

Office of the President

TO MEMBERS OF THE GOVERNANCE AND COMPENSATION COMMITTEE:

ACTION ITEM

For Meeting of July 12, 2017

APPROVAL OF APPOINTMENT OF AND COMPENSATION FOR ALEXANDER BUSTAMANTE AS SENIOR VICE PRESIDENT AND CHIEF COMPLIANCE AND AUDIT OFFICER, OFFICE OF THE PRESIDENT AS DISCUSSED IN CLOSED SESSION

EXECUTIVE SUMMARY

The Chair of the Board and the President of the University recommend approval for the appointment of and compensation for Alexander Bustamante as Senior Vice President and Chief Compliance and Audit Officer, Office of the President, effective on or about September 5, 2017. This request is being made in response to the departure of the previous incumbent, Ms. Sheryl Vacca, in 2016. The position has been held on an interim basis since November 2016 by Mr. John Lohse. As this is a Level One position in the Senior Management Group (SMG), this action requires the Regents' approval.

Reporting directly to the Regents and to the President of the University, the Senior Vice President and Chief Compliance and Audit Officer is responsible for developing and overseeing the University's corporate compliance and audit program. Functioning as an independent and objective officer, this position reviews and evaluates ethics, compliance and audit matters within the University, and monitors and reports to the Board and to the administration regarding compliance with rules and regulations of regulatory agencies and University policies and procedures.

Following a nationwide open recruitment, Mr. Bustamante emerged as the top candidate for this role. The proposed base salary will be slightly below the 60th percentile of the Market Reference Zone and is less than the previous incumbent's salary. Additionally, Mr. Bustamante has deep and broad experience and a strong skill set in that he has served as an Assistant U.S. Attorney and most recently as an Inspector General for the Los Angeles Police Department.

Mr. Bustamante started his career in 1997 as a Judge Advocate General for the United States Army where he provided legal advice to senior military commanders and their staffs and represented the U.S. Army in criminal investigations and prosecutions. Mr. Bustamante was deployed for a period of time to Kosovo where he assisted the United Nations and non-governmental organizations in developing political and judicial infrastructure for the region. In

2002, Mr. Bustamante was appointed as an Assistant U.S. Attorney for the Central District of California, covering the counties of Riverside, San Bernardino, Orange, Los Angeles, San Luis Obispo, Santa Barbara, and Ventura. He was responsible for investigating and prosecuting complex, high-profile cases involving civil rights violations, organized crime groups, and various white-collar and financial-related crimes, employing investigative techniques requiring detailed forensic accounting and analysis. In 2011, Mr. Bustamante was appointed to his current position as the Inspector General for the Los Angeles Police Department (LAPD). In this role, he is responsible for the development and implementation of an integrated compliance program, including the design of policies and procedures, performance of risk assessments, and monitoring of compliance performance. Mr. Bustamante provides strategic guidance to leadership to ensure full compliance with all applicable laws, regulations, and policies. He identified several high-risk areas that had previously escaped examination which he remedied by broadening oversight to include the entirety of LAPD's operations to fully assess the overall health of the organization and its leadership. In addition to revising and restructuring the LAPD's investigative systems and ethics processes, he created and implemented a multi-tiered community outreach program, including social media and the creation of a smartphone application to improve community engagement and crisis management response capabilities.

Mr. Bustamante received his bachelor of arts degree in rhetoric from the University of California, Berkeley and his juris doctor degree from the George Washington University Law School.

For any outside professional activities related to his professional expertise, Mr. Bustamante will comply with current Outside Professional Activity (OPA) policies.

In light of Mr. Bustamante's strong experience and skill set, the proposed base salary of \$350,000 is 2.4 percent below the 60th percentile (\$359,000) of the Market Reference Zone (MRZ) for this position. The recommended base salary is consistent with Regents Policy 7701, Senior Management Group Appointment and Compensation. As a point of comparison, the Vice Chancellor and Chief Audit Officer for California State University (CSU) in 2016 had total pay of \$255,800.¹ It should be noted that the CSU position has a smaller scope of responsibility: it does not include oversight of the compliance function, nor does the CSU position have audit or compliance for a large medical enterprise, high-volume research, or a National Laboratory.

RECOMMENDATION

The Committee recommends approval of the following items in connection with the appointment of and compensation for Alexander Bustamante as Senior Vice President and Chief Compliance and Audit Officer, Office of the President:

- A. Per policy, appointment of Alexander Bustamante as Senior Vice President and Chief Compliance and Audit Officer, Office of the President, at 100 percent time.
- B. Per policy, an annual base salary of \$350,000.

¹ Information taken from the online database Transparent California for 2016.

- C. Per policy, standard pension and health and welfare benefits and standard senior management benefits (including eligibility for senior management life insurance and eligibility for executive salary continuation for disability after five consecutive years of Senior Management Group service). Mr. Bustamante will not participate in the Senior Management Supplemental Benefit Program.
- D. Per policy, eligibility to participate in the UC Home Loan Program, subject to all applicable program requirements.
- E. Per policy, reimbursement of actual and reasonable moving and relocation expenses associated with relocating his primary residence, subject to the limitations under Regents Policy 7710, Senior Management Group Reimbursement.
- F. Per policy, an administrative fund will be established for official entertainment and other purposes permitted by University policy. Adjustments may occur annually as allowed by policy.
- G. This action will be effective on or about September 5, 2017.

COMPARATIVE ANALYSIS

Recommended Compensation

Effective Date : On or about September 5, 2017

Annual Base Salary: \$350,000

Target Cash Compensation:* \$350,000

Funding: Partially or Fully State-Funded

Budget &/or Prior Incumbent Data

Title: Senior Vice President and Chief Compliance and Audit Officer

Base Salary: \$442,555

Target Cash Compensation:* \$442,555

Funding: Partially or Fully State-Funded

* Target Cash Compensation consists of base salary and, if applicable, incentive and/or stipend.

**COMPETITIVE ANALYSIS FOR
 SENIOR VICE PRESIDENT – CHIEF COMPLIANCE AND AUDIT OFFICER
 (MRZ TITLE: SENIOR VICE PRESIDENT – CHIEF COMPLIANCE AND AUDIT
 OFFICER)**

Percentiles	MARKET REFERENCE ZONE FOR BASE SALARY					Percentiles	MARKET COMPOSITE FOR TARGET CASH COMPENSATION				
	25 th	50 th	60 th	75 th	90 th		25 th	50 th	60 th	75 th	90 th
Market Data	\$278k	\$323k	\$359k	\$407k	\$484k	Market Data	\$333k	\$389k	\$447k	\$502k	\$741k
% Difference	25.8%	8.4%	-2.4%	-14.0%	-27.8%	% Difference	5.1%	-10.0%	-21.7%	-30.3%	-52.8%

Survey Sources: Mercer Benchmark Database, Towers Watson CDB General Industry Executive

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

Submitted by: President Napolitano
Reviewed by: Governance and Compensation Committee Chair Reiss
 Office of the President, Human Resources