THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
March 17, 2022

The Regents of the University of California met on the above date at UCSF-Mission Bay Conference Center, 1675 Owens Street, San Francisco and by teleconference meeting conducted in accordance with California Government Code §§ 11133.

Members present: Regents Anguiano, Cohen, Drake, Elliott, Guber, Hernandez, Kounalakis, Leib, Lott, Makarechian, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Sures, Thurmond, Torres, and Zaragoza

In attendance: Regents-designate Blas Pedral and Pouchot, Faculty Representatives Cochran and Horwitz, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Brown, Executive Vice President Byington, Executive Vice President and Chief Operating Officer Nava, Senior Vice President Colburn, Chancellors Block, Christ, Gillman, Hawgood, Larive, May, Muñoz, Wilcox, and Yang, and Recording Secretary Li

The meeting convened at 8:35 a.m. with Vice Chair Leib presiding.

1. **PUBLIC COMMENT**

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

A. Ethan Christensen, UC Davis law student, asked the University to reconsider the removal of summer public interest funding. Students were exhausting loans and scholarships to cover the rising cost of housing, and public interest organizations lacked funding to pay summer interns. As a result, students would seek higher-paying jobs, which would have a deep impact on judicial economy as local communities lose public servants. He suggested that UC invest heavily in affordable student housing or that this summer funding be provided for summer internships and positions taken after the State Bar examination. He invited Regents to contact him directly with questions.

B. Terral Christopher, UC San Diego staff member and representative of Teamsters Local 2010, asked that UC give union members a fair labor contract. The cost of living was rising, and, while workers enjoyed their jobs, they were struggling.

C. Dennis Whelan, former UC Santa Barbara staff member and licensed architect, asked the Regents to reject the proposed Munger Hall at UCSB. He stated that the building was designed without a building committee, peer review, or student involvement. The housing development in the campus' current Long Range Development Plan (LRDP) demonstrated how housing could be added without this building. The project, which would be located in a remote part of campus with no walkways or bicycle paths, would require amending the LRDP, would not completely address the housing shortage, and would be much more expensive per unit than any other UC housing project. It would also require relocating the facilities management operation.

D. Melissa Chao, UC Davis alumna and Senior Planner for the City of Irvine, addressed item F4, *Conceptual Plan for Development of North Irvine Staff Housing, Irvine Campus*. She stated that the City of Irvine anticipated that the project would have significant impacts on its services and infrastructure. The City was uncomfortable with UC Irvine's level of commitment to mitigating project impacts and looked forward to working with UCI to ensure sufficient mitigation.

E. Joshua Lewis, UC Berkeley student and Chair of the UC Student Association (UCSA), shared students' support of the proposed 2022–23 University Student Aid Program allocations, such as investments in a debt-free pathway, and noted that more needed to be done. He called for reducing the self-help contribution for low-income students, whose debt harms their financial prospects and makes graduate education unattainable. He encouraged UC to commit to debt-free education for all UC students, and to direct new tuition and financial aid revenues toward progressively reducing the self-help contribution.

F. Victoria Schneider, pediatrician, spoke in opposition to the use of fetal tissue in UCSF research. She stated that the Women's Options Center at UCSF has trained more than 2,500 doctors to perform abortions, including late-term abortions. She noted that painful methods were used to prepare fetal organs for research, and claimed that these practices ran counter to UCSF's code of ethics. Dr. Schneider suggested requiring that those seeking an abortion undergo an ultrasound.

G. Kristin Turner, Executive Director of Pro-Life San Francisco, claimed that there was a high likelihood that UCSF was allowing born-alive infants to die or killing them after birth, their body parts used for research. She also claimed that UCSF did not have protocol for live birth scenarios while reporting to the press that UCSF has not had a live birth during an abortion on its premises. She implored the Regents to conduct an investigation into UCSF research practices.

H. Avery May, representative of Pro-Life San Francisco, spoke in opposition to abortion practices at UCSF. She claimed that UCSF relied on abortions performed at Zuckerberg San Francisco General Hospital for fetal organs used in research. She stated that digoxin was not used for these abortions as it could kill stem cells, and that UCSF had no protocol for a live birth scenario. She called for accountability and for UCSF research to be held to ethical standards.

I. Sheina Crystal, UC Santa Barbara alumna, addressed herbicide use at the University. In light of climate change, drought, declining biodiversity, an endangered bee population, and risk resulting from herbicide use, UC's integrated pest management policies were not enough. Ms. Crystal called on UC to build on current policies and transition to organic practices by 2025. Other universities that have made this transition have seen water and cost savings, as well as improved soil health.

J. Kristin Monahan, representative of Pro-Life San Francisco and Progressive Anti-Abortion Uprising, called for an end to abortion practices at UCSF. She stated that live births might happen during abortion procedures in the absence of digoxin use. She added that communities and families were harmed by abortion, and that UCSF was training the next generation of abortion providers through residency.

K. Robert Byrd, representative of Pro-Life San Francisco, spoke in opposition to abortion practices at UCSF. He stated that the fields of maternal fetal medicine and fetal surgery referred to fetuses as offspring, but that the consent form at the Women's Options Center referred to fetuses as "pregnancy tissue." In his view, mutual aid and support should be given to parents prior, during, and after birth.

2. APPROVAL OF MINUTES OF PREVIOUS MEETINGS

Upon motion duly made and seconded, the minutes of the meetings of January 18, 19, and 20, 2022 were approved, Regents Anguiano, Cohen, Drake, Guber, Hernandez, Kounalakis, Leib, Lott, Makarechian, Ortiz Oakley, Park, Pérez, Reilly, Sherman, and Torres voting "aye."[1]

3. REMARKS FROM STUDENT ASSOCIATIONS

President Drake introduced UC Student Association (UCSA) President Esmeralda Quintero-Cubillan.

Ms. Quintero-Cubillan, referring to comments made earlier in the meeting about disabled students' requests for accommodations, emphasized the challenges that disabled people face. She encouraged faculty to extend as many accommodations to students as possible, as fewer COVID-19 cases did not mean that students were facing less hardship. The pandemic has been one of the largest mass disabling events in history, and obstacles, such as barriers to diagnosis and the perception of disabled students as lucky or savants, have perpetuated harm to disabled students. Steps taken to address this included the Office of the President's disability working group, UC Access Now, and UC Justice, Advocacy and Disability Education (JADE). Students appreciated the efforts of the State Legislature, especially those of Senator Nancy Skinner and Assemblymember Phil Ting, in the recent passage of Senate Bill (SB) 118. The ramifications of the enrollment freeze could have extended to all UC campuses and could have had a particular effect on low-income students. Also relevant were issues of overcrowding, gentrification, and community. Local communities were integral to the student experience, and students should have an integral role in sustaining them. In light of vacancies on the Board, Ms. Quintero-Cubillan urged

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

proper student consultation as they are filled. In her view, that the Board needed more Latina, low-income, and black and indigenous representation.

President Drake introduced UC Graduate and Professional Council (UCGPC) President Gwen Chodur.

Ms. Chodur stated that the COVID-19 pandemic has revealed that the business of the University could be conducted differently, and many were exploring how UC could better serve previously excluded students. She stated that the Americans with Disabilities Act provided minimum standards, and that universal design, a framework that focused on accessible learning spaces, should be the default. The University needed to invest in new policies, update technology, provide teaching support for instructors, and protect academic freedom. UC must also create genuine opportunities for student engagement and consultation. Final examinations were being administered this week on quarter system campuses, but some students were still engaging in advocacy in Sacramento or attending this Regents meeting. For other students, this scheduling has made participation impossible. Ms. Chodur questioned UC's shared governance when one group of constituents was excluded. She expressed appreciation of the Legislature's swift passage of SB 118 and remarked that it was a short-term resolution for a campus housing crisis. A neighborhood association recently sought review of a previously approved housing project in the City of Davis. Graduate students and staff could not afford to live in Davis, and students who advocate for new housing projects there have faced harassment. Ms. Chodur remarked that the University did not adequately plan for these enrollment increases and asked the Regents to empower the chancellors and campuses to take action, and to advocate for students' access to housing. She also called for more affordable on-campus housing, adding that defining affordability by the market rate was incomprehensible. Where there was extreme scarcity, the market was artificially inflated. Campus rental rates should be compared with graduate student salaries rather than the housing market. When rent is overly weighted, it should be lowered or salaries should be raised. Ms. Chodur stated that the University's policies created artificial and unnecessary barriers to a UC education.

Vice Chair Leib invited Regent Makarechian to make a few remarks.

Regent Makarechian stated that he marked one year since an accident that left him paralyzed and incapacitated. He was now able to walk again, though with some pain and difficulty, and to participate in Regents meetings thanks to the advice of Chancellor Hawgood, UCLA Health Sciences Vice Chancellor John Mazziotta, and Geoffrey Manley, M.D., Chief of Neurosurgery at Zuckerberg San Francisco General Hospital and Professor and Vice Chairman of Neurological Surgery at UCSF. Regent Makarechian received treatment at Craig Hospital, a neurorehabilitation and research hospital in Denver, Colorado, and he announced that he would commit $1 million toward building a facility like Craig Hospital in California. He wished to work toward this goal with any of the chancellors.

Vice Chair Leib congratulated Regent Makarechian on his recovery and thanked him for his gift on behalf of the University.

4. **UNIVERSITY OF CALIFORNIA SMALL BUSINESS UTILIZATION UPDATE**

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

Executive Vice President and Chief Financial Officer Brostrom introduced the speakers, Associate Vice President David Phillips and the University's new Chief Procurement Officer, Paul Williams. Mr. Williams brought 25 years of sourcing and procurement experience. Prior to joining UC, he was the Director of Global Economic Inclusion and Supplier Diversity for Mondelēz International.

Mr. Williams shared that UC Procurement had a $10 billion spend, and over 500,000 California jobs were supported by UC. Every dollar invested in the University generates over $21 in economic output. In total, UC generates over $82 billion of economic activity each year. The University was capable of having a positive impact on the growth and development of the state's small and diverse businesses without compromising the almost $400 million in annual fiscal benefit delivered by UC Procurement. The UC Procurement Leadership Council, comprised of Mr. Williams and the campus chief procurement officers, agreed that economic and social responsibility was the most pressing of five strategic priorities. Buying from small businesses strengthened the California economy, built goodwill in communities, and connected UC to a fuller range of capacity and capabilities. Supplier diversity was also a key element of strategic sourcing.

In 2017, UC set a target to achieve 25 percent small and diverse business spend by 2023. In fiscal year 2020–21, UC small business spend was eight percent, and small business spend in design and construction increased to ten percent. Most campus small business spend exceeded ten percent, but the average spend was brought down by the one percent small business spend of the Office of the President (UCOP). However, $3 billion in healthcare and insurance provider spend on behalf of the entire system represented 88 percent of UCOP spend, and the size required to provide these services limited Tier 1 small business opportunities. UC has asked these suppliers to partner with small businesses, as well as track and report this spend. UC Procurement was focusing on fostering collaboration between UC academic and UC Health procurement; combining their purchasing power was part of a broader strategic initiative. Given that six percent of suppliers with more than $250,000 in spend accounted for 72 percent of total small business spend, UC has updated its strategy to identify opportunities for small and diverse companies to compete for more business.

At least 22 percent of California small businesses closed due to the COVID-19 pandemic, but closure rates were much higher for communities of color. Forty-one percent of black-owned businesses, 36 percent of Latino(a)-owned businesses, and 26 percent of Asian-owned businesses closed. Compliance with policies related to contracting out resulted in a $30 million reduction in small business spend across 250 suppliers. Mr. Williams presented a list of ten key supplier diversity initiatives. One initiative was engaging in spend analysis and extending the horizon of UC Procurement's sourcing calendar from 12 months to three years to assess the availability of small businesses. Two initiatives pertained to access to capital, which was one of the main barriers to small and diverse business success. UC Procurement and the Office of the Chief Investment Officer were working to offer low-cost supply chain financing, investment, and training to small business suppliers. UC Procurement was reaching out to minority-owned investment firms willing to partner with the University to develop small business and diverse suppliers. In collaboration with the XPRIZE Foundation, UC Procurement was launching a challenge focused on the systemic barriers to supplier diversity. The XPRIZE Foundation established cash incentive competitions and brain trusts to address societal challenges such as rural literacy, housing, and commercial space flight.

Mr. Phillips expressed his commitment to raising the amount of small business spend in design and construction. UCOP concluded that expanding the Small Business First policy to design and construction would have marginal impact, because State statutes limited the threshold for expedited supplier selection to $50,000. In the last year, UCOP has hired an outside firm, Merriwether & Williams Insurance Services, a woman- and minority-owned firm and an expert in supplier diversity, to identify ways UC could increase participation. Ideas being considered included sheltered bidding, reduced insurance requirements, expedited payments, and outreach and education. The Office of Energy and Sustainability was meeting biweekly with campus representatives to coordinate these efforts. The plan this year was to focus on education, introducing the University to the design and construction community, and providing training. In these training events, which have averaged 150 attendees, UC was explaining its prequalification process and contracts. In addition, UC design and construction documents were being revised to emphasize the importance of including small and diverse businesses.

Regent-designate Blas Pedral asked about the geographic distribution of training event attendees and whether UC was collaborating with local chambers of commerce. Mr. Phillips replied that UC had a database of small and diverse businesses and was working with local chambers. The training events had good participation from across the state; Mr. Phillips would provide more information about attendees. Mr. Williams added that the Supplier Diversity Advisory Council, which met regularly, included community business leaders and the heads of the Minority Supplier Development Council and the Hispanic Chamber of Commerce.

Regent-designate Blas Pedral asked for information about where the University was targeting its small business outreach efforts and the outcomes of those efforts. She suggested that UC focus its outreach on the Inland Empire and Coachella Valley, where there were black and Latino(a) populations affected greatly by the pandemic.

Regent Lott asked if UC contracting limitations applied to general contractors and if UC could require that general contractors subcontract with a percentage of small and diverse business owners. Mr. Phillips responded that UC was developing a more detailed questionnaire regarding contractors’ outreach efforts and the makeup of their teams. The University planned to collect a year’s worth of data to determine what was feasible and then incorporate a screening mechanism for large contractors. Mr. Phillips stressed that UC would hold contractors accountable.

Regent Pérez expressed his belief that analysis of challenges would be delayed if UC relies on a survey to provide better information than the experience of other public institutions that operate under similar restrictions. He distinguished the demographics of contractor ownership from the commitment to training and employment opportunities for workers. UC Davis' project labor agreement for Aggie Square and UCSF hospital projects were able to strike a balance between the two. In his view, a study would not yield more actionable items, and delay was not a good idea. Executive Vice President and Chief Financial Officer Brostrom expressed agreement. Through former Chair Estolano, UC met with the Los Angeles County Metropolitan Transportation Authority (L.A. Metro) and learned about its construction programs. UC could make a more accelerated effort with regard to minority-owned businesses and with women and minority inclusion among general contractors.

Regent Leib recalled that, 25 years ago, the L.A. Metro already had a very robust women- and minority-owned business program. He encouraged further examining that program.

Regent Lott suggested that checks and balances should be built into UC's program to ensure that contractors are fulfilling their commitments. Mr. Phillips stated that UC was researching enforcement options, such as withholding the retention payment.

Regent Hernandez asked how UC was reaching out to chambers of commerce and whether there was a timeline for reaching the 25 percent goal. Mr. Williams replied that, when considering the cycle of when business comes up for bid, reaching 25 percent would realistically take three years. UC was planning a more aggressive communication campaign that reached not only chambers of commerce and businesses, but also local communities and within the University so that they can better understand the mission and approach. Reaching 25 percent would require targeting spends and types of suppliers.

Regent Cohen asked if a timeline of three years was reasonable with regard to capital. Mr. Phillips replied that, with Regental support and encouragement, UC could aim to reach its goal in three years or sooner. Mr. Brostrom added that he and Mr. Williams have met with minority-owned venture capital and investment firms to determine and address gaps in the University's spend. A three-year time horizon gave firms the ability to invest.

Regent Makarechian noted that some large companies had women and minorities as majority shareholders, but they had very limited opportunities to make decisions. The University must do its due diligence to verify that it is working with genuine women- and minority-owned businesses. Mr. Williams stated that due diligence included examining ownership and governance documents. UC believed that it was contracting with a large number of qualifying businesses that have not become certified and trying to help them become certified, which could improve the documentation of UC's small and diverse business spend. Businesses often cited cost or complexity as barriers to certification.

Staff Advisor Lakireddy suggested that funding be tied to these initiatives so that individuals could be hired to implement them. She recalled her past experience with procurement and the difficulty of implementing unfunded initiatives. Many small businesses were not aware of the small business development center in their communities, so much education and collaboration was needed before UC could reach its 25 percent goal. Much funding was available from the State to help small and diverse businesses. Mr. Williams expressed agreement. UC Procurement recently made a budget request so that UC could increase its focus on this effort, including a proposal to increase supplier diversity staffing. Mr. Brostrom noted that there was both State and federal funding that could be leveraged.

Regent Leib asked if there were programs that incentivize larger companies to hire minority executives. Regent Lott stated her belief that there were programs promoting diversity within general contracting companies and in other arenas, such as law. These programs verified that those named were actually doing the work and held companies accountable. In her view, the incentive for diversity should be the contract itself, but there were other ways to give credit. Mr. Williams stated that UC Procurement was revising the strategic partner requirements in its overall sourcing strategy to include the consideration of diversity and active participation within company leadership.

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

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

<u>Report of the Academic and Student Affairs Committee</u>

The Committee presented the following from its meeting of March 16, 2022:

A. ***Approval of Multi-Year Plans for Professional Degree Supplemental Tuition for Four Graduate Professional Degree Programs***

The Committee recommended that the Regents approve the multi-year plans for charging Professional Degree Supplemental Tuition (PDST) for four graduate professional degree programs as shown in Display 1.

DISPLAY 1: Proposed Professional Degree Supplemental Tuition Levels[1] for Four Programs

	Current Level 2021-22	Proposed Level 2022-23	2023-24	2024-25	2025-26	2026-27
Public Health, UC Berkeley						
Resident PDST Level	$10,176	$10,176	$10,176			
Nonresident PDST Level	$10,176	$10,176	$10,176			
Joint Medical Program, UC Berkeley-UC San Francisco[2]						
Resident PDST Level	$24,486	$24,486	$24,486			
Nonresident PDST Level	$24,486	$24,486	$24,486			
Law, UCLA						
Resident PDST Level	$38,532	$39.688	$41,672	$43,756	$45,944	$48,240
Nonresident PDST Level	$34,558	$37,950	$41,672	$43,756	$45,944	$48,240
Business, UC Riverside						
Resident PDST Level	$32,148	$33,111	$34,104	$35,127	$36,180	$37,266
Nonresident PDST Level	$32,148	$33,111	$34,104	$35,127	$36,180	$37,266

[1] The amounts reflect the maximum PDST levels to be assessed, effective as of the academic year indicated. Assessing PDST levels less than the level indicated requires approval by the President with the concurrence of the Chancellor. PDST levels may be assessed beyond the period covering the program's approved multi-year plan but not in excess of the maximum levels specified in the final year.

[2] The Joint Medical Program is a five-year program, in which the first 2.5 years are at UC Berkeley. The PDST levels in the display are for the first half (2.5 years) of the program at UC Berkeley. Students are assessed the PDST levels for the UC San Francisco Medicine program in the second half of the program at UC San Francisco.

Regent Park reported that the Committee wished to see improvement in these programs' faculty and student diversity when they return before the Regents. The programs committed to more engagement and more outreach. Regent Park also raised the question of what these programs could do to financially assist graduates who pursue public interest careers, such helping them participate in federal loan forgiveness programs. The Committee also suggested that UC Riverside's Business program help increase graduates' salaries and lower their debt levels.

B. ***Transfer Pathways: Associate in Science for Transfer Degrees in Chemistry and Physics***

Regent Park reported that the Committee heard a presentation about UC Transfer Pathways (UCTP) degrees, which were developed to address the gap between the California Community Colleges and California State University (CSU) system's Associate Degrees for Transfer, as well as UC major preparation requirements. There were 12 UCTP degrees in Chemistry and nine in Physics. The Committee asked for more information about outreach to the remaining community colleges, communicating the value of UCTP degrees, especially since other transfer paths were available, and expansion to other disciplines at a future meeting.

C. ***Innovations in Assessment and Grading at the University of California***

Regent Park reported that two UC Berkeley faculty members developed a question-generating project based on PrairieLearn, a software from the University of Illinois. The project allowed students to practice and attain mastery in a subject and moved away from high-stakes examinations in favor of higher-frequency quizzes and second chances, which could have a positive impact on equity. Higher education was traditionally modeled on fixed time, variable learning, but, with variable time, students could engage in mastery learning. The Committee and chancellors were interested in how this could be scaled and applied to other disciplines.

D. ***Academic Integrity at the University of California***

Regent Park reported that the Committee heard a presentation on the efforts of the Office of Academic Integrity at UC San Diego. Since the COVID-19 pandemic, there has been more concern about cheating from students and more instances of ethical violations reported by faculty. To create a culture of integrity, UC could modify undergraduate education to match 21st century realities and build students' capacity for ethical reasoning.

Upon motion of Regent Park, duly seconded, the recommendation of the Academic and Student Affairs Committee was approved, Regents Anguiano, Cohen, Drake, Elliott, Hernandez, Leib, Lott, Makarechian, Park, Pérez, Reilly, Sherman, Sures, and Torres voting "aye" and Regents Kounalakis, Ortiz Oakley, and Thurmond voting "no."

Report of the Compliance and Audit Committee

The Committee presented the following from its meeting of March 16, 2022:

A. ***Internal Audit Activities Report***

Regent Elliott reported that the Committee asked questions about the pace of progress in addressing cybersecurity risk and the challenges that campuses faced in trying to reach full compliance. The Committee suggested that campuses share these challenges at a future meeting.

B. ***Approval of the External Audit Plan for the Year Ending June 30, 2022***

The Committee recommended that the PricewaterhouseCoopers (PwC) external audit plan for the University for the year ending June 30, 2022, as shown in Attachment 1, be approved.

Regent Elliott reported that the Committee met Barbara Cevallos, the new Associate Vice President and Systemwide Controller. There was also a discussion of the auditor's process for evaluating independence in conflicts of interest.

Upon motion of Regent Elliott, duly seconded, the recommendation of the Compliance and Audit Committee was approved, Regents Anguiano, Cohen, Drake, Elliott, Hernandez, Kounalakis, Leib, Lott, Makarechian, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Sures, Thurmond, Torres, and Zaragoza voting "aye."

<u>Report of the Finance and Capital Strategies Committee</u>

The Committee presented the following from its meeting of March 16, 2022:

A. ***Consent Agenda:***

(1) ***Budget, Scope, External Financing, Standby and Interim Financing, and Design Following Action Pursuant to the California Environmental Quality Act, Falling Leaves Foundation Medical Innovation Building, Irvine Campus***

The Committee recommended that:

a. The 2021–22 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Irvine: <u>Falling Leaves Foundation Medical Innovation Building</u> – design, construction, and equipment – $230 million to be funded from gifts ($50 million), external financing ($120 million), and campus funds ($60 million).

b. The scope of the Falling Leaves Foundation Medical Innovation Building project be approved. The project scope shall consist of constructing an approximately 200,000-gross-square-foot (gsf) and 120,000-assignable-square-foot (asf) building that would provide research laboratory and support space, an animal research facility, scholarly activity space, academic and administrative office and support space, public space, and building support. Site development shall include hardscape and landscape; a loading and service area; and vehicular circulation improvements, including a drop-off area. The square footages noted are subject to change based on the selected design-build proposal. In recognition of current construction market volatility, if the design-build teams are unable to provide a bid that delivers the full program within the approved budget, the campus would deliver a portion of the program (animal research facility and/or a research laboratory floor) as shell space, to be built out when additional funds are available.

c. The President of the University be authorized to obtain external financing in an amount not to exceed $120 million, plus additional related financing costs, to finance the Falling Leaves Foundation Medical Innovation Building project. The President shall require that:

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

ii. As long as the debt is outstanding, the general revenues of the Irvine campus shall be maintained in amounts sufficient to pay the debt service and to meet the requirements of the authorized financing.

iii. The general credit of the Regents shall not be pledged.

d. The President be authorized to obtain standby financing in an amount not to exceed $10,035,000 and interim financing in an amount not to exceed $19.9 million, plus additional related financing costs to finance the Falling Leaves Foundation Medical Innovation Building project. The Irvine campus shall satisfy the following requirements:

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

ii. Repayment for any standby debt shall be from gift funds. As gifts are received, the campus will reimburse the standby financing in a timely fashion. If gift funds are insufficient and some or all of the debt remains outstanding, then campus funds shall be used to pay the debt service and to meet the related requirements of the authorized financing.

iii. To the extent additional gifts and other funds are received as cash, the amount of interim financing will be reduced. To the extent additional gifts are received as documented pledges, the interim financing will be converted to standby financing.

iv. If gifts or pledges are not received within seven years from the initial draw, the interim financing will be converted to long-term external financing, or the campus will pay down the interim financing.

v. As long as the debt is outstanding, the general revenues of the Irvine campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.

vi. The general credit of the Regents shall not be pledged.

e. Following review and consideration of the environmental consequences of the proposed Falling Leaves Foundation Medical Innovation Building 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:

i. Adopt the Initial Study and Mitigated Negative Declaration for the Falling Leaves Foundation Medical Innovation Building project.

ii. Adopt the Mitigation Monitoring and Reporting Program for the Falling Leaves Foundation Medical Innovation Building project and make a condition of approval the implementation of mitigation measures within the responsibility and jurisdiction of UC Irvine.

iii. Adopt the CEQA Findings for the Falling Leaves Foundation Medical Innovation Building project.

iv. Approve the design of the Falling Leaves Foundation Medical Innovation Building project.

(2) ***Amendment of Regents Policy 5307: University of California Debt Policy***

The Committee recommended that the Regents amend Regents Policy 5307: University of California Debt Policy, as shown in Attachment 2.

B. ***Working Drawings Funding, Scope, Standby Financing, and Design Following Action Pursuant to the California Environmental Quality Act and Make-Ready Construction Funding; Gateway New Academic Building, Berkeley Campus***

The Committee recommended that:

(1) The 2021–22 Budget for Capital Improvements and Capital Improvement Program be amended as follows:

From: Berkeley: <u>Data Hub New Academic Building</u> – preliminary plans – \$30 million to be funded from gift funds.

To: Berkeley: <u>Gateway New Academic Building</u> – preliminary plans and working drawings for the entire project, and construction of the Site and Make-Ready Work portion of the project – \$64.28 million to be funded by gift funds.

(2) The scope of the Gateway New Academic Building project be approved. The project shall provide an academic building of approximately 375,600 gross square feet (213,000 assignable square feet [asf]) comprised

of office space (75,000 asf), meeting space (75,000 asf); research laboratories (15,000 asf); classrooms (19,000 asf); study space (12,000 asf); and other support and shared spaces to support occupants (17,000 asf); and public realm and circulation improvements, including an improved campus entry at Hearst Avenue; improvements to Bayard Rustin Way and MacFarlane Lane; and landscape and public gathering spaces throughout the site. The scope of the Site and Make-Ready portion of the project shall include permanent power, storm drain connections, demolition of the Wellman Hall Courtyard trailers, and fiber optic line relocation.

(3) Standby financing be approved in an amount not to exceed $64.28 million plus related interest expense and additional related financing costs to finance the Gateway New Academic Building project. The Berkeley campus shall satisfy the following requirements:

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

b. Repayment of any debt shall be from gift funds. As gifts are received, the campus will reimburse the standby financing in a timely fashion. If gift funds are insufficient and some or all of the debt remains outstanding, then campus funds shall be used to pay the debt service and to meet the related requirements of the authorized financing.

c. As long as the debt is outstanding, the general revenues of the Berkeley campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.

d. The general credit of the Regents shall not be pledged.

(4) Following review and consideration of the environmental consequences of the Gateway New Academic Building 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. Adopt the CEQA Findings for the Gateway New Academic Building project, having considered both the UC Berkeley 2021 Long Range Development Plan and Housing Project #1 and #2 Environmental Impact Report (2021 LRDP EIR) and Addendum

#1 to the 2021 LRDP EIR for the Gateway New Academic Building project.

b. Make a condition of approval the implementation of applicable Mitigation Measures and Continuing Best Practices within the responsibility and jurisdiction of UC Berkeley as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2021 LRDP and Housing Project #1 and #2 EIR.

c. Approve the design of the Gateway New Academic Building project, Berkeley campus.

Regent Cohen reported that this would be an interdisciplinary, donor-funded research facility.

C. ***Preliminary Plans Funding, Triton Center, San Diego Campus***

The Committee recommended that the 2021–22 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: <u>Triton Center</u> – preliminary plans – $16.25 million to be funded from campus funds.

Regent Cohen reported that the Triton Center would feature a student services center, a transfer student services center, and a health center that combines the mental health expertise of the academic and health enterprises.

D. ***Conceptual Plan for Development of North Irvine Staff Housing, Irvine Campus***

Regent Cohen reported that the Committee asked UC Irvine to explore denser options given concerns about the impact of the project. Transportation going from the housing development to both wings of campus was planned.

E. ***UC Merced Medical Education Building, Merced Campus***

Regent Cohen reported that, beginning in fall 2023, UC Merced would enroll the first cohort of the B.S. to M.D. students, recruited with a focus on Valley residents. The building was anticipated to be completed and occupied in mid-2025. The Committee looked forward to hearing more about the project in the future.

F. ***Update on Community Engagement, California Hospital Tower, Davis Health Campus***

Regent Cohen praised UC Davis’ efforts in documenting the steps it would take to address the community impact of the project.

G. ***Mid-Year Report of the UC Office of the President's Budget to Actual Expenditures and Second Quarter Forecast for Fiscal Year 2021–22***

This item was not summarized.

H. ***Significant Information Technology Projects Report for the Period September 1, 2021 through December 31, 2021***

This item was not summarized.

Upon motion of Regent Cohen, duly seconded, the recommendations of the Finance and Capital Strategies Committee were approved, Regents Anguiano, Cohen, Drake, Elliott, Hernandez, Kounalakis, Leib, Lott, Makarechian, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Sures, Thurmond, Torres and Zaragoza voting "aye."

Report of the Governance Committee

The Committee presented the following from its meeting of March 16, 2022:

A. ***Approval of Exception for Moving and Relocation Expenses for Anne Foster, M.D., Chief Clinical (Strategy) Officer, UC Health, Office of the President as Discussed in Closed Session***

The Committee recommended approval of the following for Anne Foster, M.D., as Chief Clinical (Strategy) Officer, UC Health, Office of the President:

As an exception to policy, grant Dr. Foster up to eighteen (18) months after her start date to (1) submit receipts and/or documentation supporting her moving and relocation expenses; (2) sell her former primary residence; and (3) complete her move. This permits the reimbursement of expenses authorized by Regents Policy 7710, Senior Management Group Moving Reimbursement, which are incurred by Dr. Foster through September 4, 2022.

Vice Chair Leib stated that Dr. Foster was hired during the COVID-19 pandemic and needed six more months to relocate from New Mexico.

B. ***Approval of Retention Compensation for Michael Witherell as Laboratory Director, Lawrence Berkeley National Laboratory as Discussed in Closed Session***

The Committee recommended approval of the following items in connection with retention compensation for Michael Witherell as Laboratory Director, Lawrence Berkeley National Laboratory:

(1) Per policy, current base salary of $515,041 will remain unchanged by this proposed action, and Director Witherell will continue to be eligible for salary increases under systemwide salary programs, i.e., merit and/or

general increases consistent with Universitywide guidelines and the Department of Energy compensation program.

(2) As an exception to policy, retention payments not to exceed $300,000 total, paid in two installments in January 2025 and January 2026. Director Witherell must remain actively employed as Laboratory Director through December 31, 2024 to be eligible for the January 2025 retention payment and through December 31, 2025 to be eligible for the January 2026 retention payment.

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

(4) Per policy, continued annual automobile allowance of $8,916.

(5) Per policy, continuation of a monthly contribution to the Senior Management Supplemental Benefit Program.

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

(7) Director Witherell will comply with the Senior Management Group Outside Professional Activities (OPA) policy and reporting requirements.

(8) This action will be effective upon approval.

The compensation described above shall constitute the University's total commitment until modified by the Regents, 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.

C. ***Review and Amendment of the Schedule of Reports to the Regents***

The Committee recommends that (1) the Schedule of Reports be amended as shown in Attachment 3, and (2) the Regents affirm that the reports remain useful and extend the reports shown on Attachment 3 for a three-year period, through March 2025.

Vice Chair Leib explained that, per Regents Policy 1118: Policy on Reports to the Regents, all reports to the Regents must be reviewed every three years to determine whether they remain useful to the Board.

Upon motion of Regent Leib, duly seconded, the recommendations of the Governance Committee were approved, Regents Anguiano, Cohen, Drake, Elliott, Hernandez, Leib, Lott, Makarechian, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Sures, Thurmond, Torres, and Zaragoza voting "aye."

Report of the Health Services Committee

The Committee presented the following from its meeting of February 16, 2022:

A. ***Update from the Executive Vice President of UC Health***

This item was not summarized.

B. ***UC Irvine Health Sciences Strategy, Irvine Campus***

Regent Pérez reported that the campus provided a thorough overview of its strategic plan.

C. ***Annual Report on Student Health and Counseling Centers and the UC Student Health Insurance Plan***

This item was not summarized.

The Committee presented the following from its meeting of March 16, 2022:

D. ***Approval of Appointment of and Compensation for Cheryl Sadro as Chief Financial Officer, UC Davis Health, Davis Campus as Discussed in Closed Session***

The Committee recommended approval of the following items in connection with the appointment of and compensation for Cheryl Sadro as Chief Financial Officer, UC Davis Health, Davis campus:

(1) Per policy, appointment of Cheryl Sadro as Chief Financial Officer, UC Davis Health, Davis campus, at 100 percent time.

(2) Per policy, an annual base salary of $802,000.

(3) Per policy and starting in the 2022-23 plan year, eligibility to participate in the Clinical Enterprise Management Recognition Plan's (CEMRP) Short Term Incentive (STI) component, with a target award of 15 percent of base salary ($120,300) and maximum potential award of 25 percent of base salary ($200,500), subject to all applicable plan requirements and Administrative Oversight Committee approval. The 2022–23 plan year starts on July 1, 2022 and ends on June 30, 2023, and the first possible short term incentive award will be determined following the close of the 2022–

23 plan year. Any actual award will be determined based on performance against pre-established objectives and may be prorated in Ms. Sadro's first year of participation.

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

(5) Per policy, reimbursement of actual and reasonable moving and relocation expenses associated with relocating Ms. Sadro's primary residence, subject to the limitations under Regents Policy 7710: Senior Management Group Moving Reimbursement.

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

(7) Ms. Sadro will comply with the Senior Management Group Outside Professional Activities (OPA) policy and reporting requirements.

(8) This action will be effective on Ms. Sadro's start date of April 1, 2022.

The compensation described above shall constitute the University's total commitment until modified by the Regents, President, or 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.

Regent Cohen stated that he would be voting "no." He found no compelling reason for a 33 percent raise from the salary of the incumbent. Exceeding the 75th percentile of the Market Reference Zone (MRZ) seemed unnecessary given the prior incumbent's substantially lower salary. There had been conversation about how this would create cost pressure for other UC hospitals.

Regent Ortiz Oakley stated that he could not support this action. He stated that nothing has changed since he was Vice Chair of the Governance and Compensation Committee with then Committee Chair Reiss. With UC Health, there was always a push to raise salaries.

President Drake stated that he would vote to approve this action due to the size and complexity of the UC Health system, which was part of a national health system. UC engaged in national searches and competed for talent from across the country. This salary was low compared with salaries from institutions of comparable complexity. This salary was above the 75th percentile of a Market Reference Zone which had last been updated in 2019, so this was not an accurate number. The University's actions must resonate with its efforts to support women and minorities.

Regent Sherman, referring to the Health Services Committee Charter, noted that the final decision regarding compensation belonged to the Committee, not the full Board. He asked General Counsel Robinson for clarification of this point. Mr. Robinson replied that this was correct if compensation is paid with clinical dollars.

Regent Pérez stated that the Charter delegated this authority to the Committee. He distinguished between the delegation offered and the one taken. In his view as Committee Chair, the delegation was predicated on the fact that the Committee generally meets off-cycle. The Charter was changed so that it would not take one month for the full Board to approve an action taken during an off-cycle meeting. This was not unlike the Board Chair's delegated authority to sign interim actions. When Regent Pérez served as Board Chair, he did not sign interim actions before an upcoming Board meeting, because it would be inconsistent with the predicate of the delegation. Because the Davis campus was not ready to present this item during the off-cycle meeting and asked that it be presented during the regular meeting, Regent Pérez made clear during the Committee meeting that this item would be taken as a recommendation to the full Board.

Mr. Robinson stated that it was within the discretion of the Committee not to exercise the authority provided by the Committee Charter. In his view, the Committee Charter did give the Committee plenary authority to decide compensation issues where clinical dollars are the source of the payment.

Regent Pérez asked if this item was properly before the full Board. Mr. Robinson responded in the affirmative.

Vice Chair Leib expressed agreement with Regent Pérez's reasoning for the delegation of authority and felt that the Board should proceed with the vote. He asked about the intent of the delegation of authority. Mr. Robinson stated that the conditions cited were not in the Committee Charter, but the item was properly before the Board.

Regent Makarechian opined that this salary should not be viewed as unreasonable because of the lower salaries of chief financial officers at other UC hospitals. Some chancellors, deans, and others were hired when salary bases were much lower. When they leave, their replacement is hired on a market basis. In addition, chief financial officers of hospitals were different from campus chief financial officers because the former purchased billions of dollars in items every year. The difference between a mediocre and a good chief financial officer could be savings of tens of millions of dollars in one year, which was many times their salary.

Regent Park stated that she was prepared to support the item. While she concurred with fellow Regents about high salaries, this item came before the Board by a small margin. She did not want the time, cost, and effort devoted to a thorough search to be put to waste on account of a small margin. She expressed excitement about the prospect of increasing the number of women and people of color in management positions. Given the number of Regents who had not yet been convinced, further discussion was needed to explain why this recruitment was mission critical in running large enterprises. Regent Park added that the MRZ should have been corrected in advance of the discussion.

Regent Pérez noted his track record of recruiting, attracting, and hiring the most diverse and talented pool of leaders for the University—women chancellors, chancellors of color, and a President of color. He agreed that UC should not be bound by a loyalty tax imposed on people with long tenure; the Regents recently adjusted the salaries of chancellors paid as low as below the 25th percentile of the MRZ. The authority to act without Board approval was limited by the 75th percentile, and limits needed to be meaningful. There was a balance between paying a respectful amount and not the highest possible income. In Regent Pérez's view, this could have been done within policy, without the need for Board approval. He underscored the importance of making best efforts to comply with policy; going above the 75th percentile was supposed to be a rarity. He was troubled by the view that it is inappropriate for UC to hold true to policy. While he had no qualms about the qualifications of the candidate, he had qualms about how the compensation level was reached. In his view, this exceeded what he believed was appropriate, and he would be voting "no."

Regent Zaragoza asked if another offer below the 75th percentile of the MRZ could be made if this item was not approved. Vice Chair Leib responded in the affirmative.

Vice Chair Leib stated that he would be voting in support of the motion. He did not believe that it was inappropriate for other Regents to vote "no," as this was the purpose of the policy; to vote whether exceeding the 75th percentile is warranted. The University needed to refresh its MRZs, which the Office of the President was in the process of doing. Vice Chair Leib asked Vice President Lloyd to ensure that there was a clear understanding of how UC was establishing its benchmarks.

Regent Pérez stressed the importance of a like-for-like comparison. During Committee discussion, this position was compared with another position in the private sector that included the responsibility for investment. Title was being conflated with responsibility.

Upon motion of Regent Pérez, duly seconded, the recommendation of the Health Services Committee was not approved, Regents Drake, Leib, Makarechian, Park, Reilly, Sherman, and Sures voting "aye," Regents Cohen, Elliott, Hernandez, Kounalakis, Ortiz Oakley, Pérez, Thurmond, Torres, and Zaragoza voting "no," and Regents Anguiano and Lott abstaining.

Report of the Investments Committee

The Committee presented the following from its meeting of March 15, 2022:

A. ***Review of Second Quarter Performance for Fiscal Year 2021–22 of UC Pension, Endowment, Blue and Gold Pool, and Working Capital***

Regent Sherman reported that the University had about $175 billion in assets at the end of the last calendar year—$20 billion in the General Endowment Pool, $95 billion in the UC Retirement Plan, $1.6 billion in the Blue and Gold Pool, and $22.6 billion in working capital. The performance of all the funds was in about the mid-single digits. The Committee heard a discussion about market volatility caused by the current geopolitical situation and interest rate increases proposed by the Federal Reserve. The Committee would be considering asset allocations at an upcoming meeting.

B. ***Restrictions on Individual Regents and Advisory Members Sharing Investment Opportunities with UC Investments***

Regent Sherman reported that the Committee was given a review of Regents Policy 6104, Policy on Conflict of Interest Regarding Assets Managed by the Chief Investment Officer, and the prohibition of Regents or advisory members from directing the selection of specific investments. The Office of the General Counsel had developed a new form for Regents or advisory members to complete if they planned to make introductions about investment opportunities.

Report of the Public Engagement and Development Committee

The Committee presented the following from its meeting of March 16, 2022:

A. ***Senate Constitutional Amendment 5 (Glazer)***

Regent Reilly reported that the Committee heard an overview of Senate Constitutional Amendment 5 (SCA 5), which would require the University to appoint two students as voting members of the Board. If SCA 5 passes the State Assembly by more than a two-thirds vote, it would be on the statewide ballot but would not require approval by the Governor.

B. ***State Governmental Relations Update***

Regent Reilly reported that the Committee heard an update about the University's sponsored legislation and bills that UC was tracking, as well as the speed with which the Governor and the Legislature passed Senate Bill 118, which allowed UC Berkeley to admit its planned number of students this fall.

C. ***Federal Governmental Relations Update***

Regent Reilly reported that the fiscal year 2022 appropriations process included a $400 increase to the maximum Pell Grant amount, as well as increases for the majority of research and education programs.

Report of the Special Committee on Innovation Transfer and Entrepreneurship

The Special Committee presented the following from its meeting of February 17, 2022:

A. ***Innovation Transfer and Entrepreneurship Transformation: Progress Update***

Vice Chair Leib reported that the Office of the President was making progress on following the Special Committee's recommendations. Governance was being taken back to the campuses, which removed some of the double-authority issues.

B. ***Update on Legal and Policy Compliance in Innovation Transfer***

Vice Chair Leib reported that the Office of the General Counsel has given campuses more latitude to make legal decisions. This would help reduce bureaucracy surrounding intellectual property deals and licensing agreements.

C. ***Update on Implementation of the Regents' Working Group on Innovation Transfer and Entrepreneurship Recommendation on Equity Management***

Vice Chair Leib reported that several campuses desired to have more authority to make equity decisions, which would still be within the U.S. Securities and Exchange Commission guidelines. Vice Chair Leib predicted that these changes would result in more royalties and more good ideas as a result of campus input.

D. ***Equity Solutions Group, Berkeley Campus***

This item was not summarized.

E. ***Speaker Series: Lessons from the Center for Data-Driven Insights and What Faculty Inventors Want***

This item was not summarized.

6. **UPDATE ON COVID-19 IMPACT ON THE UNIVERSITY OF CALIFORNIA: UC HEALTH ISSUES**

[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 Byington began her remarks by recognizing two years of the COVID-19 pandemic. In that time, UC Health has tested nearly one million patients as well as millions of others throughout the state, and cared for 100,000 individuals with COVID-19 at UC hospitals. Dr. Byington presented a graph from the United Kingdom indicating a decline in infection-related mortality. While the U.S. did not have the same vaccination and booster rates as the United Kingdom, the trend was similar. Two recent studies from the United Kingdom found that those with mild cases of COVID-19 experienced a significant decline in brain matter and cognitive decline, and about 1.2 million working-age individuals had new long-term disability, the majority of whom had recovered from COVID-19. The U.S. was in the midst of a wave of the Omicron variant, and 23 percent of cases were of the BA.2 Omicron variant cases. Regional proportions were similar throughout the country. Europe has entered into its sixth surge of COVID-19; there was an upward trajectory for both cases and hospitalizations. BA.2 could be the driver of this surge, but other possibilities included waning immunity from vaccination; the elimination of masking, testing, and isolation; or a combination of those. The U.S. should prepare for a sixth surge, because it was facing the same issues but with a much lower immunization and booster rate. Currently, the U.S. was seeing a downward trend in cases, with 31,000 cases per day, 12 cases per 100,000 people, and about 1,300 deaths per day, which was still substantial. Dr. Byington raised concern that the full vaccination rate has remained in the mid-60 percent range for months.

There was a steep downward trend in California was well, with seven cases per 100,000 people. The number of COVID-19 inpatients at UC Health has decreased to about 60 admitted per day across UC facilities. On February 17, Governor Newsom released the SMARTER Plan for the next phase of COVID-19 response. It recognized the importance of public health tools, encouraged public health literacy, and empowered people to assess ongoing community and personal risk. The plan also emphasized readiness for future surges and supported in-person education, and it presented many opportunities for collaboration. UC was already collaborating with the State on genomic sequencing, wastewater testing, and modeling.

The U.S. Centers for Disease Control and Prevention (CDC) released new mechanisms for measuring community levels of COVID-19, through cases, hospital admissions, and percent of staffed inpatient beds occupied by patients with COVID-19. All UC campuses were in the low transmission category. The CDC recommended vaccination and testing, but not masking, in the low transmission areas, and masking in high transmission areas. Dr. Byington questioned whether mask mandates would be tolerated in the future. Those in the medium transmission areas were left to their own personal judgment. If one has an underlying, high-risk condition, Dr. Byington suggested wearing a mask. She also suggested wearing a mask indoors where others' vaccination status was unknown. The

White House issued its National COVID-19 Preparedness Plan, which focused on protecting against and treating COVID-19, preparing for new variants, preventing economic and educational shutdowns, and continuing to vaccinate the world. The plan was at risk as there was no further funding to support the vaccination and testing of the uninsured or ensure adequate supplies of antiviral medication. Supplies of the antiviral Paxlovid were expected to be low by the end of the spring, and few monoclonal antibody treatments were expected to be left by September. Dr. Byington presented a table showing where the U.S. has donated vaccines; lower–middle- and lower-income countries continued to struggle. Senior Vice President Colburn and others have established a roadmap for protection against all respiratory viruses that focused on indoor air quality, long COVID, equity, and communication. All campuses have developed significant infrastructure and capacity to respond to COVID-19, and the University has been able to keep its students and employees safe. Therefore, the UC Systemwide Committee for Campus Return would stand down until July 2022. The Committee could be convened in the event of an emergency. UC recently completed its first set of joint grants with the California Department of Public Health (CDPH), with UC Irvine, UCLA, and UCSF receiving grants for improving precision of COVID-19 forecasting, working with vulnerable communities, finding better models for K–12 schools, and eliminating disparities in vaccine uptake. Dr. Byington projected that the U.S. would reach one million COVID-19 deaths in May, adding that this period should be used to prepare for what might come next. UC Davis Health's Center for Reducing Health Disparities was working with CDPH to vaccinate agricultural and black communities in Sacramento and Yolo Counties.

Vice Chair Leib asked which population the vaccination rate represented. Dr. Byington replied that this was the vaccination rate of vaccine-eligible individuals, those who were over five years old.

Vice Chair Leib remarked that San Diego County regarded itself as 99.6 percent "partially or fully vaccinated." Dr. Byington stated her belief that partially vaccinated was the same as unvaccinated. UC used the terms "up to date" and "not up to date." Vice Chair Leib asked if "up to date" included two initial doses of vaccine and a booster dose. Dr. Byington responded in the affirmative. Many papers have been published showing the importance of booster shots for full protection.

Staff Advisor Tseng asked when the sixth surge was anticipated in the U.S and what type of preparation was needed. Dr. Byington replied that masking and vaccination were the most important things one could do, and the UC community has done these things. More work was needed to understand vaccination and booster resistance across the U.S., especially when 10.1 billion people have been immunized in the world. In her estimation, evidence of the sixth surge would appear in the U.S. by late spring.

Regent Makarechian asked what percentage of people experienced brain conditions after recovering from COVID-19. Dr. Byington responded that this was not currently known, since the U.K. study was very small, with 350 people who had COVID-19. On average, those in the study who had COVID had more brain loss and cognitive decline than was expected for their age.

Regent Makarechian asked if these were permanent changes. Dr. Byington stated that, according to the authors of the study, the majority of subjects were followed for one year post-COVID and would continue to be followed, because it was unknown whether this was permanent or brain inflammation from the infection that could resolve over time.

Regent Makarechian asked if UC was conducting similar studies. Dr. Byington responded in the affirmative. The Systemwide Long COVID Committee, comprised of representatives from the health centers and the long COVID clinics, were working to define long COVID, identify the best way to treat it, and to track outcomes.

Regent Makarechian asked if UC was conducting a larger study with more than 350 participants. Dr. Byington responded in the affirmative. UC Health has standardized the way that a COVID-19 diagnosis is coded so that it can be easily found in electronic health records, and UC would be able to accrue larger numbers of these diagnoses.

Regent Makarechian asked how long it would take to reach a conclusion of the study. Dr. Byington replied that UC might need to follow individuals with long COVID for at least five years, with one-, three-, and five-year follow-ups. Zika virus studies of pregnant women and their infants in the U.S. began in 2016 and were just being published now; they found that five percent of infants born to women with Zika virus had a permanent brain or eye defect. It would take time to understand the effects of these viral illnesses on the brain.

Regent Makarechian asked if there were any studies on the effect of COVID-19 on infants. Dr. Byington responded in the affirmative. The infants of mothers with more severe disease were likely to have worse outcomes, such as premature birth or mortality. Infants were rarely born with COVID-19, and vaccination of the mother resulted in better outcomes and infants being born with some antibody protection.

Regent Guber asked if there would be a decline in an individual's ability to keep receiving booster doses. Dr. Byington replied that UC Health was studying this. Humans could receive multiple booster doses and have an effective antibody response. Influenza and tetanus vaccines were examples. There was concern that administering too many shots too quickly would blunt the immune function. The ideal number of months between booster doses was being determined. Dr. Byington believed that COVID-19 vaccine would be offered annually in the future.

Regent Guber asked how long after COVID-19 infection one should wait before receiving the vaccination. Dr. Byington stated that, according to the CDC, one who has recovered from COVID-19 could be vaccinated. Vaccination should occur within 90 days of infection, because that was typically how long post-infection immunity would last.

Staff Advisor Lakireddy asked how parents should navigate recent news about the effectiveness of vaccines for children age five to 11 years old. Dr. Byington suggested consulting with one's pediatrician. While the vaccines did not offer as much protection for five- to 11-year-olds than for older children, they were safe for this age group and still offered significant protection. Preliminary data have shown that vaccines did not offer the same robust antibody protection for children under the age of five.

Regent Lott asked about booster doses for children age five to 11 and about the status of vaccination for children under the age of five. Dr. Byington replied that studies of children under the age of five were ongoing, and data for these studies should be available by the end of March or beginning of April. In her view, children would need booster doses. There was an urgent need to communicate to the American people when boosters would be required so that the country is prepared for a likely increase in cases in the fall and winter. Dr. Byington expressed her hope that a spring surge would be more controlled due to Omicron immunity; 43 percent of Americans have had Omicron in the last eight weeks.

Ms. Tseng asked how long the U.S. vaccination rate has remained the same. Dr. Byington replied that it has been months. When vaccines first became available, one to two percent of the U.S. population was being vaccinated per day. Given this rate, the U.S. should have reached 90 percent in about 90 days, but this has not occurred.

Ms. Tseng asked if data were available on booster doses. Dr. Byington stated that a number of individuals have received a fourth dose at UC Health; a fourth dose had been recommended for the immunocompromised. No difference in side effects was observed.

7. RESOLUTION IN APPRECIATION – CECILIA V. ESTOLANO

Upon motion of Regent Ortiz Oakley, the following resolution was adopted, Regents Anguiano, Cohen, Drake, Elliott, Hernandez, Leib, Lott, Makarechian, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Thurmond, Torres, and Zaragoza voting "aye."

WHEREAS, the Regents of the University of California wish to pay richly deserved tribute to their esteemed colleague, Cecilia V. Estolano, for her distinguished service to higher education as a member of the University of California Board of Regents, as its Vice Chair in 2020–2021 and as its Chair since July 2021; and

WHEREAS, her influence on University policy is belied by her relatively brief tenure as a Regent, as the members of the Board have benefitted tremendously from her thoughtful and incisive questions, which have led to productive discussions on many of the vital issues of the day, and she has gone above and beyond the usual duties of a Regent, serving as an indispensable member of multiple special committees and the search committees for a new Chancellor at the Merced campus and for a new University of California President; and

WHEREAS, as Chief Executive Officer (CEO) and Founder of Estolano Advisors, an urban planning and public policy firm, and CEO of Better World Group, an environmental policy and advocacy firm, she has endeavored to implement policies that support equitable communities and sustainable development, and as a member of the Board of Regents, has leveraged this expertise to benefit the University of California; and

WHEREAS, she has focused the University on crafting an ambitious plan to expand undergraduate enrollment to benefit all Californians and make the promise of a UC degree not a dream, but a reality, and has promoted equity in all that the University does, including aiming to ensure that UC hires small, minority- and women-owned businesses, urging the University to live up to its public service ethos; and

WHEREAS, as a proud alumna of UCLA and UC Berkeley School of Law, she sees challenges as opportunities for UC to be a leader in offering solutions to the most dire challenges facing the world, especially climate change, and sustains a sense of urgency for innovative solutions that lead to action, using her position as Chair to elevate the role the University can play to create a better world; and

WHEREAS, in recognition of her dedicated and meritorious service as a member of the Board of Regents of the University of California, and in the hope that she will continue as an active and vital participant in the life of the University, the Regents do hereby confer upon Cecilia V. Estolano the title, Regent Emerita;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California express their sincerest gratitude and admiration to Cecilia Estolano for her highly visible, articulate, and enthusiastic advocacy for her beloved alma mater;

AND BE IT FURTHER RESOLVED that the Regents direct that a suitably inscribed copy of this resolution be presented to Cecilia Estolano as an expression of the Board’s high regard, appreciation, and best wishes for her future endeavors.

8. **RESOLUTION IN MEMORY – RICHARD BLUM**

Upon motion of Regent Reilly, the following resolution was adopted, Regents Anguiano, Cohen, Drake, Elliott, Guber, Hernandez, Leib, Lott, Makarechian, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Sures, Thurmond, Torres, and Zaragoza voting “aye.”

WHEREAS, the Regents of the University of California are profoundly saddened by the death of University of California, Berkeley alumnus and Regent Richard Blum, a true public servant, beloved colleague, and effective and staunch friend of the University; and

WHEREAS, his professional achievements in the field of investment management as chairman and president of Blum Capital Partners were matched only by his devoted public service to the University of California and on behalf of global peace; and

WHEREAS, a proud Cal Bear who earned a BA (1958) and MBA (1959) from the Berkeley campus, he was honored as the Haas School of Business Alumnus of the Year in 1994 and long served on its advisory board, and in recognition of his incomparable service to the University, he was awarded the prestigious Berkeley Medal in 2009 and the UC San Francisco Medal in 2012; and

WHEREAS, during his two decades as a Regent, he contributed his valuable expertise, wisdom and professional judgment to nearly every Committee of the Board, and as Chairman of the Board from 2007 to 2009, he skillfully steered the University through a tumultuous period and ensured a seamless transition to a new President, preserving the legacy of the University of California as the premier institution of public higher education worldwide; and

WHEREAS, his advocacy on behalf of the Berkeley campus and his philanthropic interests culminated in a generous gift establishing the Blum Center for Developing Economies at the University of California, Berkeley, which aims to alleviate global poverty and expanded to all of the UC undergraduate campuses, ensuring that his legacy will endure; and

WHEREAS, his passion and advocacy for fighting poverty and promoting human rights extended globally, as Co-Chairman of the World Conference on Religion and Peace, Founder and Chairman of the American Himalayan Foundation, honorary Counsel General of Nepal, and as a trustee of The Carter Center and the American Cancer Society Foundation, among others;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California mourn the passing of Richard Blum, a dedicated public servant, who unselfishly gave his time, leadership, and considerable talent to benefit the people of California and the world and in recognition of his devoted service as a member of the Board of Regents of the University of California, the Regents do hereby confer upon Richard Blum the title Regent Emeritus;

AND BE IT FURTHER RESOLVED that the Regents extend to his wife, Senator Dianne Feinstein, and to the entire Blum family their heartfelt condolences over the loss they have sustained and direct that suitably inscribed copies of this resolution be sent to them as a symbol of the Regents' profound admiration and regard.

Regent Reilly shared that she had known Regent Blum for over 25 years. Regent Blum was dedicated and loyal to his alma mater, UC Berkeley, and the University; this was also noted in U.S. President Biden's statement released after Regent Blum's passing. He served on the Board for 20 years, and, in the two years that he served as Chair of the Board, he used his financial acumen to help steer UC through a difficult time. He helped choose a new UC President and led a seamless transition in that process. Regent Blum gave generously to all ten campuses, including the establishment of the Blum Center for Developing Economies at UC Berkeley in 2007. Today, there were Blum Centers with the focus of ending global poverty on all nine undergraduate UC campuses. He was the co-chair of the World Conference on Religion and Peace, the founder and chair of the American Himalayan Foundation, an honorary counsel general of Nepal, and a trustee of both the Carter Center and the American Cancer Society. All the actions Regent Blum took were in the best interest of the University. Regent Reilly offered condolences to Senator Dianne Feinstein, to whom Regent Blum was married for 40 years.

Regent Torres shared that he had known Regent Blum for decades. He recalled that, even at the end of Regent Blum's life, his voice became energized when talking about the University. When Regent Torres chaired the California Democratic Party, he relied on Regent Blum for his sound advice and political acumen. He offered his condolences to Senator Feinstein.

The Board recessed at 11:40 a.m.

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The Board reconvened at 12:25 p.m. with Vice Chair Leib presiding.

Members present:	Regents Cohen, Drake, Elliott, Guber, Hernandez, Leib, Lott, Makarechian, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Sures, Torres, and Zaragoza
In attendance:	Regents-designate Blas Pedral and Pouchot, Faculty Representatives Cochran and 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, Senior Vice President Colburn, Chancellors Block, Christ, Gillman, Hawgood, Khosla, Larive, May, Muñoz, Wilcox, and Yang, and Recording Secretary Li

9. **COMMITTEE REPORTS (CONTINUED)**

Regent Pérez, referring to earlier discussion regarding item H1, *Approval of Appointment of and Compensation for Cheryl Sadro as Chief Financial Officer, UC Davis Health, Davis Campus as Discussed in Closed Session,* stated that there was a question regarding the authority of a campus to offer compensation up to the 75th percentile of the Market Reference Zone (MRZ). Further review of the question led to consideration of Regents Policy 7701, Senior Management Group Appointment and Compensation, which limited the ability to offer compensation to a new hire that exceeds the predecessor's salary by ten percent or more without Board approval for Level Two members of the Senior Management Group. This policy tied new hires to older MRZs, which was the "loyalty tax" that the Board was trying to correct.

Regent Pérez moved that the application of Regents Policy 7701, Senior Management Group Appointment and Compensation, Section IV.C.2.b. with regard to item H1 be waived. The practical effect of this waiver would be to give the Davis campus the authority to raise the proposed salary up to the 75th percentile of the MRZ.

Upon motion of Regent Pérez, duly seconded, the recommendation of the Chair of the Health Services Committee was approved, Regents Cohen, Drake, Elliott, Guber, Hernandez, Leib, Lott, Makarechian, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Sures, Torres, and Zaragoza voting "aye."

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

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

Approvals by Concurrence Authority

The Chair of the Regents, the Chair of Finance and Capital Strategies Committee and the President of the University approved the following recommendations:

A. ***Approval of Forward Hedging for Medical Center Capital Needs***

That the President of the University be authorized to execute up to $1 billion of one or more forward-starting swaps as follows:

(1) Enter into one or more forward-starting interest rate swap agreements and take all appropriate actions to implement the transaction.

(2) Allow the University to agree to optional termination rights and collateral posting terms that do not comply with and are an exception to "The Regents of the University of California Interest Rate Swap Guidelines."

B. ***Amendments to the 2022–23 Budget Plan and State Budget Request***

The Regents approve the amendments to the University of California's 2022–23 budget plan to expand the request for one-time State capital funds for deferred maintenance, energy, and capital investments from $600 million to $1.6 billion.

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

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

To the Regents of the University of California:

A. From the President of the University, an update on the 2022 campus plans for return to instruction in order to mitigate public health impacts, in light of the Omicron variant of COVID-19. January 5, 2022.

B. From the President of the University, an overview of the Governor's proposed 2022-23 budget and an outline of the framework of a multi-year funding agreement with the University of California. January 10, 2022.

C. From the Executive Vice President of UC Health, a COVID-19 and Coronavirus Update. January 28, 2022.

D. From the Vice President, the UC Agriculture and Natural Resources Newsletter, Volume 6, Number 1. January 31, 2022.

E. From the Chair of the Board, a message announcing the members of the Regents' Task Force on Enrollment Growth Strategies. February 8, 2022.

F. From the President of the University, the 50th *Annual Report on Student Financial Support* for 2020-21. February 9, 2022.

G. From the Provost and Executive Vice President for Academic Affairs, an overview of academic appointees and academic policies. February 10, 2022.

H. From the Secretary and Chief of Staff to the Regents, the Summary of Communications Received for December, 2021 and January, 2022. February 28, 2022.

I. From the Secretary and Chief of Staff to the Regents, a message announcing the appointment of Regent Sures as a member of the Special Committee on Nominations. March 1, 2022.

J. From the Secretary and Chief of Staff to the Regents, a message announcing that Board Vice Chair Leib will assume the responsibilities of Chair, due to the conclusion of Regent Estolano's term on the Board of Regents. March 1, 2022.

To the members of the Compliance and Audit Committee:

K. From the President of the University, the *Annual Review of External Audit of UC Hastings College of the Law, Year Ended June 30, 2021*. February 3, 2022.

To the members of the Finance and Capital Strategies Committee:

L. From the President of the University, 2021 *Annual Report on Debt Capital and External Finance Approvals*. February 9, 2022.

To the members of the Governance Committee:

M. From the President of the University, *Annual Report on Compensated Outside Professional Activities* for reporting period July 1, 2020 through June 30, 2021: Deans and Certain Other Full-Time Faculty Administrators. January 21, 2022.

N. From the President of the University, *Semi-Annual Report on Outside Professional Activities* Approved in the Preceding Six Month Period: Incumbents in Senior Management Positions for the period July 1, 2021 –December 31, 2021. February 9, 2022.

To the members of the Public Engagement and Development Committee:

O. From the Associate Vice President, External Relations and Communications, the Federal Update, 2022, Issue 1. January 28, 2022.

P. From the Associate Vice President, External Relations and Communications, the Federal Update, 2022, Issue 2. February 24, 2022.

The meeting adjourned at 12:30 p.m.

Attest:

Secretary and Chief of Staff

Audit objectives

PwC Services and related deliverables to the University

In conjunction with performing audit services for the University, we also provide certain other audit related and attest services. See below for a listing of services and related deliverables we expect to provide. Prior to commencing any non-audit related services, we are required to obtain preapproval from the Committee or the Committee's designee pursuant to the University's preapproval policy for its independent auditor.

Audit reports

- Report on the financial statements of the University of California.
- Report on the financial statements of each of the five Medical Centers.
- Report on the defined benefit and defined contribution plans of University of California Retirement System (UCRS).
- Report on the University of California cash contributions to the Retirement System.
- Reports on federal awards in accordance with OMB Uniform Guidance.

Other services

- Review of consolidated Form 990 T of the Regents of the University of California and University of California Retirement Plan.
- Procedures in connection with bond offerings.
- Accounting consultations and other assistance associated with emerging accounting and reporting issues and complex transactions.

Internal control observations

- Report to the Committee on control and process deficiencies and observations, including material weaknesses and significant deficiencies, as applicable (Regents Letter).
- Reports to the campus Chancellors on control and process deficiencies and observations, as applicable (Chancellor Letters).

Committee reporting

- Audit and communications plan.
- Results of audits and required communications.

Note that the campus foundations and Fiat Lux Risk and Insurance Company ("Fiat Lux") have separate audits of their financial statements and the auditor's reporting on those organizations are directed to their respective audit committees. Accordingly, this Audit and Communications Plan is not focused on the specifics of these entities. However, to the extent audit matters arise from those locations that warrant the attention of the Regents, we will ensure those matters are communicated.

Additions shown by underscoring; deletions shown by strikethrough

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
UNIVERSITY OF CALIFORNIA DEBT POLICY

I. Purpose/Objective of Policy

The University's Debt Policy (the "Policy") governs the use and management of debt used to finance primarily capital projects as well as certain other uses across the University of California System (the "System"). As such, the Policy provides a framework that guides the capital market activities that are critical to achieving the University's mission of teaching, research, and public service. This framework ensures that the University can do so in an efficient and cost-effective manner while managing risk in the debt portfolio.

Specifically, this Policy seeks to achieve the following objectives:
- Outline the University's strategic approach to debt management;
- Establish guidelines for approving, structuring and managing debt;
- Identify roles and responsibilities for approving and monitoring debt post-issuance; and
- Set reporting standards.

With debt a precious and finite resource, this Policy provides a framework within which to evaluate and manage the tradeoffs between credit ratings, cost of capital and financial flexibility. It is the overarching goal of this Policy to ensure that the University maintains ready access to the debt capital markets to meet the University's financing needs. The active management of the University's credit profile, including the debt structure with respect to maturity and composition, will allow the University to achieve these objectives.

The University's credit strategy and strength are rooted in the System's scope and diversity; therefore, debt is a central function.

The Office of the CFO has oversight over all of the University's capital market activities. As such, the Office of the CFO is responsible for maintaining this Policy and will review it at least every two years and present to the Board of Regents, for approval, any proposed material changes, as appropriate. Nonmaterial changes to this policy may be approved directly by the CFO.

II. Use of Debt Funding

A. Prioritization of Capital Needs. Campuses and medical centers prioritize their capital needs with respect to the essentiality to the University's mission of teaching, research, and public service. Campuses and medical centers also prioritize with respect to affordability, with special consideration given to capital projects that are self-funding or revenue-generating. The Capital Financial Plan, updated annually, lays out the capital plan for each campus and medical center. The Plan includes a general funding plan for each project.

B. Approval Process. All University external financings must be approved by the Board of Regents, unless provided otherwise under the relevant University governing documents. The Office of the CFO coordinates the external financing approval process, which includes a review of the campus' or medical center's financial strength and ability to assume additional debt.

In addition to the campus and medical center guidelines below, external financing approvals will be considered in the context of the University's overall credit portfolio and any potential impact on the University's credit ratings. As described in Section IV below, the CFO, under the direction of the Board of Regents and/or the President, may delay or deny a request for external financing on the basis of a potential negative impact on the University's credit profile/ratings (even if the campus and medical center guidelines below are met).

The Office of the CFO has worked with the campuses and the medical centers to develop financial models that help assess the viability of future debt financings.

For the campuses, the Office of the CFO has developed the Debt Affordability Model to be used as part of the approval process. The Debt Affordability Model produces certain debt metrics that are used in the external financing approval process. During the approval process, the campuses will utilize planning rates to calculate the debt service for the proposed projects. The planning rates will be calculated formulaically based on taxable and tax-exempt benchmark yields. The rates will be reviewed and annually reported to the Regents within the Annual Debt Report on Debt Capital and External Finance Approvals.

Campuses must meet the following requirements in order to receive approval for external financing:

1. Modified cash flow margin[1] ≥ 0 percent *and*
2. Debt service coverage ratio[2] ≥ 1.1x; *and*
3. Monthly liquidity in STIP and TRIP $\geq$ ~~60~~ the greater of 90 days or the minimum rating agency liquidity requirement.

In addition, for external financing of auxiliary projects, Campuses must also meet the following requirements:

1. Project debt service coverage ≥ 1.0x; *and*
2. Auxiliary debt service coverage ≥ 1.1x.

Medical centers shall provide 10-year projections, or projections over a shorter time horizon as deemed appropriate, of their statement of income available for debt service, statement of revenues and expenses, statement of net assets, and statement of cash flows and meet the following requirements in order to receive approval for external financing:

[1] Modified cash flow margin is an income statement-based measure of a campus' debt service coverage, adjusted for certain cash and non-cash items.
[2] Debt service excludes state-supported debt and debt issued for pension funding.

1. Net Income Margin[3] ≥ 0 percent *and*
2. Debt service coverage[4] ≥ 3x; *and*
3. Days cash on hand ≥ ~~60~~ 90[5].

The Chief Financial Officer of each of the medical centers will also review all proposed debt financed projects as a part of a peer review process.

The Office of the CFO may review and approve exceptions for campuses and medical centers that are unable to meet the above requirements on a case-by-case basis. In order to be considered for an exception, the campus or medical center must submit a financial model that demonstrates its ability to service the debt, a business case analysis explaining the strategic importance of the project, and a plan for achieving the minimum requirements listed above over time.

In addition to funding projects for the campuses and medical centers, the University also uses debt financing for system-wide initiatives, such as pension funding and the restructuring of State of California Public Works Board debt. While these projects benefit campuses and medical centers throughout the System, the debt is held at the system-wide level and is not attributed to the individual campuses and medical centers in the aforementioned debt models or projections. In lieu of an approval process similar to that outlined for the campuses and medical centers above, external financing for system-wide projects will be reviewed by the CFO, under the direction of the Board of Regents and/or the President, within the context of the University's overall operating performance and balance sheet, and the potential impact to the University's credit profile/ratings.

The University will also track system-wide credit ratios to monitor the strength of its overall credit profile. In particular, the University will measure and report to the Regents annually on the following system-wide targets:

1. Debt Service to Operations ≤ 6 percent and
2. Spendable Cash and Investments to Debt ≥ 1.0x.

C. Execution of Debt Financing. The Office of the CFO coordinates financings for the University, working with internal University counterparts and external parties. Campuses and medical centers are involved in the months leading up to a financing as the Office of the CFO conducts due diligence on each project involved in a financing, which, along with the campus' or medical center's stated preferences, informs the sizing and structure of the bonds. The Office of the CFO also interacts with outside experts, including, but not limited to, financial advisors, financial institutions, the State Treasurer's Office, bond

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[3] Net Income Margin is net income (net operating income + non-operating income) divided by total operating revenue. Adjustments may be made for certain non-cash expenses related to UCRP and OPEB.

[4] Adjustments may be made for certain non-cash expenses related to UCRP and OPEB.

[5] Prior to June 30, 2023, days cash on hand shall be greater or equal to 60 days. Following June 30, 2023, the minimum amount of days cash on hand shall increase over a three-year period based on the following schedule:

- 70 days effective on July 1, 2023
- 80 days effective on July 1, 2024
- 90 days effective on July 1, 2025

counsel, underwriters, rating agencies, and investors on the execution of the financing. The timing of a debt financing depends on a number of factors that include market conditions, need, and the status of projects in construction.

D. Use of Proceeds. In order to ensure compliance with legal, regulatory, governance and policy matters, the Office of the CFO is authorized to oversee the proper use of the proceeds of debt financings throughout the System.

III. Financial Instruments/ Borrowing Vehicles

External Borrowing. The University generally issues debt using one of three different primary credit vehicles: General Revenue Bonds, Limited Project Revenue Bonds and Medical Center Pooled Revenue Bonds. On select occasions and for specific purposes, the University has also utilized third-party debt through vehicles such as the Financing Trust Structure and other third party structures. The credit to be used to finance a particular project will depend on the nature of such project, its potential impact on ratings and market interest rates at the time of the financing. The University strives to make the most efficient use of its differentiated credit structure in order to preserve its primary credit for core projects essential to the University's mission of teaching, research, and public service.

The following paragraphs provide brief overviews of the University's primary credit vehicles.

The General Revenue Bond (GRB) credit serves as the University's primary borrowing vehicle and is used to finance projects that are integral to the University's core mission of education and research. The GRB credit is secured by the University's broadest revenue pledge. It was introduced in 2003 to replace and consolidate several purpose-specific credits. The broad revenue base captures the financial strength of the System and facilitates the capital markets' understanding of the University's credit. The GRB credit carries the highest credit ratings among the University's financing vehicles.

The Limited Project Revenue Bond (LPRB) credit, established in 2004, is designed to finance auxiliary service projects that are of a self-supporting nature, such as student housing, parking, athletic, and recreational facilities. The LPRB credit provides bondholders with a subordinated pledge of gross revenues derived from facilities financed under the structure.

The Medical Center Pooled Revenue Bond (MCPRB) credit serves as the primary financing vehicle for the System's medical centers. These bonds are secured by gross revenues of the medical centers, which are excluded from general revenues pledged for GRBs. The MCPRB credit replaced the Hospital Revenue Bond credit in 2007. Previously, the medical centers issued debt on a stand-alone basis, secured by their individual revenue streams. The pooled credit lowers borrowing costs, facilitates access to the financial markets, and increases debt capacity for the medical centers.

Third-Party Financing Structures. At times, there may be compelling reasons for the University to pursue an alternative financing structure outside of the three primary credit vehicles described above. These situations will be evaluated on a case-by case basis, and should be supported by a business case analysis and financial feasibility study. The analysis must demonstrate that the project will be accretive to the University's financial position and also meet the following guidelines:

1. Each project should meet investment grade rating standards on an individual basis.
2. Projects must demonstrate financial feasibility on an individual basis through pro-forma financial projections that use the assumptions outlined by the Office of the CFO.

While certain third-party financings may be off-balance sheet, depending on the specifics of the structure, they still impact the overall credit profile of the University. Therefore, the CFO, under the direction of the Board of Regents and/or the President, has the authority to deny a third-party financing depending on the nature of the project and its potential impact on the University. To the extent a third-party structure is deemed to be in the best interest of the University, the financing will be executed centrally through, or in close partnership with, the Office of the CFO. The Financing Trust Structure will serve generally as the University's third-party financing tool unless granted an exception by the Office of the CFO.

Commercial Paper and Bank Lines of Credit. The University manages a commercial paper program, which primarily provides interim financing for projects prior to a permanent bond financing. The University also utilizes bank lines to provide bridge financing for projects that are awaiting gifts or other sources of funds and for working capital. In addition, the University has dedicated credit lines which support its commercial paper program and variable rate debt.

Derivative Products. The University maintains a separate policy guiding the use of derivative products.

IV. Financial Performance/Ratios and Credit Ratings/Debt Capacity

The System's credit profile, as viewed by the rating agencies and capital markets, is a function of a number of qualitative and quantitative factors, both financial and non-financial. These include market position, management and governance, state relations and support, as well as the financial strength of the University. Financial strength is a function of both income statement (i.e., operating performance) and balance sheet (i.e., financial resources) strength and is generally evaluated with certain key financial indicators serving as proxies for an institution's relative health. The resulting credit ratings, in turn, drive debt capacity and impact the University's cost of capital.

A. <u>Credit Ratings.</u> As described previously, the GRB credit represents the System's senior most lien and is designed to support primarily projects that are core to the University's mission of teaching, research and public service. In order to ensure ongoing access to capital at attractive financing rates in support of its mission, the University will maintain credit ratings in the "AA" rating category for the GRB credit. In order to protect the "AA" ratings on the GRB credit – which will help ensure ongoing access to capital on favorable terms – the University will closely monitor debt affordability, as measured by certain financial metrics, including operating performance. The CFO, under the direction of the Board of Regents and/or the President, may slow down or deny any financings deemed to potentially have an adverse impact on the institution's overall credit profile or that might threaten the University's credit ratings.

B. Affordability and Financial Equilibrium. The University monitors key credit ratios system-wide and individually for each campus and medical center. The system-wide target metrics, Debt Service to Operations and Spendable Cash and Investments to Debt, will be reported to the Regents within the Annual Report on Debt Capital and External Finance Approvals.

By exercising fiscal discipline, the University strives to achieve financial equilibrium, which is key to the long-term financial health and viability of the System. The University monitors its operating margin system-wide, while campuses are required to monitor their modified cash flow margin and medical centers must monitor their net income margin. In order to obtain external financing approval, campuses must demonstrate positive modified cash flow margins and medical centers must demonstrate positive net income margin, with the goal of leading the University to a positive operating margin system-wide.

The medical centers comprise a substantial portion of the University's operations, and their operating performance has a direct impact on the University's overall credit profile. As such, a deterioration of the medical centers' operating performance may have a negative impact on the ratings of all of the University's credits, not just the MCPRBs. Should the medical centers' operations decline over time, thereby threatening the University's credit profile as a whole, the CFO, under the direction of the Board of Regents and/or the President, has the authority to reassess debt financings for system-wide projects or for future contemplated medical center projects. Still, the University's differentiated credit structure is designed to allow the ratings on the MCPRB credit to move without adversely impacting the GRB ratings.

The University may_consider delaying debt funded system-wide projects if its pension liability ratio falls below 70% funded on an actuarial value of assets basis. At the direction of the Board of Regents and the President, external financings that would improve the University's pension funding status may be excluded from this policy.

Irrespective of campuses and medical centers meeting certain thresholds and metrics, the CFO, under the direction of the Board of Regents and/or the President, has the authority to slow down or to deny projects if the financings jeopardize the University's credit ratings.

V. Structure

The issuance of debt entails a number of structural considerations that need to be evaluated on both an issue-specific as well as on an overall portfolio basis: tax-exempt versus taxable debt; fixed versus variable rate debt; amortization/final maturity; and ultra-long dated structures.

The structure of the System's overall debt profile has direct bearing on the University's credit profile. As such, structural decisions are a central function and are made by the Office of the CFO. Whenever possible and not to the detriment of the System overall, the campuses' and medical centers' preferences with respect to structure for a particular project/financing will be accommodated.

A. Tax-exempt versus Taxable Debt. Given its status as a public institution, the University has the option to raise capital in the tax-exempt debt market, which generally offers a lower cost of capital than the taxable market. However, unlike taxable debt, tax-exempt debt is subject to certain restrictions, including, but not limited to, private use and useful life constraints. In addition, the University is required to monitor the use of assets financed with tax-exempt debt generally over the life of the debt to ensure ongoing compliance with legal requirements. This introduces a significant administrative burden as well as risk given the University's large, complex and stratified/decentralized operations. Therefore, especially as it relates to the research and medical services enterprises, which historically have seen the most private use, the University may at times opt to issue taxable debt for increased operational flexibility.

   In addition, at times, market conditions are such that the yield/cost differential between tax-exempt and taxable debt is compressed, affording the University an opportunity to access less restrictive taxable capital at little to no incremental yield.

   The University will evaluate the issuance of tax-exempt versus taxable debt in the context of the nature of the assets to be financed and prevailing market conditions.

B. Fixed versus Variable Rate Debt. The issuance of debt across the yield curve can be valuable both from a portfolio management point of view as well as from an investor diversification perspective. Variable rate or short-term debt may provide a lower cost of capital, but introduces risk in the form of uncertainty from a rate reset and/or rollover/refinancing perspective. Fixed rate debt, meanwhile, offers budget certainty, albeit at a higher cost.

   Long-term tax-exempt debt is most commonly issued with a 10-year par call option, whereas variable rate debt generally can be called on any interest payment date, either for refinancing or retirement purposes, offering additional optionality. The University may consider longer or shorter call options depending on market conditions and the characteristics of specific projects.

Long-term taxable debt is most commonly issued with make-whole call features. The University may consider issuing taxable debt with a par call option depending on market conditions and the characteristics of specific projects.

Most forms of variable rate debt afford investors the opportunity to put the debt back to the University upon a predetermined notice period. This feature requires the University to have liquidity support to provide a backstop in case investors exercise their option. The liquidity can stem from either internal sources (i.e., STIP/TRIP) or external lines of credit. Either way, the liquidity requirement carries a cost, implicit or explicit, that needs to be factored into the structuring decision. In addition, the University's liquidity is finite and serves many other purposes, placing a natural limit on the amount of variable rate debt in the overall debt portfolio.

The University will aim to limit exposure to variable/short-term debt to a prudent percentage and diversify among short-term instruments. The University will not assume any additional variable rate or short-term debt that would require incremental external liquidity or an increase in the STIP and/or TRIP portfolios without properly evaluating the potential impact on credit ratings, cost, or implication for the STIP and/or TRIP portfolios.

In order to minimize debt service, the University may also choose to issue "put bonds" or other debt structures which either mature or require rollover prior to the anticipated final maturity of the debt. In these cases, the University will seek to diversify rollover and refinancing dates, taking into consideration the entire debt portfolio, in order to minimize rollover risk and maintain market access.

C. Amortization/Maturity. The maturity and amortization of debt will be instructed by both the nature and the anticipated cash flow pattern, if applicable, of the project(s) being financed as well as by prevailing market conditions at the time of the financing. In addition, the University will evaluate financings within the broader context of the institution's overall debt portfolio to ensure that debt service payments are managed in aggregate.

D. Ultra-Long-Dated Structures. At times, market conditions may provide for the issuance of ultra-long-dated debt (i.e., debt with a maturity of 50 years and beyond), affording the University the opportunity to lock-in capital at an attractive cost for an extended period of time. While such a structure can provide for valuable portfolio diversification, it demands prudence and internal discipline to ensure that future obligations can be met. As a result, the University requires internal borrowers to demonstrate a strategic need/rationale for these structures and to set aside funds at closing sufficient to accrete to the final principal repayment.

The availability of ultra-long dated debt is limited from both a market and credit perspective and the University will evaluate opportunities as they arise.

VI. Refinancing Opportunities

The University continually monitors its debt portfolio to identify potential savings opportunities that may exist through a refinancing of existing debt. The University works with its financial advisors to evaluate refunding opportunities within the context of market conditions, refunding efficiency, and overall level of rates. Refunding opportunities are evaluated on a net present value basis, taking into account all costs of issuance.

In addition, at times, the University may choose to refinance debt for non-economic reasons, including to restructure the debt portfolio or to address legal covenants contained in the bond documents.

VII. Reporting

A. Internal Reporting. The Office of the CFO will be responsible for periodic reporting on the University's debt capital program. These updates will be made available on the Capital Markets Finance website or in the form of special reports to the Board of Regents, as appropriate.

B. External Reporting. The University's annual financial statements are filed annually with the Municipal Securities Rulemaking Board's EMMA website, in compliance with the University's obligations under its various continuing disclosure agreements. The University is also responsible for providing notices of certain enumerated events under these agreements such as rating changes and bond defeasances.

Attachment 3

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

Amended March 2022	Month(s) Provided to Regents
BOARD	
Annual University of California Accountability Report	July
UC Health Strategic Plan and Budget	May
Health Systems Transactions Approved by Health Services Committee (mbm)[1]	July
Report on Innovation Transfer and Entrepreneurship	May
GOVERNANCE COMMITTEE	
Annual Reports on Executive Compensation for Calendar Year___: (a) Incumbents in Senior Management Positions and (b) Deans and Certain Faculty Administrators (mbm)	July
Annual Report on Compensated Outside Professional Activities for Calendar Year ___: Incumbents in Senior Management Positions (mbm)	July
~~Semi-Annual~~ Mid-Year Report on Outside Professional Activities ~~Approved~~ Undertaken 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
Annual Report on Diversity in Campus and Systemwide Executive Searches	September
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
Report on Financial Statements and Expenditures of Federal Awards in Accordance with Uniform Guidance (mbm)	March
Annual Ethics and Compliance Plan	July
Ethics, Compliance and Audit Services Annual Report	November
Annual Report of External Auditors for the Year Ended June 30, ___	November

ACADEMIC AND STUDENT AFFAIRS COMMITTEE

Annual Report on Student Financial Support (mbm)	March
Annual Report on Undergraduate Admissions Requirements and Comprehensive Review (mbm)	May
Annual Report on Self-Supporting Professional Degree Programs (mbm)	August
Annual Accountability Sub-Report on Diversity at the University of California	September
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 (mbm)	September
<u>Annual Report on Basic Needs</u>	<u>November</u>
<u>Student Academic Preparation and Educational Partnerships Annual Outcomes Report</u>	<u>October</u>

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)	February
Annual Report on Major Capital Projects Implementation (mbm)	October
Capital Financial Plan	November
Significant Information Technology Projects	March July (mbm) November (mbm)
Annual Report on Sustainable Practices	January

HEALTH SERVICES COMMITTEE

University of California Medical Centers Reports (mbm)	March June ~~November~~ December
Annual Report on Health Sciences Compensation Plan Participants' Compensation that Exceeds the Reporting Threshold (mbm)	November
Annual Report on Student Health and Counseling Centers and UC Student Health Insurance Plan (mbm)	March
Annual Report on Affiliations with Healthcare Organizations that Have Adopted Policy-Based Restrictions on Care	August

INVESTMENTS COMMITTEE

Annual Endowment Investment Report (mbm)	December
Annual Report of the Chief Investment Officer	September

PUBLIC ENGAGEMENT AND DEVELOPMENT COMMITTEE

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