

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

September 22, 2005

The Regents of the University of California met on the above date at UCSF – Laurel Heights, San Francisco.

Present: Regents Blum, Dynes, Gould, Hopkinson, Island, Johnson, Juline, Kozberg, Lozano, Marcus, Moores, Parsky, Rominger, Rosenthal, Ruiz, Sayles, and Schilling (17)

In attendance: Regents-designate Coombs and Ledesma, Faculty Representatives Brunk and Oakley, Secretary Trivette, General Counsel Holst, Interim Treasurer Berggren, Provost Greenwood, Senior Vice Presidents Darling and Mullinix, Vice Presidents Broome, Gomes, Hershman, and Hume, Chancellors Birgeneau, Bishop, Carnesale, Córdova, Denton, Drake, Fox, Tomlinson-Keasey, Vanderhoef, and Yang, and Recording Secretary Bryan

The meeting convened at 12:15 p.m. with Chairman Parsky presiding.

1. **READING OF NOTICE OF MEETING**

For the record, it was confirmed that notice was given in compliance with the Bylaws and Standing Orders for a Special Meeting of The Regents, for this date and time, for the purpose of considering the report of the Nominating Committee.

2. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion of Regent Marcus, duly seconded, the minutes of the meetings of July 2005 were approved.

3. **REPORT OF THE PRESIDENT**

President Dynes presented the report concerning University activities and individuals.

Upon motion of Regent Sayles, duly seconded, the President's report was accepted, and it was directed that notes of thanks be sent to the donors of the gifts mentioned in the report, that congratulations be extended to those faculty and staff members who have been awarded honors, and that notes of sympathy and regret be sent to the families of those whose deaths were reported.

[The report was mailed to all Regents in advance of the meeting, and a copy is on file in the Office of the Secretary.]

4. REPORT OF THE COMMITTEE ON FINANCE**A. *Authority to Agree to Defend and Indemnify the City of Berkeley Against any Litigation Arising from Approval of an Encroachment Permit for the Foothill Pedestrian Safety Bridge, Berkeley Campus***

The Committee recommended that the President or his designee be authorized to execute an agreement with the City of Berkeley pursuant to which the University would defend and indemnify the City of Berkeley against any future litigation and court costs arising from the issuance and approval by the City of Berkeley of a major encroachment permit above Hearst Avenue that permits the University to construct a pedestrian crossing for the Foothill Student Housing.

B. *Policies on Universitywide and Senior Leadership Compensation, and Procedures for Senior Leadership Compensation*

The Committee recommended adoption of the following at the November 17, 2005 meeting:

- (1) To adopt the goals of obtaining, prioritizing, and directing funds, to the extent they are available, to increase salaries to achieve market comparability for all groups of employees over the ten year period from 2006-2007 through 2015-2016, as described in Attachment 1.
- (2) To adopt procedures for determining and setting compensation levels for senior leadership that are clear, comprehensive, and accountable, as described in Attachment 2.

Upon motion of Regent Blum, duly seconded, the recommendations of the Committee on Finance were approved.

5. REPORT OF THE COMMITTEE ON GROUNDS AND BUILDINGS

The Committee presented the following from its meeting of September 20, 2005:

A. *Update on Sustainable Transportation Initiative and Recommendation for Systemwide Sustainable Transportation Policy*

The Committee recommended that the President be authorized to:

- (1) Adopt guidelines supporting sustainable transportation efforts throughout the University of California, as a further commitment to sustainability principles. The guidelines will complement the Policy on Green Buildings and Clean Energy and any other University academic or administrative programs that support the development and

implementation of evolving sustainable best practices. Objectives of sustainable transportation activities will include guidelines governing campus fleets; inter- and intra-campus transportation efficiencies; expansion of pedestrian and bicycle access to and within campus; and other campus-specific transportation not specified above. The principles and goals of sustainable transportation should be applied to the fullest extent possible, consistent with budgetary constraints and regulatory and programmatic requirements. Implementation must also be sensitive to the individual needs and constraints at each campus.

- (2) Increase the use of low- and zero-emission vehicles in campus fleets and work with industry to provide campuses a greater range of vehicle and fuel choices, with the overarching goal of reducing harmful automobile emissions and reducing fossil fuel use.
- (3) Continue transportation demand management to increase alternative mode use and maintain and increase accessibility and mobility to the campus community, with the overarching goal of increasing campus transportation access and improving the quality of life by reducing the impacts of traffic and parking congestion.
- (4) Develop and implement Sustainable Transportation guidelines for all campuses and provide an annual report to The Regents on progress made regarding the Sustainable Transportation efforts.

B. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program for Management School Facility Phase 1, San Diego Campus***

The Committee recommended that the 2005-2006 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

Deletions shown by strikeout, additions by underscore

San Diego: Management School Facility Phase 1 – preliminary plans, working drawings, construction, and equipment – ~~\$31,417,000~~ \$43,557,000 to be funded from gifts (\$31,057,000) and campus funds (~~\$360,000~~ \$12,500,000).

C. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program, Approval of External Financing, Certification of Environmental Impact Report, and Approval of Design for Life Sciences Replacement Building, Los Angeles Campus***

- (1) The Committee recommended that:
 - a. The 2005-06 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Los Angeles: Life Sciences Replacement Building – preliminary plans, working drawings, construction and equipment – \$135,822,000 to be funded from State funds (\$90,322,000) and external financing (\$45,500,000).
 - b. Financing be obtained not to exceed \$45,500,000, subject to the following conditions:
 - i. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - ii. Repayment of the debt shall be from the Los Angeles campus' share of the University Opportunity Funds.
 - iii. The general credit of The Regents shall not be pledged.
 - c. The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
 - d. The Officers of The Regents be authorized to execute all documents necessary in connection with the above.
- (2) Upon review and consideration of the environmental consequences of the proposed project as evaluated in the Life Sciences Replacement Building Final Environmental Impact Report, the Committee reports its:
 - a. Certification of the Final Environmental Impact Report.
 - b. Adoption of the Findings and Mitigation Monitoring Program.

- c. Approval of the design of the Life Sciences Replacement Building, Los Angeles campus.

[The Final Environmental Impact Report, Findings, and Mitigation Monitoring Program were mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary.]

D. ***Certification of Addendum to Environmental Impact Report and Approval of Design, Sierra Terraces Housing Project, Merced Campus***

Upon review and consideration of the environmental consequences of the proposed project as evaluated in the Addendum to the Long Range Development Plan Environmental Impact Report, the Committee reported its:

- (1) Certification of Addendum No. 6 to the Long Range Development Plan Environmental Impact Report.
- (2) Adoption of the Findings in their entirety.
- (3) Approval of the design of the Sierra Terraces Housing Project, Merced campus.

[The Long Range Development Plan Environmental Impact Report, Addendum No. 6, and Findings were mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary.]

E. ***Certification of Environmental Impact Report and Approval of Design, Digital Arts Facility, Santa Cruz Campus***

Upon review and consideration of the environmental consequences of the proposed project as indicated in the Environmental Impact Report, the Committee reported its:

- (1) Certification of the Environmental Impact Report.
- (2) Adoption of the Mitigation Monitoring Report and Findings.
- (3) Approval of the design of the Digital Arts Facility, Santa Cruz campus.

[The Environmental Impact Report, Findings, and Mitigation Monitoring Program were mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary.]

F. ***Certification of Environmental Impact Report, Amendment of Long Range Development Plan, and Approval of Design, East Campus Graduate Housing, San Diego Campus***

Upon review and consideration of the environmental consequences of the proposed project as indicated in the Environmental Impact Report, the Committee reported its:

- (1) Certification of the Environmental Impact Report.
- (2) Adoption of the Mitigation Monitoring Report and Findings.
- (3) Amendment of the Long Range Development Plan to reclassify four acres of UCSD Park land from Park-Restoration Land to Park-Ecological Reserve.
- (4) Approval of the design of the East Campus Graduate Housing, San Diego campus.

[The Environmental Impact Report, Mitigation Monitoring Report, Findings, and Long Range Development Plan were mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary.]

Upon motion of Regent Hopkinson, duly seconded, the recommendations of the Committee on Grounds and Buildings were approved.

6. **REPORT OF THE COMMITTEE ON INVESTMENTS**

The Committee presented the following from its meeting of August 16, 2005:

A. ***General Endowment Pool Asset Allocation and Benchmarks***

The Committee recommended that the Asset Allocation and Benchmarks for the University of California General Endowment Pool (GEP), as shown in Attachment 3, be approved. As of 2005 fiscal year end, this transition was partially completed, and the Committee recommends that The Regents:

- formalize the current asset allocation as the new policy allocation;
- modify the ranges around policy weights;
- modify certain of the asset class benchmarks; and
- modify the total fund benchmark to be consistent with the proposed allocation as detailed in the proposed changes to Appendix 1 of the GEP Investment Policy Statement. These changes are to be effective on October 1, 2005.

B. *Absolute Return Strategies Investment Guidelines*

The Committee recommended that the Investment Guidelines for Absolute Returns Strategies for the University of California General Endowment Pool, as shown in Attachment 4, be approved. These changes are to be effective immediately, except for the change in performance benchmark, which will be effective October 1, 2005.

C. *Conflict of Interest Policy*

The Committee recommended that the following Conflict of Interest Policy for all assets managed by the Treasurer of The Regents of the University of California be approved:

The Regents has adopted Investment Policy Statements for the University of California Retirement Plan and General Endowment Pool, which assign limited roles and responsibilities to investment fiduciaries, with appropriate checks and balances.

The existing governance process has avoided the potential for and the appearance of conflicts of interest with respect to the selection of individual investments or investment managers by maintaining a separation of roles and responsibilities.

The Regents' Committee on Investments, with advice from the Investment Advisory Committee, is responsible for oversight of the management of investments on behalf of The Regents. This involves the establishment of investment policies and oversight of the management of the assets. These responsibilities include approving an asset allocation policy, performance benchmarks, risk budgets, and investment guidelines.

The Treasurer is responsible for implementing the approved investment policies and the development of investment processes and procedures for asset allocation, risk management, investment manager selection and termination, allocation, monitoring and evaluation, and the identification of management strategies that will improve the investment efficiency of the Fund assets.

In order to maintain the highest fiduciary standards and to continue to comply with institutional investment best practices, this Policy explicitly separates the roles and responsibilities of various UC fiduciaries to ensure the continuance of sound investment practice and the protection against real or perceived conflict of interest, especially with regard to the selection of individual investments or investment managers. By separating the duties of investment policy-making and

investment implementation, The Regent' Committee on Investments has created an institutional framework to uphold the California Political Reform Act of 1974, which provides that public officials shall not make, participate in making, or influence a governmental decision in which the official has a financial interest.

D. *Annual Incentive Plan Recommended Changes for FY 2006*

The Committee recommended that the incentive program asset class investment performance objectives be modified as indicated in Attachment 5 – Performance Objectives.

Upon motion duly made and seconded, the recommendations of the Committee on Investments were approved.

7. REPORT OF THE NOMINATING COMMITTEE

The Nominating Committee recommended the following appointments, effective immediately, through June 30, 2006:

- A. Appointment of Regent Gould to the Committees on Audit, Finance, and Health Services.
- B. Appointment of Regent Schilling to the Committees on Audit and Grounds and Buildings.

Upon motion of Regent Hopkinson, duly seconded, the recommendations of the Nominating Committee were approved.

8. REPORT OF THE SPECIAL COMMITTEE ON REGENTS' PROCEDURES

A. *Amendment of Standing Order 100.4(q) – Duties of the President, Pertaining to Amendments to Capital Improvement Programs*

The Committee recommended that:

- (1) Service of notice be waived.
- (2) Standing Order 100.4(q), Duties of the President, be amended as follows:

STANDING ORDER 100.

OFFICERS OF THE UNIVERSITY

* * *

100.4 Duties of the President of the University

additions shown by underscoring; deletions shown by strikeout

* * *

- (q) The President is authorized to approve amendments to the Capital Improvement Program for projects not to exceed \$10 million. The President is also authorized to approve amendments to the Capital Improvement Program for projects exceeding \$10 million up to and including \$20 million, provided that concurrence is obtained from the Chairman of the Board; and the Chairman of the Committee on Grounds and Buildings, ~~and the Chairman of the Committee on Finance,~~ and also provided that all actions taken in excess of \$10 million up to and including \$20 million under this authority be reported at the next following meeting of the Board. However, the following shall be approved by the Board: (1) projects with a total cost in excess of \$20 million, (2) for projects in excess of \$20 million, any modification in project cost over standard cost-rise augmentation in excess of 25%, or (3) capital improvement projects of any construction cost when, in the judgment of the President, a project merits review and approval by The Regents because of special circumstances related to budget matters, external financing, fundraising activities, project design, environmental impacts, community concerns, or substantial program modifications.

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B. *Amendment of the Policy on Appointment of Student Regent to Accommodate UC Merced in the Selection Process*

The Committee recommended that the Policy on Appointment of Student Regent be amended as shown below to accommodate UC Merced in the selection and application processes.

Additions shown by underscore, deletions by strikeout**POLICY ON APPOINTMENT OF STUDENT REGENT**

That the appointment of student Regents be continued, commencing August 1, 1987, in accordance with procedures and conditions adopted by The Regents on January 21, 1977 and amended on October 21, 1977, September 18, 1981, June 15, 1984, July 17, 1987, July 16, 1992, May 16, 1997, July 18, 1997, ~~and~~ May 20, 2004, and September 22, 2005:

- (1) The student Regent shall be a person enrolled as a student in good standing at a campus of the University of California for each regular academic term during his or her service as a Regent-designate and Regent. The student Regent shall have the option of receiving either a fee waiver or a scholarship in an amount equivalent to the student's total University fees and tuition during the academic years in which he or she serves as a Regent-designate and Regent. A student body president, or equivalent, or a member of the Board of Directors of the University of California Student Association, shall not be eligible for appointment as a student Regent. While serving on the Board, a student Regent may not hold any appointive or elective student government position. A student who is or has served as a student Regent shall not be eligible for reappointment as a student Regent.
- (2) The student Regent shall be appointed by the members of the Board of Regents upon recommendation of a Special Committee to be appointed by the Chairman of the Board for that purpose. The Special Committee shall make its recommendation from a panel of three names submitted by the Board of Directors of the University of California Student Association following the selection procedure described below. Should the Special Committee not be satisfied with the panel in its entirety, the Committee may request the Board of Directors of the University of California Student Association to submit one or more additional names. A representative of the Board of Directors of the University of California Student Association shall be invited to attend all meetings of the Special Committee with full participation in discussion and debate.
- (3) For each campus, the student government, or other student body association having recognized membership on the Board of Directors of the University of California Student Association, shall appoint two students, an undergraduate and a graduate, as members of the student Regent nominating commission. There shall be one such nominating commission for the Berkeley, Davis, Merced, San Francisco and Santa Cruz campuses and one such nominating commission for the Irvine, Los Angeles, Riverside, San Diego and Santa Barbara campuses. The

nominating commissions shall screen candidates and applicants and shall recommend five students from the southern campuses and ~~four~~ five students from the northern campuses. The ~~nine~~ ten students so recommended shall be interviewed by the Board of Directors of the University of California Student Association which shall nominate three as a panel of names for submission to The Regents. The submission of the panel of names shall be at such time that the Special Committee may complete its deliberations and submit its recommendations to the Board of Regents no later than the July meeting of the Board.

- (4) Chancellors, in consultation with the President of the University* and with their respective student body presidents, shall be responsible for the dissemination of information about the position of student Regent and for the application process on their respective campuses. In-state travel expenses incurred in the recruitment process by the nominating commissions and by the applicants shall be paid by the University in accordance with its travel reimbursement policies.
- (5) The nominating commissions, the Board of Directors of the University of California Student Association, the Special Committee, and The Regents shall be mindful of that provision of Article IX, Section 9 of the California Constitution that: "Regents shall be able persons broadly reflective of the economic, cultural, and social diversity of the state, including ethnic minorities and women. However, it is not intended that formulas or specific ratios be applied in the selection of Regents."
- (6) Candidates shall be students in good standing at the time that they apply and shall have demonstrated interest in the welfare of their fellow students and in the University. No political test shall be applied to any candidate.
- (7) A student Regent shall serve on the Board for a one-year term commencing on July 1.
- (8) From the time of appointment as a student Regent, but prior to the commencement of service as a member of the Board, the person so appointed shall be known as a Regent-designate, shall be invited to attend all meetings of the Board and its Committees, to be seated at the meeting table, with full participation in discussion and debate, and shall be entitled to reimbursement for expenses in accordance with the Policy for Reimbursement of Regents and Regents-Designate. In addition, effective July 1, 1997, the student Regent-designate will serve as an advisory member of standing and/or special committees of The Regents during his or her service as Regent-designate. This membership shall not count toward the maximum number of standing

committee members as set forth in Bylaw 101.(c) nor toward the maximum number of special committee members as set forth in Bylaw 10.3.

[*Correction read into the record by Committee Chair Marcus.]

C. ***Proposed Revisions to Regents' Policy Compendium***

The Committee recommended that Attachment 6, compendium of Regents Policies, be approved. In addition, it is recommended that the principles outlined below be memorialized as a Regents' Policy on Policies, to form the basis for future decisions on which Regents' actions will be included in the Policy Compendium.

Policy on Policies of The Regents of the University of California

The Regents of the University of California adhere to the following principles in setting policy for the University.

- Policies approved by The Regents will be broad statements supporting the purpose, principles and philosophy of the tripartite mission of the University, to provide excellence in teaching, research, and public service to the State of California and beyond.
- Policies approved by The Regents will ~~emphasize~~ reflect* the fiduciary responsibilities of the Board.
- Policies approved by The Regents will demonstrate a commitment to long-term goals of the University.
- Policies approved by The Regents will support the President's role in development of associated guidelines, procedures, and standards.
- Policies approved by The Regents will receive careful deliberation and will be acted upon after appropriate consultation with student, faculty, and staff constituencies and the General Counsel of The Regents.

*[The Office of General Counsel recommended this word change, since not all Regents' policies may require an emphasis on fiduciary responsibilities, but they should all certainly reflect those responsibilities.]

Upon motion of Regent Marcus, duly seconded, the recommendations of the Special Committee on Regents' Procedures were approved, and notice was served on Item A.

9. REPORT OF PERSONNEL ACTIONS

Secretary Trivette reported that, in accordance with Bylaw 14.7(b), the following personnel actions were taken at the July 21, 2005 meeting. There were no roll call votes taken on these actions.

- A. Appointment of Marie N. Berggren as Interim Treasurer and Interim Vice President–Investments, Office of the Treasurer.
- B. Appointment of Wyatt R. Hume as Executive Vice Provost and Vice President–Academic Affairs, Office of the President, 100 percent, effective September 1, 2005.

10. REPORT OF COMMUNICATIONS

Secretary Trivette presented summaries of communications received subsequent to the July 2005 meeting. She noted that the residency appeals will be referred to General Counsel Holst, and the remaining communications will be referred to President Dynes for response as appropriate.

11. REPORT OF THE PRESIDENT

The President reported that on the dates indicated, the following informational reports were mailed to The Regents or to Committees:

To Members of the Committee on Finance

- A. Annual Report on Health Sciences Compensation Plan participants' compensation for calendar year 2004. July 29, 2005 (Schedule of Reports)

To Members of the Committee on Health Services

- B. Activity and Financial Status Report for the UC Medical Centers for the eleven months ended May 31, 2005. July 12, 2005 (Schedule of Reports)
- C. Unaudited Activity and Financial Status Report for the UC Medical Centers for the year ended June 30, 2005. August 18, 2005 (Schedule of Reports)

The Regents of the University of California

- D. Resolution adopted by the Academic Council regarding the University's sponsorship of National Merit Scholarships. June 29, 2005
- E. Press release on the Governor's signing of the 2005-06 State Budget. July 11, 2005

- F. Report on the Chancellors' decision to redirect University funding for National Merit Scholarships to other merit-based scholarships. July 13, 2005
- G. Report on *Academic Senate Resolution on Research Funding Sources* by Academic Council Chair Blumenthal. August 1, 2005

The meeting adjourned at 12:25 p.m.

Attest:

Secretary