, 2,300 employees qualified for leave. UC Davis used some contract and contingency staff so that these jobs were there when the employees returned. Another reason for contracting out is the need for special expertise and experience. At one point UC Berkeley needed to engage specialized arborists to trim and remove eucalyptus trees. UC might contract out for emergency services that require specialized equipment. In 2014, a water main broke near UCLA, flooding a parking garage and parts of Pauley Pavilion. UCLA required immediate resources to help the campus remove water and debris and restore facilities to working order. The proposed Guiding Principles complemented these aspects of the current policy and better aligned University practices with State standards. This issue was of particular importance to UC's medical centers, which accounted for nearly 60 percent of this contract activity. The medical centers need to balance these provisions with the flexibility to respond to changes in patient census and patient conditions on short notice. These change so frequently that hospital leadership reviews census and acuity at least every four hours. During flu season, between January and April, hospitals are overfilled, and census and acuity change dramatically. Hospitals use short-term staffing to address increased census.

Regent Park stated that she would have preferred to see this matter brought forward as a discussion item first. While principles do not have to be absolute, these Guiding Principles could have been more absolute, with the understanding that they are principles and that there might need to be flexibility in applying them. She asked the University to be mindful of the Guiding Principles as being more resolute than expressed here.

Regent Cohen remarked that the Guiding Principles did not seem like principles. The opening comments by President Napolitano and Mr. Brostrom were more compelling and provided a much clearer idea of what the University was trying to accomplish. Reading the Guiding Principles document, one had no idea what the University was trying to do and what would be allowable.

Chair Pérez raised several concerns. With respect to contractor requirements to comply with the Fair Wage/Fair Work Plan, the statement in the Guiding Principles was commendable but did not go far enough. There was still not enough history and experience of reporting on the Fair Wage/Fair Work Plan to indicate that UC had all the tools necessary in that area. With regard to the statement that UC would not contract out solely for wage and benefit savings, it appeared that UC could have some secondary reason for contracting out. Chair Pérez stated that UC should arrive at a principle or policy such that UC would pay contract employees at least what it would have been paying UC employees for the same work. This would eliminate any potential economic benefit of contracting out. He raised the issue of displacement, both prospective displacement and past patterns and practices. Some temporary and contract employees at UC had been in this status for a long period of time. There was a difference between needing flexibility for contracting out for specific work for short periods of time or for certain work categories where it might be difficult to maintain a staffing level and having temporary employees in a location for a number of years. UC should consider how contract employees who have been working at a UC location for an extended period could become UC employees. He asked that these issues be discussed at a future meeting.

Regent Simmons urged the University to consider small, disadvantaged, and local businesses in its principles on contracting out; UC should strive for diversity, equity, and inclusion in this area and for its contract employees as well as in other areas.

Regent Kieffer distinguished two types of savings: one derived from paying an employee less per hour, and another from engaging an employee on a temporary basis rather than hiring permanently. He asked that the Guiding Principles clarify which type of savings were being referred to, and stated his understanding that UC's savings in these cases should come from engaging employees on a temporary rather than a permanent basis.

Regent Weddle asked about instances of misalignment between principles and practices and how such situations would be addressed. Mr. Brostrom responded that, by UC's best estimate, the University had about $523 million in outsourced contracts; this was compared to a general campus budget of $9 billion, and about 50 percent higher if one included the medical centers. Most contracting out, or about 57 percent, occurs at the medical centers. The Guiding Principles would need to be enforced throughout the manifold and variegated UC enterprise. Regent Weddle noted that she expected UC to incorporate this into its procurement guidelines as well.

Regent Ortiz Oakley observed that it was important to consider not just the issue of contracting out or displacement but the need to invest in professional development of UC staff so that, if there are changes in the workforce, UC staff are prepared to take on other responsibilities and have opportunities for other jobs in the University. UC is like other employers, and employers were recognizing the need to invest in workforce development. The University should consider this in any policy or practice allowing outsourcing.

Regent Park remarked that, in considering the economic issue of savings and the compensation paid to employees, the calculation of benefits was also a significant issue. She concurred with Regent Ortiz Oakley about the importance of staff development. UC needed to find the appropriate level or degree of flexibility in contracting out.

Regent Makarechian recalled the outsourcing of information technology staff that had occurred at UCSF. He requested a definition of the "savings" referred to in the Guiding Principles document and observed that temporary or contract workers might not do a better job than UC employees and that UC employees take pride in their work for the University.

Regent Leib referred to the figure of $523 million in outsourcing mentioned by Mr. Brostrom. Mr. Brostrom explained that this was the figure for the past fiscal year. Fifty-seven percent of contracting out took place at the medical centers and 43 percent at the campuses, but the campuses' total spending in these areas represented only two percent of the outsourcing.

Regent Estolano proposed amendments to the language of the Guiding Principles. She suggested striking out the first sentence in the paragraph on standards: "The University will not contract out solely on the basis that savings will result from lower contractor pay and benefits." Following the sentence, "The circumstances under which covered service contracts are permitted should align as much as possible with the State standards governing the use of personal services contracts (Government Code 19130)," she suggested adding a sentence such as "The value and benefits for employees of contracted services shall not be less than that of University employees." In the paragraph on displacement, in the sentence: "Covered service contracts should limit the displacement of University employees," replace "should" with "will." In the paragraph on enforcement, in the sentence: "An oversight and enforcement structure should be created to address affected union disputes regarding covered service contracts," replace "should" with "shall." In the final paragraph, on reporting, in the sentence: "Reporting on covered service contracts should be provided annually," replace "should" with "shall."

Regent Elliott stated that he would feel more comfortable if the Regents deferred action on amending or approving the Guiding Principles in order to have more discussion. Regent Kieffer concurred, noting that there were complex issues to consider, such as the question of benefits. He advised taking more time to think through and discuss these issues. Chair Pérez proposed that amendments be limited to fine-tuning the language of the Guiding Principles, such as the amendments proposed by Regent Estolano. With regard to deeper structural amendments, the Board had expressed concerns that should be evaluated and brought back for further review. Regent Kieffer expressed misgivings about taking too much action on the spur of the moment. President Napolitano stated that she was comfortable with the amendments proposed by Regent Estolano; with regard to the paragraph on standards, in particular, she suggested that the Office of the President work on and rewrite this language, and bring it back to the Regents.

Regent Estolano moved that the following amendments to the language of the Guiding Principles be adopted. In the paragraph on displacement, in the sentence: "Covered service contracts should limit the displacement of University employees," replace "should" with "will." In the paragraph on enforcement, in the sentence: "An oversight and enforcement structure should be created to address affected union disputes regarding covered service contracts," replace "should" with "shall." In the final paragraph, on reporting, in the sentence: "Reporting on covered service contracts should be provided annually," replace "should" with "shall."

Upon motion duly made and seconded, the amendments proposed by Regent Estolano were adopted.

Regent Estolano suggested that the Committee request that the Office of the President provide updated language for the paragraph or section on standards, language that better reflects the Regents' desire to ensure that there are not cost savings associated with contracting out due to the value of wages and benefits.

Chair Pérez stated the general expectation that the Guiding Principles be brought back to the Regents for further consideration in the form of a more refined item.

In response to a question by Regent Park and following commentary by General Counsel Robinson, Chair Pérez invited the Regents to share their thoughts with UC staff working on the Guiding Principles. This would be one-way communication and nothing would be shared serially.

Regent Lansing observed that the Guiding Principles document expressed the intention of the University and the Regents but left out important matters, such as the situation of individuals who have been temporary or contract employees at UC for long periods. She asked why the Regents would vote on a statement of principles when important elements were missing.

Chair Pérez stated that the Board had made its general direction and intentions clear regarding the Guiding Principles. He raised the question of whether the Regents would like to approve the Guiding Principles as amended, as an immediate public expression of its intensions, with the expectation that they would adopt a more thorough document at the September meeting. The Regents could approve an interim statement while Office of the President staff worked on teasing out issues raised by the Board.

Regent Lansing expressed her approval of the general direction indicated in this discussion; nevertheless, many key elements were missing that would signal the Regents' intention. Producing a softer version of the document might harm the University, while a stronger version would be desirable. Promises are futile if they are not documented. The question of how contract employees who have been working at a UC location for an extended period could become UC employees was an urgent matter. She suggested that the Regents convene a special meeting to discuss this. Chair Pérez suggested that action on this item be deferred until the next meeting, whether a regular or special meeting. Regent Kieffer remarked that the Regents' intention and direction were clear. He would leave it to the Chair to determine how best to discuss this matter.

Chair Pérez moved that this item be deferred until the September meeting. Upon motion duly made and seconded, the motion was approved.

Chair Pérez concluded that the Regents had expressed a clear sense of their direction and intention with regard to the Guiding Principles.

8. **AMENDMENT OF THE SCHEDULE OF REPORTS TO THE REGENTS**

The President of the University recommended that the Schedule of Reports be amended as shown in Attachment 3.

[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.]

Secretary and Chief of Staff Shaw explained that this was a routine item. The Schedule of Reports to the Regents is a collection of reports required or requested by the Board; any changes must be approved by the Regents. None of the proposed changes were controversial.

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

9. **ANNUAL REPORTS ON COMPENSATED AND UNCOMPENSATED OUTSIDE PROFESSIONAL ACTIVITIES FOR CALENDAR YEAR 2018, AND SEMI-ANNUAL REPORTS ON OUTSIDE PROFESSIONAL ACTIVITIES APPROVED BETWEEN JUNE 1, 2018 AND NOVEMBER 30, 2018 AND BETWEEN DECEMBER 1, 2018 AND MAY 31, 2019**

[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 explained that this item presented information to the Regents on the Senior Management Group's Outside Professional Activities performed in calendar year 2018, and the Outside Professional Activity requests approved between June 2018 and the end of May 2019. Regents Policy 7707: Senior Management Group Outside Professional Activities had been revised in January 2019 and the Outside Professional Activities presented in this item were being reported under the new Policy guidelines. There were fewer compensated and uncompensated Outside Professional Activities in 2018 than in the previous year. There was one Policy exception which had been approved by the Board at the May meeting.

The meeting adjourned at 10:35 a.m.

Attest:

Secretary and Chief of Staff

Attachment 1

RESOLUTION

Pursuant to the *Policy on Security Clearance for Access to Federal Classified Information* adopted on March 29, 2012, and amended on December 30, 2015 and March 16, 2017, and this Resolution, the following named Key Management Personnel member as defined in Regents Policy 1600 shall not require, shall not have, and can be effectively excluded from access to all classified information and/or special nuclear material released to the Regents of the University of California until such individual is granted the required access authorization from the cognizant security agency. And, as a consequence of this Resolution, such individual does not occupy a position that would enable him to adversely affect the policies or practices of the University of California, or its subsidiary, regarding the performance of classified contracts for the United States Government.

NAME	**TITLE**
John A. Pérez	Chair of the Board of Regents

Revised
Addition shown by underscoring

Guiding Principles on Contracting Out

The University allows contracting for services when the decision is consistent with protecting the core teaching, research, service and patient care functions of the University; is in response to demonstrated operational requirements; prioritizes use of University resources in delivery of services; and, meets all applicable University policies and collective bargaining agreements.

Service contracts for persons providing services such as cleaning or custodial services; groundskeeping; building maintenance; transportation; security services; <u>food services;</u> billing and coding services; sterile processing; hospital or nursing assistant services; and medical imaging or respiratory therapy technician services, will be limited to specific purposes according to identified standards adopted through University policy or negotiated into applicable collective bargaining agreements.

In developing University policy or collective bargaining agreement provisions related to the above-mentioned types of service contracts ("covered service contracts"), the following elements shall guide this work:

- *Standards*: The University will not contract out solely on the basis that savings will result from lower contractor pay and benefits. The circumstances under which covered service contracts are permitted should align as much as possible with the State standards governing the use of personal services contracts (Government Code 19130). The role of the University's health systems in providing essential public health care to Californians should be taken into account.

- *Contractor Requirements:* Covered service contractors must comply with the University's Fair Wage/Fair Work plan.

- *Notice*: Adequate advanced notice should whenever possible be provided to affected unions prior to entering into a covered service contract.

- *Consideration of Alternatives*: The circumstances under which affected unions may offer alternatives to entering into a covered service contract should be identified and those alternatives should be fully considered and adopted, whenever practicable.

- *Displacement:* Covered service contracts should limit the displacement of University employees. Should displacement occur, the provisions of any applicable collective bargaining agreement regarding alternate priorities will be followed.

- *Enforcement:* An oversight and enforcement structure should be created to address affected union disputes regarding covered service contracts.

- *Reporting:* Reporting on covered service contracts should be provided annually.

Additions shown by underscoring; deletions shown by strikethrough

SCHEDULE OF REPORTS TO THE REGENTS
[Pursuant to the Policy on Reports to Regents]

Amended ~~May 2018~~ July 2019	**Month(s) Provided to Regents**
BOARD	
Annual University of California Accountability Report	July
UC Health Strategic Plan and Budget	~~November~~ May
Health Systems Transactions Approved by Health Services Committee *(mbm)*	July
GOVERNANCE AND COMPENSATION COMMITTEE	
Annual Reports on Executive Compensation for Calendar Year___: (a) Incumbents in Senior Management Positions and (b) Deans and Certain Faculty Administrators (mbm)[1]	July
Annual Report on Compensated Outside Professional Activities for Calendar Year ___: Incumbents in Senior Management Positions	July
Semi-Annual Report on Outside Professional Activities Approved in the Preceding Six Month Period: Incumbents in Senior Management Positions *(mbm)*	January July
Annual Report on Compensated Outside Professional Activities for Calendar Year ___: Deans and Faculty Administrators *(*mbm)	January
Annual Compensation Monitoring Report for Calendar Year ___: Actions for Certain Athletic Positions and Coaches Systemwide (mbm)	July
COMPLIANCE AND AUDIT COMMITTEE	
Biennial Report on Risk Management (mbm)	November
Annual Report on Use of Outside Counsel (mbm)	January
Annual Report on Settlements and Separation Agreements (mbm)	January

[1] mbm: Report is sent to all Regents as a mailing between meetings (mbm)

Bi-Monthly Report on New Litigation (mbm)	January March May July September November
Internal Audit Plan	July
Annual Review of External Audit of Hastings College of the Law (mbm)	March
~~Summary of Results of the University's A-133 Audit~~ Report on Financial Statements and Expenditures of Federal Awards in Accordance with Uniform Guidance (mbm)	March
Annual Ethics and Compliance Plan	July
Annual Report on Ethics and Compliance	September
Annual Report of External Auditors for the Year Ended June 30, ___	November
Annual Report on Internal Audit Activities	November

ACADEMIC AND STUDENT AFFAIRS COMMITTEE

Annual Report on Student Financial Support (mbm)	March
Annual Report on Undergraduate Admissions Requirements and Comprehensive Review (mbm)	March
Annual Report on Self-Supporting Professional Degree Programs (mbm)	August
Annual Accountability Sub-Report on Diversity at the University of California	May
University of California Technology Commercialization Report (mbm)	May
Annual Report on Implementation of Regents Policy on Student-Athletes and the Guiding Principles to Enhance Student-Athlete Welfare	September

FINANCE AND CAPITAL STRATEGIES COMMITTEE

Annual Report on University Housing Assistance Programs (mbm)	January
University of California Financial Reports	November
Annual University of California Retirement Plan-Actuarial Valuation Report	November

Annual Actuarial Valuation of the University of California Retiree Health Benefit Program	November
Annual Report on Debt Capital and External Finance Approvals (mbm)	~~January~~ February
Annual Report on Major Capital Projects Implementation (mbm)	October
~~Ten-Year Consolidated State and Non-State~~ Capital Financial Plan	November
Significant Information Technology Projects	March July (mbm) November (mbm)

HEALTH SERVICES COMMITTEE

University of California Medical Centers Reports (mbm)	March June November
Annual Report on Health Sciences Compensation Plan Participants' Compensation that Exceed the Reporting Threshold (mbm)	November
Annual Report on Student Health and Counseling Centers and UC Student Health Insurance Plan (mbm)	March

INVESTMENTS ~~SUB~~COMMITTEE

Annual Endowment Investment Report (mbm)	December
Annual Report of the Chief Investment Officer	September
~~Annual Report on UC Ventures~~	~~September~~

PUBLIC ENGAGEMENT AND DEVELOPMENT COMMITTEE

Annual Report on Private Support, Major Donors, and Namings and Endowed Chairs	November
Annual Report on Sustainable Practices	January