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Item # 3/MEMO 2
2/17/11 Governance Subcommittee Meeting

MEMORANDUM

VIA EMAIL

To: Members, Governance Subcommittee
Governing Board
California Institute for Regenerative Medicine

From: James C. Harrison

Date: January 11, 2011

Re: Criteria and Parameters for Chair (Our File No.: 2297-0)

INTRODUCTION

At the request of Sherry Lansing, the Chair of the Governance Subcommittee, we have summarized the statutory criteria for Chair and the parameters of the position (percent effort and salary). Proposition 71 provides mandatory criteria for Chair, as well as suggested criteria for Chair. As discussed more fully below, the Board does not have the power to modify the mandatory statutory criteria. However, the Board does have discretion to prioritize among the suggested statutory criteria and to identify additional, desired qualifications. In addition, the Board has the authority to define the parameters of the position, including the percent effort and the salary of the Chair, within a specified range.

BACKGROUND

A. Nomination of Candidates for Chair

Pursuant to Proposition 71, the Governor, the Lieutenant Governor, the Treasurer and the Controller may each nominate a candidate for Chair. The Board has the authority and the responsibility to elect a Chair from among the individuals nominated by the Governor, the Lieutenant Governor, the Treasurer, and the Controller (the "Constitutional Officers"). Once the Board has had an opportunity to consider the parameters for the position of Chair and to identify any additional, desired qualifications, it may request that the Constitutional Officers nominate

candidates to replace Bob Klein, who has stated that he will not serve for more than 180 days, or June 14, 2011.

B. Criteria for Chair

Proposition 71 specifies the qualifications for candidates for the office of Chair. The following are mandatory criteria for the Chair:

1. Demonstrated history in successful stem cell research advocacy
2. Experience with state and federal legislative processes, including medical legislative approvals of standards and/or funding
3. Qualified for appointment as a California representative of a regional, state, or national disease advocacy group for spinal cord injury, Alzheimer's disease, type II diabetes, multiple sclerosis, amyotrophic lateral sclerosis, type I diabetes, heart disease, cancer, Parkinson's disease, mental health, HIV/AIDS
4. Cannot be concurrently employed by, or on leave from, any prospective grant or loan recipient institutions in California

Proposition 71 also includes additional criteria for consideration. These criteria, however, are not mandatory.

1. Experience with governmental agencies or institutions (either executive or board position)
2. Experience with the process of establishing government standards and procedures
3. Experience with legal review of proper governmental authority for the exercise of government agency or government institutional powers
4. Direct knowledge and experience in bond financing

C. Parameters for Chair

Under Proposition 71, the Chair of the Governing Board is considered a full or part-time employee of CIRM. Unlike other Board members, who are entitled to a per diem, the Chair is entitled to a salary. The Board, therefore, has the authority to establish the percent effort required of the Chair as well as the Chair's salary. Between December 1, 2008 and December 16, 2010, Chairman Klein received an annual salary of \$150,000 for 50 percent effort. The current salary range for Chair, which the Board approved on June 2, 2006, is \$275,000 to \$508,750 for 100 percent effort.

D. Statutory Duties of Chair

Under Proposition 71, the Chairperson’s “primary responsibilities” are to:

- (1) Manage the board’s agenda, including the Board’s consideration of grant applications and standards;
- (2) Supervise CIRM’s annual report and “public accountability requirements;”¹
- (3) Manage and optimize CIRM’s bond financing and cash flow plans;
- (4) Interface with the California Legislature, the United States Congress, the California healthcare system and the California public;
- (5) Optimize “all financial leverage opportunities” for CIRM; and
- (6) Lead negotiations for intellectual property agreements, policies and contract terms.

(Health & Saf. Code, § 125290.45(b)(1)(A).)

Proposition 71 also provides that the Chairperson shall serve as a member of:

- (1) The Grants Working Group (ex officio);
- (2) The Standards Working Group;
- (3) The Facilities Working Group; and
- (4) The California Stem Cell Research and Cures Finance Committee (which authorizes the issuance and sales of bonds and interim debt).

(*Id.* §§ 125290.45(b)(1)(A), 125291.40(a).)

¹ The “public accountability requirements” in Proposition 71 include the annual report, the independent financial audit, the Citizens’ Financial Accountability Oversight Committee, public meeting laws, public record laws, competitive bidding, conflicts of interest, intellectual property policies, and the preference for California suppliers. (Health & Saf. Code, § 125290.30.)

In addition, Proposition 71 requires the Chairperson to appoint one member of the Citizens' Financial Accountability Oversight Committee (*Id.*, § 125290.30(c)) and two members of the California Stem Cell Research and Cures Finance Committee (*Id.*, § 125291.40(a)).

The Board has also addressed the duties of the Chair in the Internal Governance Policy and the Board's bylaws. A summary of these provisions is attached to this memorandum as Attachment A.

PROPOSED PROCEDURES

Once the Board has had an opportunity to consider the percent effort and salary for Chair and to prioritize among the suggested statutory criteria and to identify any additional, desired qualifications, it may establish a timeline and process for the nomination and consideration of candidates for Chair, including an opportunity for the nominees to make public presentations to the Board.



Attachment A

DUTIES OF THE CHAIRPERSON OF GOVERNING BOARD OF THE CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE

From Proposition 71:

Under Proposition 71, the Chairperson’s “primary responsibilities” are to:

- (1) Manage the board’s agenda, including the board’s consideration of grant applications and standards;
- (2) Supervise CIRM’s annual report and “public accountability requirements;”²
- (3) Manage and optimize CIRM’s bond financing and cash flow plans;
- (4) Interface with the California Legislature, the United States Congress, the California healthcare system and the California public;
- (5) Optimize “all financial leverage opportunities” for CIRM;³ and

² The “public accountability requirements” in Proposition 71 include the annual report, the independent financial audit, the Citizens’ Financial Accountability Oversight Committee, public meeting laws, public record laws, competitive bidding, conflicts of interest, intellectual property policies, and the preference for California suppliers. (Health & Saf. Code, § 125290.30.)

³ Examples of “financial leverage opportunities” include CIRM’s Major Facilities Grant Program, which generated nearly \$900 million in donor and institutional matching funds for construction, equipment, and faculty recruitment for CIRM’s \$270 million investment in facilities and equipment, and CIRM’s collaborative funding program, which has led other countries and states to commit to fund scientists from their country or state who join together with California scientists to conduct research.

(6) Lead negotiations for intellectual property agreements, policies and contract terms.

(Health & Saf. Code, § 125290.45(b)(1)(A).)

Proposition 71 also provides that the Chairperson shall serve as a member of:

- (1) The Grants Working Group (ex officio);
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(*Id.* §§ 125290.45(b)(1)(A), 125291.40(a).)

In addition, Proposition 71 requires the Chairperson to appoint one member of the Citizens' Financial Accountability Oversight Committee (*Id.*, § 125290.30(c)) and two members of the California Stem Cell Research and Cures Finance Committee (*Id.*, § 125291.40(a)).

From the Internal Governance Policy (approved 1.17.08):

Under CIRM's Internal Governance Policy, the Chairperson's primary responsibilities are:

- (1) To manage the Board's agenda and work flow, including all evaluations and approvals of scientific and medical Working Group grants, loans, facilities, and standards evaluations;

- (2) To supervise the annual report and the annual financial plan⁴ of the Institute, the public accountability requirements for the Board and its subcommittees, including compliance with public meeting and conflict of interest requirements, and the legal and financial accountability of the Board;
- (3) To provide oversight for the annual audit of CIRM and for the legal and financial accountability of CIRM;
- (4) To manage and optimize CIRM's bond financing plans and funding cash flow plans;
- (5) To optimize all financial leverage opportunities for CIRM; and
- (6) To provide oversight of, and establish the policies for, CIRM with respect to legislation through the Board and the Legislative Subcommittee and, consistent with these policies, to assist in carrying them out by interfacing with the California Legislature, the United States Congress, the California healthcare system, and the California public.

The Internal Governance Policy also provides that the Chairperson is responsible for “managing the internal affairs” of the Office of the Chair, including “organization, reporting relationships within the office, assignment of duties, allocation of time, employee evaluations, and recommendations for hiring, firing, salary, promotion and merit increases.”⁵

⁴ The “annual financial plan” is not the annual budget or the scientific strategic plan. Rather, the annual financial plan involves CIRM's bond financing and cash flow plans and financial leverage opportunities. (Health & Saf. Code, § 125290.45(b)(1)(A).)

⁵ The Office of the Chair is comprised of up to eight employees (six to support the Chair and two to support the Vice-Chair). Currently, the Office of the Chair includes six employees: Deputy to the Chair for Finance, Policy, and Outreach [Lynn Harwell], Executive Director of the Board [Melissa King], Associate Legal Counsel [Scott Tocher], Senior Administrative Coordinators [Jenna Pryne and Nick Warshaw], and Administrative Assistant [Amy Cheung].

From the Governing Board's Bylaws (approved 3.12.09):

Under the Governing Board's Bylaws, the Chairperson is responsible for:

- (1) Determining whether and how Board meetings should take place by teleconference (Bylaws, art. V, §. 3);
- (2) Calling special and emergency meetings (Bylaws, art. V, § 5);
- (3) Approving requests to expand subcommittees to obtain additional expertise (Bylaws, art. VI, § 1);
- (4) Concurring in appointment of subcommittee members (Bylaws, art. VI, § 2);
- (5) Sitting on the Governance Subcommittee (Bylaws, art. VI, § 4);
- (6) Presiding over Board meetings (Bylaws, art. VIII, § 3(d)); and
- (7) Concurring in President's recommendation to ICOC of administrative structure of CIRM (Bylaws, art IX, § 2).