

The Regents of the University of California

FINANCE AND CAPITAL STRATEGIES COMMITTEE

May 12, 2021

The Finance and Capital Strategies Committee met on the above date by teleconference meeting conducted in accordance with Paragraph 3 of Governor Newsom's Executive Order N-29-20.

Members present: Regents Cohen, Estolano, Kounalakis, Leib, Muwwakkil, Park, Reilly, and Sherman; Ex officio members Drake and Pérez; Advisory members Gauvain and Lott; Chancellors Christ, Gillman, Hawgood, Khosla, Muñoz, and Wilcox; Staff Advisor Jeffrey

In attendance: Regents Elliott and Stegura, Regent-designate Zaragoza, Faculty Representative Horwitz, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Brown, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President Byington, Executive Vice President and Chief Operating Officer Nava, Chancellors Larive and May, and Recording Secretary Johns

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

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes the meeting of March 17, 2021 were approved, Regents Cohen, Estolano, Kounalakis, Leib, Muwwakkil, Park, Pérez, Reilly, and Sherman voting "aye."¹

2. DESIGN FOLLOWING ACTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, AGGIE SQUARE PHASE 1 MIXED USE RESIDENTIAL AND ALICE WATERS INSTITUTE FOR EDIBLE EDUCATION PROJECT AND BUDGET, SCOPE, AND EXTERNAL FINANCING, CAMPUS PROGRAM SPACE TENANT IMPROVEMENTS, UC DAVIS SACRAMENTO CAMPUS

The President of the University recommended that:

- A. The 2020–21 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Davis: Aggie Square Phase 1 Campus Program Space Tenant Improvements – preliminary plans, working drawings, construction, and equipment – \$15,696,000 to be funded by external financing.

¹ Roll call vote required by the Bagley-Keene Open Meeting Act [Government Code § 11123(b)(1)(D)] for all meetings held by teleconference.

- B. The scope of the Aggie Square Phase 1 Campus Program Space Tenant Improvements Project shall provide approximately 14,700 gross square feet of space for campus programs.
- C. The President be authorized to obtain external financing in an amount not to exceed \$15,696,000 plus additional related financing costs for the Aggie Square Phase 1 Campus Program Space Tenant Improvements. 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 Davis campus shall be maintained in amounts sufficient to pay the debt service and to meet the requirements of the authorized financing.
 - (3) The general credit of the Regents shall not be pledged.
- D. Following review and consideration of the environmental consequences of the Aggie Square Phase 1 Mixed Use Residential and Alice Waters Institute for Edible Education Project, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than 48 hours in advance of the beginning of this Regents meeting, testimony, or written materials presented to the Regents during the scheduled public comment period and the item presentation, the Regents:
 - (1) Following review and consideration of the previously certified UC Davis Sacramento Campus 2020 Long Range Development Plan Update (2020 LRDP Update) Supplemental Environmental Impact Report (EIR), of which the Aggie Square Phase 1 Mixed Use Residential and Alice Waters Institute for Edible Education Project is a part, determine that no further environmental analysis pursuant to CEQA is required and adopt CEQA Findings for the Aggie Square Phase 1 Mixed Use Residential and Alice Waters Institute for Edible Education Project.
 - (2) Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of UC Davis as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2020 LRDP Update EIR.
 - (3) Approve the design of the Aggie Square Phase 1 Mixed Use Residential and Alice Waters Institute for Edible Education Project.
- E. The President or designee be authorized, in consultation with the Office of the General Counsel, to execute all documents necessary in connection with the above.

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

Chancellor May noted that this item included the first housing project to be constructed on the UC Davis Sacramento campus. In a previous discussion, the campus addressed Regents' concerns about affordable housing in surrounding neighborhoods and housing for students. The community benefits partnership agreement adopted by the City of Sacramento in April marked a major step toward addressing these concerns. The agreement included significant benefits for the Sacramento community, in particular for the neighborhoods surrounding Aggie Square, such as jobs for local residents and funding for local youth programs. One of the major provisions of the agreement was a commitment of more than \$50 million to build affordable housing and to stabilize existing residential areas with such programs as down payment assistance. A portion of these funds would come from the City of Sacramento's Affordable Housing Trust Fund and the Sacramento Housing and Redevelopment Agency.

The City Council also approved an Enhanced Infrastructure Financing District for Aggie Square, which would allow the City's portion of any increased property taxes resulting from the development of Aggie Square to pay for up to \$30 million in infrastructure, and 20 percent of the funds generated would be dedicated to building affordable housing in the surrounding neighborhoods. UC Davis had also committed to building at least 200 beds of student housing as part of the Aggie Square project for undergraduate, graduate, and professional students. Part of the project involved master leasing 103 beds to ensure that students were prioritized and investing the ground rent from the housing project to ensure long-term affordability in student rents.

Associate Vice Chancellor Robert Segar explained that the residential block was the smallest project in the Aggie Square Phase 1 plan, but it was a pivotal project that would complete the Phase 1 master plan in important ways. The project design was focused on connecting the Sacramento campus with the surrounding community. The residential building would enliven Stockton Boulevard and change the character of this area, which was currently made up of parking structures and large hospital buildings. The ground floor of the residential building would be dedicated to UC Davis community-facing programs. The public spaces shaped by these buildings would include a market plaza right on Stockton Boulevard, anchored by a new farmers market pavilion, and the Aggie Square space itself, which would be a lively urban plaza and event space. Buildings would have front doors facing Aggie Square plaza. Together, these buildings and public spaces would create a lively environment which would be a welcome addition to the campus and the Stockton Boulevard corridor.

Committee Vice Chair Park asked about the stated cost for the campus program space on the first floor of the mixed use residential building, almost \$16 million. Chancellor May responded that the ground floor would be a public-facing space. Mr. Segar explained that the campus estimated this cost at the highest potential cost for this space, which could be a catering kitchen serving community and public meals for UC Davis Health. This was a

placeholder figure at the high end. If a different public-facing use occupied this space, the cost would be lower.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Kounalakis, Leib, Muwwakkil, Park, Reilly, and Sherman voting "aye" and Regents Estolano and Pérez abstaining.

3. **BUDGET, SCOPE, EXTERNAL FINANCING, AND DESIGN FOLLOWING ACTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, AGGIE SQUARE PHASE 1 SCIENCE AND TECHNOLOGY EAST AND LIFELONG LEARNING TENANT IMPROVEMENTS, UC DAVIS SACRAMENTO CAMPUS**

The President of the University recommended that:

- A. The 2020–21 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Davis: Aggie Square Phase 1 Science and Technology East and Lifelong Learning Tenant Improvements Project – preliminary plans, working drawings, construction, and equipment – \$307,778,000 to be funded by external financing (\$257,778,000) and campus funds (\$50 million).

- B. The scope of the Aggie Square Phase 1 Science and Technology East and Lifelong Learning Tenant Improvements Project shall provide a total of approximately 340,500 gross square feet (GSF) to 370,500 GSF in the Lifelong Learning Building and Science and Technology Building East. The Lifelong Learning Building shall consist of classrooms, research, co-working, and administrative space and the Science and Technology Building East shall consist of laboratory space, research, and core facilities.

- C. The President be authorized to obtain external financing in an amount not to exceed \$257,778,000 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 Davis campus shall be maintained in amounts sufficient to pay the debt service and to meet the requirements of the authorized financing.
- (3) The general credit of the Regents shall not be pledged.

- D. Following review and consideration of the environmental consequences of the proposed Aggie Square Phase 1 Science and Technology Building and Lifelong Learning Tenant Improvements Project, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than 48 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Regents:
- (1) Following review and consideration of previously certified UC Davis Sacramento Campus 2020 Long Range Development Plan Update (2020 LRDP Update) Supplemental Environmental Impact Report (EIR) of which the Aggie Square Phase 1 Science and Technology East and Lifelong Learning Tenant Improvements Project is a part, determine that no further environmental analysis pursuant to CEQA is required and adopt CEQA Findings for the Aggie Square Phase 1 Tenant Improvements program.
 - (2) Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of UC Davis as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2020 LRDP Update Supplemental EIR.
 - (3) Approve the design of the Aggie Square Phase 1 Science and Technology East and Lifelong Learning Tenant Improvements Project.
- E. The President be authorized, in consultation with the General Counsel, to execute all documents necessary 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.]

Committee Vice Chair Park briefly introduced the item.

Regent Pérez asked about a legal challenge to the Aggie Square project based on the California Environmental Quality Act (CEQA). Chancellor May responded that there were two CEQA challenges. One had been dropped and one was still active. The active challenge had been brought by a union.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Estolano, Kounalakis, Leib, Muwwakkil, Park, Pérez, and Reilly voting "aye."

4. **DESIGN FOLLOWING ACTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, LA JOLLA INNOVATION CENTER, SAN DIEGO CAMPUS**

The President of the University recommended that, following review and consideration of the environmental consequences of the La Jolla Innovation Center project as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff to the Regents no less than 48 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Regents:

- A. Certify the Environmental Impact Report for the La Jolla Innovation Center project.
- B. Adopt the Mitigation Monitoring and Reporting Program, and make a condition of approval the implementation of mitigation measures within the responsibility and jurisdiction of UC San Diego.
- C. Adopt the CEQA Findings.
- D. Approve the project design.
- E. Direct the President, or designee, in consultation with the Office of General Counsel, to execute all documents necessary in connection with the above.

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

Chancellor Khosla explained that this item concerned construction of a new building which would replace several seismically noncompliant and inefficient leased buildings, or about 64,000 square feet, and structurally deficient modular buildings, or about 45,000 square feet. The new building would be located adjacent to the campus, close to two light rail stops and the Veterans Affairs (VA) Medical Center. The project would be a public-private partnership. The developer would compensate the campus for the added value from the University's participation. The building height would be about 100 feet, higher than the 30 feet generally permitted in this area, which was characterized by high density and mixed use, with hotels, offices, and retail. In spite of the height, Chancellor Khosla believed that the building would fit well in the topography of this neighborhood.

Regent Estolano commented that UC was providing additional value by establishing a presence and creating a market in this community. She drew attention to a project location map included in the background materials and noted that the project was outside the coastal zone. The 30-foot restriction did not apply here. The project had a number of admirable sustainability elements. Regent Estolano was pleased that UC San Diego Extension would have a fitting location in this project.

Regent Leib added his understanding that this building would not block ocean views.

Regent Park referred to information in the background materials and asked about public comments received during the draft Environmental Impact Report public review period regarding tribal cultural resources. Assistant Vice Chancellor Joel King responded that UC San Diego received a comment from a California Indian tribe. This was part of the process of notifying tribes of projects occurring at UCSD. The tribe had asked to be informed when project construction begins and to be informed about the process. There would be a Native American monitor. There was no issue of concern regarding tribal cultural resources at this location and UCSD had responded to the tribe that had commented.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Estolano, Kounalakis, Leib, Muwwakkil, Park, Pérez, Reilly, and Sherman voting "aye."

5. CONSENT AGENDA

A. *Budget, Scope, External Financing, and Design Following Action Pursuant to the California Environmental Quality Act, Mann Laboratory, Jungerman Hall, Sprocket Building, Voorhies Hall, Young Hall, and the Social Sciences and Humanities Building Seismic Improvements, Davis Campus*

The President of the University recommended that:

- (1) The 2020–21 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Davis: Mann Laboratory Seismic Improvements – preliminary plans – \$130,000 to be funded by campus funds.

From: Davis: Jungerman Hall Seismic Improvements – preliminary plans – \$700,000 to be funded by external financing supported by State General Fund appropriations.

From: Davis: Sprocket Building Seismic Improvements – preliminary plans – \$690,000 to be funded by external financing supported by State General Fund appropriations.

From: Davis: Voorhies Hall Seismic Improvements – preliminary plans – \$1.4 million to be funded by external financing supported by State General Fund appropriations.

From: Davis: Young Hall Seismic Improvements – preliminary plans – \$1.4 million to be funded by external financing supported by State General Fund appropriations.

From: Davis: Social Sciences and Humanities Building Seismic Improvements – preliminary plans – \$1.8 million to be funded

by external financing supported by State General Fund appropriations.

To: Mann Laboratory, Jungerman Hall, Sprocket Building, Voorhies Hall, Young Hall, and Social Sciences and Humanities Building Seismic Improvements – preliminary plans, working drawings, and construction – \$111.4 million to be funded by campus funds (\$130,000) and external financing supported by State General Fund appropriations (\$111.27 million).

- (2) The scope of the Mann Laboratory (17,182 gross square feet or gsf), Jungerman Hall (32,700 gsf), Sprocket Building (20,000 gsf), Voorhies Hall (55,279 gsf), Young Hall (93,000 gsf), and Social Sciences and Humanities Building (173,079 gsf) Seismic Improvements project shall provide seismic improvements in the six buildings on the Davis campus in accordance with the UC Seismic Safety policy; all six buildings would be improved to a Seismic Performance Rating of IV. The scope would also address critical deferred maintenance in at least five of the buildings (Mann Laboratory, Sprocket Building, Voorhies Hall, Young Hall, and the Social Sciences and Humanities Building) and provide code-triggered upgrade work including access and fire safety upgrades as required in all buildings.
- (3) The President be authorized to obtain external financing in an amount not to exceed \$111.27 million plus related interest expense and additional related financing costs to finance the preliminary plans, working drawings, and construction phases of the project. The President shall require that the Davis campus satisfy the following requirements:
 - a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the period.
 - b. The primary source of repayment shall be from State General Fund appropriations, pursuant to the Education Code Section 92493 et seq. Should the State General Fund appropriation funds not be available, the President shall have the authority to use any legally available funds to make debt service payments.
 - c. The general credit of the Regents shall not be pledged.
- (4) Following review and consideration of the environmental consequences of the proposed Mann Laboratory, Jungerman Hall, Sprocket Building, Voorhies Hall, Young Hall, and Social Sciences and Humanities Building Seismic Improvements, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than 48 hours in advance of the beginning of this Regents meeting, testimony or

written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Regents:

- a. Determine that the Mann Laboratory, Jungerman Hall, Sprocket Building, Voorhies Hall, Young Hall, and the Social Sciences Building Seismic Improvement Project is exempt from CEQA.
 - b. Approve the design of the Mann Laboratory, Jungerman Hall, Sprocket Building, Voorhies Hall, Young Hall, and the Social Sciences and Humanities Building Seismic Improvement Project.
- (5) The President be authorized, in consultation with the General Counsel, to execute all documents necessary in conjunction with the above and to make changes in the terms that do not materially increase the cost of the project or obligations to the Regents.

B. *Preliminary Plans Funding, Sacramento Ambulatory Surgery Center, UC Davis Health, Davis Campus*

The President of the University recommended that the 2020–21 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Davis: Sacramento Ambulatory Surgery Center – preliminary plans – \$26.6 million to be funded with hospital reserves.

C. *Preliminary Plans Funding, Parnassus Research and Academic Building and West Campus Site Improvements, San Francisco Campus*

The President of the University recommended that the 2020–21 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Francisco: Parnassus Research and Academic Building and West Campus Site Improvements – preliminary plans – \$32 million funded from campus funds.

D. *Adoption of Expenditure Rate for the General Endowment Pool*

The President of the University recommended that the expenditure rate per unit of the General Endowment Pool (GEP) for expenditure in the 2021–22 fiscal year remain at 4.75 percent of a 60-month moving average of the market value of a unit invested in the GEP.

E. ***Adoption of Endowment Administration Cost Recovery Rate***

The President of the University recommended that the endowment administration cost recovery rate remain at 55 basis points (0.55 percent)² and apply to distributions from the General Endowment Pool (GEP) to be made after July 1, 2021, from the eligible assets invested in the GEP. The funds recovered shall be used to defray, in part, the cost of administering and carrying out the terms of endowments on the campuses and at the Office of the President.

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

Committee Vice Chair Park asked about the dollar amount of efficiencies or cost savings related to the combination of several projects at UC Davis in item 5A above, *Budget, Scope, External Financing, and Design Following Action Pursuant to the California Environmental Quality Act, Mann Laboratory, Jungerman Hall, Sprocket Building, Voorhies Hall, Young Hall, and the Social Sciences and Humanities Building Seismic Improvements, Davis Campus*. UC Davis Director of Campus Planning and Environmental Stewardship Matt Dulcich responded that this project had proceeded through a series of planning steps to arrive at what the campus believed would be the most efficient effort for the most critical seismic safety projects. Executive Vice President and Chief Financial Officer Brostrom remarked that synergies were gained in the bid process, with multiple bid packages; there were also savings related to project laydown as one project rather than six. He did not have a savings estimate at hand. Committee Vice Chair Park requested this information, which could be provided later.

Upon motion duly made and seconded, the Committee approved the President's recommendations and voted to present them to the Board, Regents Cohen, Estolano, Kounalakis, Leib, Muwwakkil, Park, Pérez, Reilly, and Sherman voting "aye."

6. **2021 LONG RANGE DEVELOPMENT PLAN AND PHYSICAL DESIGN FRAMEWORK, BERKELEY CAMPUS**

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

Executive Vice President and Chief Financial Officer Brostrom explained that UC Berkeley was updating its Long Range Development Plan (LRDP) from 2005. The 2021 LRDP was in alignment with the campus' 2018 strategic plan and 2017 housing initiative.

Chancellor Christ stated that the UC Berkeley 2021 LRDP would provide an updated framework and land use plan to guide future physical development on the main campus in Berkeley, which had 1,095 acres and nearly 15 million gross square feet of facilities. The

² One basis point is 0.01 percent of yield (i.e., one hundred basis points equals one percent); 55 basis points are the equivalent of \$55 on endowment assets with a 60-month average market value of \$10,000.

2021 LRDP reflected recent strategic planning, including the recently updated strategic plan and the ambitious housing initiative. The strategic plan built on UC Berkeley's academic excellence, focusing on the student experience and diversity. It also established cross-cutting signature research initiatives uniquely suited to the campus' interdisciplinary culture. The 2021 LRDP incorporated the most ambitious housing program in the campus' history and adopted campus and systemwide sustainability goals for buildings, infrastructure, and transportation. The LRDP was guided by population projections and a development program. It projected moderate potential enrollment growth in anticipation of increasing enrollment at UC overall. As an urban campus with limited land resources, UC Berkeley wanted to be a "low growth" campus to ensure that it can provide adequate facilities to support academic excellence. Over the next 15 years, UC Berkeley expected its undergraduate student population to grow annually by only one percent or less, a rate lower than that projected for the population of the surrounding region. The maximum student population in the LRDP for planning purposes was 48,200 by academic year 2036–37 and a maximum of 19,000 faculty and staff in the same time period. This represented a potential increase of approximately 8,500 students and 3,600 faculty and staff. This population would be supported by a development program of slightly more than 2.5 million gross square feet of net new campus space, by 11,730 net new student and faculty beds, and by 1,240 net new parking spaces.

The 2021 LRDP planned for a significant amount of housing—11,730 beds, which would more than double the campus' existing housing capacity. The Berkeley campus currently housed the lowest percentage of students in on-campus housing in the UC system, in a region with one of the tightest housing markets in the nation. The LRDP supported UC Berkeley's housing goals of providing two years of housing for entering freshmen, one year of housing for entering transfer students, one year of housing for entering graduate students, and up to six years of housing for non-tenured faculty. The housing program accounted for nearly half of the total LRDP development program, in recognition of this critical need.

The 2021 LRDP also addressed UC Berkeley's academic and campus life needs. The LRDP supported the campus' seismic improvement program. As the oldest campus in the UC system, this represented a significant amount of UC Berkeley's capital plan. As the campus renovated and replaced its buildings, it would incorporate programmatic flexibility and adaptability that a modern public teaching and research institution needs in order to steward its resources wisely. The LRDP also supported UC Berkeley's strategic goals to enhance diversity and student engagement in the physical spaces of the campus. UC Berkeley was committed to collaboration with external entities such as the City of Berkeley, regional transit agencies, and the Lawrence Berkeley National Laboratory in areas of shared interest, and the 2021 LRDP included objectives to guide continuing and future partnerships on capital projects. Because the Berkeley campus was largely built out, the implementation of the development program would require densification of existing properties, while preserving unique features that give the campus its distinctive, park-like character.

The 2021 LRDP would guide development through three components: land use objectives, potential future building areas, and land use tables. The land use objectives provided an overall approach to development, based on UC Berkeley's principles and goals. The potential future building areas diagram described where development might occur, and the land use tables identified which uses were appropriate for each land use zone. While the 2021 LRDP's land uses generally remained the same as in the current LRDP, the components just mentioned would provide a streamlined but comprehensive approach to future development within the campus' limited land resources.

The 2021 LRDP was complemented by the campus' updated Physical Design Framework, which provided further design guidance for capital projects. The intent of the Physical Design Framework was to reinforce key elements of the campus' physical structure and to enhance the public realm for the campus community and the public. It also provided an approach and process for evaluating sites for potential projects.

The LRDP engagement process was robust. UC Berkeley understood that many people in the campus community and the greater Berkeley community would be interested in providing feedback on the LRDP, and so it initiated hundreds of hours of in-person engagement as well as significant online outreach. In-person outreach had included stakeholder group meetings, regular project governance meetings, public town halls, briefings to City of Berkeley staff and officials, informal drop-in sessions, and an LRDP community advisory group. During the COVID-19 pandemic, in-person outreach was converted to virtual engagement, including workshops. The LRDP website served as a repository for key planning documents, a way to learn about engagement opportunities, and had hosted interactive outreach, such as surveys and virtual town halls. UC Berkeley was committed to being a responsible steward of its resources and to creating a welcoming and sustainable physical environment that supported its educational mission and its interdisciplinary, diverse culture and community.

Regent Muwwakkil referred to a table in the background materials showing LRDP population projections and drew attention to the projected increases in student enrollment versus the increases in numbers of faculty and staff. He asked if the campus had a plan to ensure that there were sufficient faculty and staff to meet campus needs. Chancellor Christ responded that this was an important question. There had been an unfortunate intersection between the growth of the UC system and the budget challenges the system and UC Berkeley were facing. UC Berkeley had kept its faculty numbers at the same level and reduced staff by about 500 positions. She underscored that the growth projected in the LRDP was an outside limit, not a statement that the campus would grow to those numbers. In its current comprehensive fundraising campaign, UC Berkeley was raising money for faculty positions. Chancellor Christ's budget strategy had been to multiply and diversify revenue sources to support a robust student-faculty ratio and to provide for staff. Mr. Brostrom added that the trend Regent Muwwakkil had indicated was common to all the campuses. This was a confluence of the Great Recession of 2007–09, when UC experienced major budget reductions, and adding a large number of students without increasing the numbers of faculty or staff. There had been a deterioration in the student-

faculty ratio over the past decade. This was one reason the University was examining a cohort tuition plan, which might provide a more sustainable financial model.

Regent Muwwakkil emphasized the importance of a favorable student-faculty ratio for maintaining the quality of the University. This must always be a consideration for UC, and it would require hiring more faculty. Mr. Brostrom added that the student-staff ratio was also important.

Regent-designate Zaragoza asked about the timeline of events regarding an apartment building at 1921 Walnut Street in Berkeley, which UC Berkeley planned to demolish in order to build student housing. There was opposition to these plans by students and community members. Chancellor Christ responded that UC Berkeley had very few sites that it could use for large residence halls. This project, at the corner of Oxford Street and University Avenue, was one of the largest. It would be a residence hall for transfer students. As currently designed, it would have about 770 beds, and it was a philanthropic gift to the University. The net savings resulting from this gift would be entirely dedicated to financial aid for UC Berkeley's neediest students. The controversy concerned one corner of this site. By building on this corner, the campus could add about 70 beds to the project. UC Berkeley did not seek to purchase the apartment building. The owner decided that he wanted to sell the property and approached the University.

Regent-designate Zaragoza asked about financial compensation for residents of the apartment building. Vice Chancellor Marc Fisher responded that UC Berkeley was providing generous relocation packages for these tenants. Only two tenants were not engaged in this process. Chair Pérez suggested that this information be provided offline or in closed session.

Regent Cohen asked about the status of UC Berkeley plans to develop a campus in Richmond. Chancellor Christ responded that the Richmond campus had a separate LRDP. At this time, these plans were on hold, given the plans for Moffett Field and discussions with Mills College.

Regent Cohen asked about the status of plans regarding Mills College. Chancellor Christ responded that discussions were ongoing.

Committee Vice Chair Park stated her understanding that this LRDP did not pertain to properties acquired beyond the campus limits, while faculty and staff at those sites were considered in the LRDP. She asked how projects such as the Albany Village Graduate Student Housing project, for which an information item was on the agenda for this meeting, and students, faculty, or staff at the site would figure in the LRDP. Chancellor Christ responded that some sites were truly remote, like Moffett Field, which would have its own LRDP and its own campus population, which would not be reflected in this LRDP. By contrast, the Albany development was only a student housing development. Mr. Fisher explained that, because the Albany site was off campus, it was not part of this LRDP and had its own planning documents. Any other satellite site would have its own LRDP process.

Committee Vice Chair Park referred to LRDP program projections provided in the background materials, which showed an increase in number of beds from 10,790 to 20,750. She asked if this increase did not include the Albany project. Assistant Vice Chancellor Wendy Hillis responded that the numbers for the Albany project were separate from the numbers in this LRDP, which pertained to land within the City of Berkeley and land partially in the City of Oakland, which was mostly open space. Chief of Staff and Special Counsel Kelly Drumm explained that LRDPs typically only address contiguous land holdings. If an LRDP encompassed two sites remote from each other, it would be difficult to address the environmental effects of the two locations and to list separately what the campus wants to achieve.

Committee Vice Chair Park stated her understanding that the number of beds stated in this document was not the total number since it did not include housing in other satellite locations. Chancellor Christ confirmed that this was the case. She noted that the campus would be receiving a gift for an apartment house in Emeryville.

Committee Vice Chair Park referred to the ratios of faculty and staff to student enrollment that would result if the campus reached the maximum numbers stated in the background materials. She asked how these ratios compared to other campuses. Mr. Brostrom responded that these statistics were provided, and with more detail, on the Institutional Research and Academic Planning (IRAP) website. He pointed out that faculty and staff numbers were sometimes correlated with student growth, but some growth in staff positions was correlated with research. An increase in the research corpus might result in more staff positions, but not more faculty or students. He would provide the link for the IRAP website.

Committee Vice Chair Park asked if the faculty and staff at the Moffett Field site would or would not be counted in this LRDP. Chancellor Christ responded that, in preliminary discussions, the campus imagined that students would move back and forth between the Moffett Field site and the Berkeley campus. This might be something like a junior year abroad in the Silicon Valley. One of her goals as Chancellor was to see how UC Berkeley could increase the student population without increasing this number significantly in Berkeley, given how landlocked the Berkeley campus was. It was likely that faculty would go back and forth between the two locations.

Regent Kounalakis asked if the LRDP addressed Mills College and asked about the current residential program at Mills College. Chancellor Christ responded that Mills College was entirely independent of this LRDP. If an agreement was reached between the Regents and Mills College, that location would have to have a separate LRDP process. UC Berkeley had a program for freshmen, UC Berkeley Changemaker, which would have 200 students at Mills College in the fall. UC Berkeley was renting the property to house students and offer coursework at that location. This program was independent of a potential agreement with Mills College for a greater connection.

Regent Pérez commented that UC Berkeley's renting of space at Mills College removed pressure from the Berkeley campus and assisted Mills College financially. Chancellor Christ confirmed that this was the case.

Committee Vice Chair Park remarked that the pressure on UC campuses to grow had been intense and expressed appreciation for the Berkeley campus' efforts to make room for more student enrollment and to meet the needs of California students.

7. 2021 LONG RANGE DEVELOPMENT PLAN AND PHYSICAL DESIGN FRAMEWORK, RIVERSIDE CAMPUS

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

Executive Vice President and Chief Financial Officer Brostrom noted that UC Riverside, like UC Berkeley, had developed its last Long Range Development Plan (LRDP) in 2005. The campus had experienced remarkable growth since that time.

Chancellor Wilcox recounted that, since the last LRDP in 2005, UC Riverside had grown its enrollment from about 15,800 students to 25,700 students. In the new LRDP, the campus projected that it could increase enrollment up to 35,000 students by 2035 with sufficient resources for infrastructure and personnel. The LRDP aimed to have graduate students as 20 percent of total enrollment and to add 850 faculty members and nearly 2,000 staff members. The LRDP provided an outer envelope for growing enrollment and infrastructure. UC Riverside anticipated that it would adjust the LRDP based on changing conditions, including changing assumptions regarding campus operations after the COVID-19 pandemic and opportunities to leverage technology. In Chancellor Wilcox's eight years at UCR, the campus had built classrooms, laboratories, and student housing, but no office buildings. UCR had planned carefully, and this careful planning would continue in the future.

Perhaps the most important change the LRDP represented was a redirection of future growth on the campus, which mirrored the history of the Inland Empire. The UCR campus is located on 1,100 contiguous acres; the 215 Freeway cuts diagonally through it. Historically, the west side of campus, about 600 acres, has been used primarily for agricultural research. The 500 acres on the east side have undergone the most development. The 2005 LRDP suggested building out more on the west side, on flat agricultural land, and this seemed an affordable option. There had been an assumption in the Inland Empire of available cheap land to build on, and there was a proliferation of warehouses and logistics centers in the region. The 2021 LRDP went in a different direction and viewed the west campus land as a precious resource to be preserved and focused on the east side of the highway, where development has already been taking place, for additional infill and growth. UCR was now building taller buildings on campus and eschewing sprawl; the campus recognized how valuable its lands were. In the LRDP process, the campus engaged seven working groups, with altogether 121 members, and solicited input from students, faculty, staff, alumni, community members, and elected officials. UCR had over

50 working sessions with those groups and held four public forums to inform the community and gain input. The 2021 LRDP had received broad support, including from the Riverside City Council and other community stakeholders. Chancellor Wilcox believed that these community stakeholders saw this LRDP as one of many opportunities for UCR to help catalyze growth and innovation in the city and region.

Regent Pérez thanked Chancellor Wilcox for the way the campus interacted with the broader community. These efforts and engagement lead to a better outcome.

Regent Estolano commended the framing of the LRDP. She described UCR as the greatest asset of the Inland Empire and a source of talent, dynamism, and growth for technological advancement. Preserving the west side of the campus as open space would in effect create a “carbon sink.” The University should note its contributions to the state’s efforts to ensure compact development, even in the Inland Empire. She asked how the campus would extend into the City of Riverside and connect the campus with downtown. Chancellor Wilcox responded that UCR was not far from downtown in terms of distance, but the two had been far apart in philosophical and social terms. The main street running from the campus to downtown, University Avenue, had been a blight but was improving. UCR saw opportunities to help the city develop this corridor with, as he hoped, University-related technologies and businesses. Some steps in this direction had been taken. The California Air Resources Board headquarters, to be built on 19 acres on the west side, could serve as a magnet for future economic development.

Committee Vice Chair Park asked about the LRDP ratio of faculty and staff to students. The ratio, while it was an outer estimate, was very high. Chancellor Wilcox responded that most of these numbers were extrapolations. The enrollment growth was the continuation of a linear trend of several years. The LRDP presented figures that the campus believed were achievable. Over the past several years, UCR had managed to bring its faculty-student ratio closer to the UC average, but was far from achieving this in the ratio of staff to students. In response to another question by Committee Vice Chair Park, Chancellor Wilcox confirmed that the staff-student ratio was of particular concern for UCR, and where the campus would like to see change.

Committee Vice Chair Park observed that the UC campuses could not grow quickly and that moderate, contained growth was preferable for all the campuses over time. UC Riverside was not a landlocked campus like UC Berkeley. The LRDP for UC Berkeley had an upper enrollment number of approximately 48,000 students, while the UCR LRDP contemplated 35,000 students. This was at a time when the University was being asked to expand its capacity. Chancellor Wilcox responded that he believed that the UCR LRDP would add more students than the UC Berkeley LRDP in the same amount of time. One could point to both positive and negative implications of a greater increase. UCR remained prudent and did not want to commit to goals it could not achieve. Many in the UCR campus community had reservations about the pace of growth. The faster UCR grew student enrollment, the harder it was to synchronize this growth with increases in staff and development of physical space. Two or three years prior, when there was a push to take

more students across the UC system, UCR added a large number, and this was a jolt that some parts of the campus were still dealing with.

Committee Vice Chair Park asked if the limit to UCR's growth was due to the will of the community or resource concerns. Chancellor Wilcox responded that both these factors applied, as well as the question of what could really be achieved. One could not add 50 to 100 faculty in a year. Faculty Representative Gauvain expressed agreement with Chancellor Wilcox. UCR had grown a great deal in the last few years, and this had been difficult with regard to space limitations and the faculty-student ratio. This LRDP was consistent with what UCR could accomplish, given the campus' current situation and available resources. Mr. Brostrom noted that UCR was adding nearly 700 students a year. To maintain a student-faculty ratio of 20 to one, this would entail hiring 35 additional faculty, in addition to replacements. This would be a significant year-over-year addition. There would also be a need for office space and teaching and research laboratories. This was an ambitious LRDP.

Committee Vice Chair Park asked about UCR's quest for additional resources. Chancellor Wilcox responded that the campus had concluded its first ever comprehensive campaign. UCR had doubled annual giving, doubled the number of endowed chairs, and almost doubled research funding.

Committee Vice Chair Park asked about the discussions on "rebenching," or allocation of State General Funds to campuses. Chancellor Wilcox responded that a satisfactory agreement had been reached among the chancellors and President.

Regent Muwwakkil commented that the dynamics of the Riverside campus were unique in the UC system, and the campus faced unique housing challenges. He asked what the UC system, the Regents, or people of good will could contribute to support UCR's efforts. The growth of UCR would be of great benefit to the state. Chancellor Wilcox responded that there was a housing shortage in the community, and homelessness. These contextual challenges were part of UCR's situation, and UCR must help to build the regional economy. He believed that one way to help UCR would be for the chief executive officers of companies to locate their headquarters or branch offices in the area. Philanthropy was very much welcome, but this contextual element was also important.

Committee Vice Chair Park remarked that the State of California wanted students to attend UC because of the social mobility the UC system can provide. That message had been clear and consistent. The State budget support for UC should be applied to meet these needs.

Regent Estolano commented that the current State budget appeared favorable, and there might be significant investment in UC capital projects and opportunities to upgrade facilities. UCR needed to grow, and this growth would accelerate over time. The siting of company headquarters and technology centers near the campus would be critical for growth. The work of UCR's technology transfer team was impressive. She anticipated that UCR would exceed the rate stated in the LRDP and experience accelerated growth within five years. Part of the success of this growth would be the ability to manage the increase in

staff and diverse faculty, so that UCR does not sacrifice excellence, as well as the synergy with investment by the private sector. The private sector, which would benefit the most, should start investing in UCR now.

8. **FISCAL YEAR 2021–22 BUDGET FOR THE UNIVERSITY OF CALIFORNIA
OFFICE OF THE PRESIDENT**

The President of the University recommended that the Regents approve the Fiscal Year 2021–22 Budget for the University of California, Office of the President, as provided 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.]

President Drake recalled that, as the University began the 2021–22 budget cycle in December 2020, COVID-19 cases were surging and the state faced unprecedented economic uncertainty. Therefore, the Office of the President (UCOP) budget team was directed to use a cautious and conservative approach. Every UCOP leader and division was challenged to think about the functions they serve and to deploy resources for the highest and best use. President Drake specifically asked UCOP to balance the budget by fund type; to plan conservatively with a significant focus on limited, unrestricted budget; to reconsider priorities in a way that would enable more resources or new investments to be deployed in areas that best serve the campuses, UC students, and the state; and to deploy financial tradeoffs to address the State's priorities more effectively. With the State's improved economic outlook, UCOP was presenting a budget that was based on the level funding of the fiscal year 2019-20 State direct appropriation, and this budget restored the fiscal year 2020–21 reduction of \$43 million that was made necessary by the pandemic. The pandemic required everyone to dig deep into resources and still do their best to uphold UC's mission and priorities. As the state was emerging from this crisis, President Drake was cautiously optimistic and hopeful about restoring full campus operations and returning students to campus in the fall. The proposed 2021–22 UCOP budget represented the resilience of the University and future promise. The growth in the budget compared to the past year was in expenditures supported by revenues, consistent with campus priorities and UC's overall mission. The budget growth also reflected optimism about UC's future and its commitment to preserving and building on critical UC programs. Budgets are dynamic roadmaps. UC would continue to look for improvements in the planning and budgeting process, strive to identify greater efficiencies to direct funding to the highest priorities of those the University serves, and try to use budget decisions to promote equity, diversity, and access efforts. President Drake expressed the University's view that the campus assessment model of funding UCOP was the most effective mechanism for systemwide, integrated planning. This model was supported by the chancellors, campus leadership, and the Academic Senate.

Executive Vice President and Chief Operating Officer Nava echoed President Drake's optimism about UC activities returning to normal. This budget for UCOP would support

the University's resilience and recovery and was in alignment with its mission of research, instruction, health, and public service.

Interim Vice President Mark Cianca presented a high-level overview of budget objectives, assumptions regarding direct State appropriations, and key factors accounting for year-over-year changes by fund type. UCOP budget principles continued to align with UCOP's purpose and priorities. UCOP was continuing to identify short- and long-term savings in order to apply funds to the highest priorities, make much-needed technology investments, and address contractual cost increases. UCOP strategically allowed revenue and expense growth where this aligned with the UC mission, engaged actively with the campuses to invest in services that benefit and support the campuses and the system, and restored limited but much-needed flexibility to the President's Strategic Priorities Fund.

One key assumption in this budget was the restoration of State direct appropriations totaling \$43 million that were cut in fiscal year 2020–21 as part of the State's response to COVID-19 economic impacts. Mr. Cianca presented a chart showing how the restricted, designated, and unrestricted fund types had changed over three years. Restricted funds had changed largely due to fluctuations in research funding, such as for the State tobacco-related disease research program, and, this year, due to needed investments in the UC pension system. Funding for the tobacco-related disease research program had increased significantly for fiscal year 2021–22, and made up \$34 million of the \$40 million increase in the restricted budget. There was a \$26 million increase in designated funds, from a combination of restored State appropriations and investments in campus and UC system-focused services, such as UC Health, UC Investments, and UC Legal. Unrestricted funds had been affected by the restoration of \$27 million in State funds and by a reduction in availability of other unrestricted funding sources compared to fiscal year 2019–20. Total unrestricted funding for 2021–22 was \$271 million, slightly less than two years prior. While the State fund restoration was helpful to shore up funding for key activities, availability of unrestricted funding remained a significant challenge, as it had remained flat for the last five years. During those five years, UCOP had depleted unrestricted, one-time fund balances, made cost reductions that affected the campuses, significantly constrained staffing and other costs, had difficulty covering contract increases, and was very limited in its ability to make strategic investments. This approach to unrestricted funding was no longer sustainable. The increase in the current UCOP budget from fiscal year 2020–21 was largely due to the increase in research funding, investments in services benefiting the UC system, and the restoration of State direct appropriations.

The overall UCOP budget proposal for fiscal year 2021–22, including the restricted, designated, and unrestricted funds, totaled \$960.6 million. Seventy-two percent of the UCOP budget, \$689 million, was in restricted and designated funds, fund types that are used only for specified purposes and include revenues that would discontinue should UCOP no longer perform these activities. UCOP's unrestricted funding made up 28 percent of the budget. A three-year trend showed that the 2021–22 budget proposal was much closer to fiscal year 2019–20, a pre-COVID-19 budget, than to the current fiscal year budget. The current year was an anomaly, due to one-time and temporary COVID-19-related reductions. The 2021–22 budget was greater than the 2019–20 budget by

\$18.9 million or about two percent. The key differences making up the net \$18.9 million change between 2019–20 and 2021–22 included increases in research funds for tobacco-related disease research and the UC Laboratory Fees Research Program, growth in funding for the UC Health collaborative, investment in the pension systems, specifically the Redwood project, and enhancements across UC Legal, UC Investments, and UCPath.

Mr. Cianca then outlined decreases in funding in the 2021–22 budget compared to 2019–20. There had been a nine percent cut to unrestricted funds in fiscal year 2020–21, and there was a three percent reduction target for fiscal year 2021–22. UCOP was continuing keep travel costs relatively low, although it anticipated some travel to resume later in the year. There were also decreases for costs related to a number of programs: the fiscal year 2021–22 budget for the California Digital Library content consolidation would be paid for with UCOP Total Return Investment Pool (TRIP) funds to avoid any additional impact on the campuses; Corporation for Education Network Initiatives in California (CENIC) high-speed internet connectivity provided to all UC locations would be paid for directly by each campus; ApplyUC systems and administrative costs would be paid for by student application fees before the net proceeds are distributed to the campuses; and a loan restructuring for UC Observatories would temporarily allow interest-only payments for two years.

Mr. Cianca then presented a chart with a cross-section view of the budget with details on fund type and use. The bulk of the restricted program funds of \$248 million went to two large State programs—the tobacco-related disease research program and Agriculture and Natural Resources. Most restricted funds for systemwide and core services were dedicated to UCOP’s management of the systemwide retirement program, including some one-time restricted Strategic Priorities Fund funds for system improvements.

Designated funds totaled \$441 million and supported programs such as Agriculture and Natural Resources, UC Press, the UC National Laboratories, the UC Laboratory Fees Research Program, and California HIV/AIDS research. Designated funds for systemwide and core services included services such as UC Legal, UC Investments, UC Health, and Risk Services.

Unrestricted funds largely funded systemwide and core services in the UC Operations division, which included Human Resources and Information Technology Services. A portion of unrestricted funds supported systemwide programs, including UC Observatories and academic and public service programs. Unrestricted funds also supported the unrestricted Strategic Priorities Fund.

Student observer Andy Li expressed support for the UCOP budget proposal for 2021–22. This had been a challenging year for students, who had to adjust to more than four quarters of online learning and various COVID-19-related restrictions. Students were excited about the prospect of returning to campus in the fall. California now had a budget surplus. The proposed UCOP budget would increase spending on students. Many students were now falling through the cracks, did not have access to the internet, and faced financial and tuition challenges. This budget was student-centered and the budget numbers looked

positive for the upcoming academic year. Figure 11 in the budget document showed consistent increases in fee-for-service activities over three years, from 2019–20 through 2021–22. This reflected positive growth in investments and funding. Mr. Li had personal experience of using UCPATH and stressed that increased investments in this system were important. Many students have complained about lag times in receiving stipend checks. The surplus funding could be used to address priorities including support for undocumented students, bridge funding for new student association initiatives, and information technology upgrades. Mr. Li urged the Regents to approve the proposed budget.

Regent Cohen asked about proposed increases in UC Health, UC Legal, and UC Investments. The materials provided did not include any detail on the amounts or purpose of this funding. Mr. Cianca provided these figures and funding purposes. For UC Health, the amount was \$4.8 million, primarily to support investments in key initiatives such as Leveraging Scale for Value and the Center for Data-driven Insights and Innovation. For UC Investments, the amount was \$6.4 million, mostly an accounting true-up for underpayment into a liability fund for the Office of the Chief Investment Officer's Annual Incentive Program. For UC Legal, the amount was \$7.4 million, mostly due to an outside counsel expenditure increase of \$3.1 million, the creation of a systemwide litigation fund of \$2.5 million, \$1.8 million which would be used for attorney positions at UCOP to bring expertise in house and avoid paying for costly external counsel resources. Regent Cohen asked that the UCOP budget document include this type of detailed information in the future.

Regent Cohen asked how many attorneys would be hired under the UC Legal proposal. Chief of Staff and Special Counsel Kelly Drumm explained that this amount would restore full funding for five positions that had been frozen and underfunded due to budget cuts, and create three new positions. Regent Cohen asked if this meant eight new attorneys. Ms. Drumm responded that there would be five attorneys and three support staff.

Regent Cohen noted that there was no additional funding for information technology security. He asked how the University could improve security without increasing expenditures in this area. Mr. Cianca responded that the University was taking a multi-pronged approach. The amount that had been proposed for additional investment in systemwide cyber security programs was \$800,000. The primary purpose of this funding was to extend the FireEye endpoint penetration on the campuses. An endpoint could be a desktop computer, a laptop, or a server; any device that a UC affiliate would use to connect to a UC network. FireEye endpoint protection is used as an adjunct, in many cases in lieu of the virus protection software. UCOP could address this \$800,000 need in a number of ways. UCOP could reduce expenditures in some outreach areas and redirect funds, but there was also nothing that would preclude campuses from making that investment directly. The University has preferred making this investment at the systemwide level to promote common solutions across the campuses. Broadly speaking, this was not an ideal solution. UCOP would make some reductions internally and would ask the campuses, where appropriate, to make some additional investment. There would be difficult choices to make.

Regent Cohen observed that the University might receive substantial federal assistance in the coming year. He asked if this funding would flow directly to the campuses rather than to UCOP. Mr. Cianca responded in the affirmative. UCOP took a conservative approach this year and built a budget based on the restoration of the direct appropriation.

Regent Cohen asked about the \$9.3 million in unallocated funds in the Strategic Priorities Fund. He observed that, in prior years, commitments from this Fund might have been made without the Regents' full awareness. Mr. Cianca responded that UCOP had not yet received formal requests for use of these monies and did not yet know what the funds would be used for in the coming year. In the current year, this Fund had been used to support a new gender identity and lived name policy. That policy required that UC update all of its information systems to accommodate individuals' preferred or lived name and gender identification. This was a fairly large remediation project. The Fund had also provided bridge funds to the UC Student Association and the UC Graduate and Professional Council for a two-year period. Executive Director David Baltaxe observed that needs arise during the year every year, and so UCOP wishes to begin the year with a certain amount of uncommitted funds. In some cases, the Fund has supported information technology infrastructure projects for which there would be future return on investment. Some of these projects would be completed in the current year.

Regent Cohen stated that the UCOP budget document had been greatly improved over the past few years. He wished to propose an amendment to this item, designating \$50,000 in matching funds for the Regents' Award for Former Foster Youth, as had been discussed by the Public Engagement and Development Committee earlier that day in the item *Proposal for Annual Regents' Award Recognizing Current and Former Foster Youth Attending the University of California*.

Committee Vice Chair Park requested more detail on the \$4.8 million proposed increase for UC Health. She asked how much would be allocated to the Leveraging Scale for Value initiative and to the Center for Data-driven Insights and Innovation, and if there would be funding for any other programs. Budget Director Eva Goode responded that there were increases for the two programs mentioned by Committee Vice Chair Park; there was also funding for the Global Health Institute initiative and small amounts for a few additional positions.

Committee Vice Chair Park asked that the next UCOP budget document include details about the funding amounts for various initiatives, including the amount of the increases, the number of people being hired, and for what purpose. She referred to the budget document, which stated that a \$43.2 million restoration would be divided among UCOP, Agriculture and Natural Resources, and UCPath. She asked what portion of the \$43.2 million was going directly to UCOP and for what purpose. Mr. Baltaxe responded that \$27 million of this amount would go to UCOP. Of the \$27 million, \$10 million would be used to restore the Strategic Priorities Fund. Some compensation adjustments had been made in the budget to align with campus actions; this accounted for about \$8 million or about half of the remaining \$17 amount. After that, the remaining funding would be used for operating cost increases, including occupancy cost increases, software license cost

increases, and support for some of the new financial systems that had been installed in the last year.

Committee Vice Chair Park asked about the compensation adjustments made to keep pace with the campuses. She asked which positions these were. Mr. Baltaxe responded that this was a salary adjustment program also being pursued by the campuses. He believed that this was a three percent adjustment. Committee Vice Chair Park asked if this was the three percent salary increase for all non-represented staff. Mr. Baltaxe responded in the affirmative.

Committee Vice Chair Park referred to cyber security and an ongoing investigation into cyber security circumstances and stressed her view that it was not appropriate to push costs down to the campuses. She acknowledged that there were budgetary pressures and that some programs could not be funded, but cyber security was an area in which UC could not afford to reduce costs. In health care, there was great emphasis on preventive medicine and population health, and for a good reason. UCOP should be prepared to revisit this expenditure.

President Drake commented that UCOP was in the midst of an investigation of cyber security circumstances. He had no expectation that the current budgeting would be sufficient. He was waiting for more information from the investigation and expressed agreement with Committee Vice Chair Park about the importance of cyber security to the University.

Regent Pérez raised the issue of private briefings with the Regents and expressed his misgivings about these briefings; in particular, he was concerned that one or two Regents might be informed about an issue to a greater degree than the full Board and not share this information. He asked Mr. Cianca about briefings he had held with Regents on the UCOP budget and the issues discussed. Mr. Cianca responded that he held four briefings with discussion of 12 questions, and he summarized the questions and answers.

What was the amount of the UCOP structural deficit? The response was that UCOP had achieved savings from one-time savings measures. The structural deficit for the current year was \$30 million. The net amount would increase to \$44 million when UCPath principal payments on loans became due in fiscal year 2023–24.

Why did UCOP not prepare a budget requesting more funds from the State, given the State's surplus? Budget planning began during a time of uncertainty due to COVID-19; later, UCOP determined that the budget could be based on a restoration of direct State appropriations.

Could certain UCOP functions be transferred to the campuses? UCOP did not undertake this kind of review during this budget cycle, but this could be reviewed in the future. The Executive Budget Committee regularly reviews UC functions, and, in general, this Committee supports leaving UCOP's current functions at UCOP.

What were the investments that UCOP could not make, and did this put campuses or the UC system at risk? Investments in cyber security had just been discussed. UCOP did not fund new positions for Academic Affairs, the California Digital Library, or Institutional Research and Academic Planning. These positions would provide systemwide support in reporting and analytics.

Had UCOP increased undergraduate student application fees? UCOP had not increased these fees, but used them to pay for the direct costs of the ApplyUC system before distributing net proceeds to the campuses.

Were UCOP's three percent reduction targets on unrestricted funds for the benefit of the Strategic Priorities Fund, or did UCOP make other tradeoffs? UCOP had used savings to make other tradeoff decisions. Savings from some information technology initiatives were applied to certain priorities, such as support for a new financial system.

How had UCOP allocated \$27 million in State funds that would come back into the budget this year? Would they go toward strategic investments or to cover cost increases? Of the \$27 million, \$10 million was used to restore the Strategic Priorities Fund to \$30 million, while \$4.4 million was needed for compensation increases and \$10.7 million for annual cost increases, including occupancy costs and software license costs.

Did Agriculture and Natural Resources receive any funding from the campuses? The answer was no. The division received \$72.6 million from State direct appropriations and \$28.9 million from other designated sources.

Which amount of the current Strategic Priorities Fund commitments, roughly \$20.7 million, did UCOP expect would carry over into 2023–24? In fiscal year 2022–23, UCOP would benefit from the completion of several large, one-time projects. These would include a mainframe retirement, in which UCOP was investing \$4.8 million. This project would generate \$2 million in savings annually thereafter. The financial systems implementation, \$2.5 million, and the Systemwide Integrated Library System, which received \$2.1 million, would also be completed. Including Presidential initiatives of \$5.8 million and other ongoing commitments, UCOP estimated the total now to be \$11 million, or almost \$98 million less than the fiscal year 2021–22 carry-forward commitments.

What actions did UCOP take in 2020–21 with regard to CENIC, ApplyUC, and the California Digital Library? Expenses for CENIC provide high-speed internet connectivity for all UC locations. Those costs were transferred to the campuses and would be paid directly by the campuses in the future. ApplyUC was now supported by application fee revenue rather than State General Funds. UCOP first retains just enough of the fee revenue to cover the cost of the application system and the resources in Academic Affairs that enable the systemwide application process. In the prior year, UCOP had determined that it would transfer the California Digital Library expenses to UC San Diego, where the content purchases have been made on behalf of the Library. In fiscal year 2021–22, UCOP proposed the use of TRIP funds to cover this cost and avoid an impact to the campuses. If

UCOP is able to return to a campus assessment funding model in the future, it would expect this expense to be covered by the campuses.

What accounted for the large increase in costs for operations of \$22 million over the fiscal year 2020–21 budget? The Redwood project for the pension administration system accounted for a \$7 million increase within a total \$10 million increase in systemwide Human Resources. Building and occupancy cost increases totaled roughly \$7.5 million, and this now aligned with forecasted actual costs and addressed several years of compounded under-budgeting for facility costs. UCOP operations increased by \$5.7 million, related to full-time equivalent positions to support a new financial information system, a support contract with Huron Consulting for portions of that financial system, support for local Human Resources diversity and equity initiatives.

Did the UCOP budget include payments for the Thirty Meter Telescope project? UCOP would pay interest only in fiscal year 2021–22 on loans that had been taken to fund UC's portfolio of observatories. UCOP did not have funds budgeted for large project payments; these were capital expenditures and covered in the systemwide budget.

Regent Pérez requested clarification regarding restricted and designated funds. He asked who determined these designations. The Regents should be able to review allocations made in the UCOP budget to see if there might be other appropriate uses for funds within the designated categories. In this manner, the Regents could determine if the selections made represented the highest and best use of funds. Ms. Nava asked if Regent Pérez was requesting a schedule that would outline each expenditure, indicating whether this was restricted or designated, and by whom. Regent Pérez responded in the affirmative. Ms. Nava explained that UCOP had provided that schedule in prior budget submissions, but such a schedule had not been prepared for this day.

Regent Pérez stated that he had asked for such a schedule. He believed that the Regents needed to restore the ability of the Board to make budgetary decisions for UCOP and to end the period of direct appropriations by the State. One of the bases for the Legislature to establish the direct appropriation was a critique raised by the California State Auditor that the Board did not engage in detailed decision-making and judgments on the UCOP budget. The proposed UCOP budget was a good budget and in alignment with the Board's values. He stated that he would like greater transparency on this subject; the questions and answers he had elicited from Mr. Cianca should have been included in the presentation.

Committee Vice Chair Park observed that the practice of private briefings for Regents served a purpose, but also thwarted the purpose of full discussion for the benefit of the public and the Regents. It might be advisable for UCOP to provide more detail on certain topics in this public forum.

Regent Leib opined that the Regents should become more involved in the UCOP budget process, as suggested by the State Auditor. This might resolve the situation of the UCOP budget with the Legislature. He asked if the UCOP budget had flexibility for foundational projects, such as preparation for the replacement of the patent tracking system. Mr. Cianca

responded that the Strategic Priorities Fund was intended to cover such projects: initiatives that have strategic value for the institution or that address emergent or urgent issues.

Regent Leib noted that the replacement of the patent tracking system would be large project. The preparatory work would help determine the cost of the project. He asked if this planning would have to begin soon for the next fiscal year. Mr. Cianca responded that UCOP would begin its planning for fiscal year 2022–23 in December. If a feasibility study could provide rough approximations, it should aim for this cycle.

Regent Cohen proposed that the item be amended, adding the following language to the recommendation, so that the Regents approve the budget: “with an amendment designating \$50,000 in matching funds for the Regents’ Award for Former Foster Youth.”

Upon motion duly made and seconded, the Committee approved the President’s recommendation as amended and voted to present it to the Board, Regents Cohen, Drake, Estolano, Kounalakis, Leib, Muwwakkil, Park, Pérez, Reilly, and Sherman voting “aye.”

9. ALBANY VILLAGE GRADUATE STUDENT HOUSING, BERKELEY 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 Vice Chair Park asked if the Berkeley campus planned to present this matter next as a discussion or an action item. Executive Vice President and Chief Financial Officer Brostrom responded that the business terms would not be presented until the following year. He would advise that the campus present a discussion item regarding the business terms, followed by an action item, and an action item only for the design and California Environmental Quality Act approval.

10. VITERBI FAMILY VISION RESEARCH CENTER, 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.]

Committee Vice Chair Park asked if the San Diego campus planned to present this matter next as a discussion or an action item. Executive Vice President and Chief Financial Officer Brostrom responded that the next item would be for approval of preliminary plans funding, probably in the summer or fall, followed by an item for budget, design, and California Environmental Quality Act approval, which he anticipated in early 2022. Chancellor Khosla believed that an action item for preliminary plans funding would be presented in July or September.

Regent Leib commended the campus for this project. The donor for this project, Andrew Viterbi, was a co-founder of QualComm and had made many philanthropic gifts.

Committee Vice Chair Park noted that this was the last meeting for Associate Vice President Peggy Arrivas, who was retiring. She was a tremendous asset to the University. In her service to UC, she had been frank, tactful, insightful, and hardworking. Mr. Brostrom expressed respect and appreciation for Ms. Arrivas' service. She had been with the University for 12 years, serving as Systemwide Controller and taking on additional responsibilities for capital markets finance and capital asset strategies. The first implementation of the UCPath system at the Office of the President was largely due to her work, and she had successfully completed numerous other system implementations. Beyond UC, her expertise was widely recognized in the audit profession. He thanked her for her work for and commitment to UC.

Ms. Arrivas thanked her colleagues and stated that she had enjoyed working for the University.

The meeting adjourned at 4:55 p.m.

Attest:

Secretary and Chief of Staff