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MEMORANDUM

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

From: James C. Harrison

Date: October 12, 2012

Re: Internal Governance Policy (Our File No.: 2297-0)

BACKGROUND

In conjunction with its approval of the reorganization of CIRM's communications and finance operations, the Governing Board directed staff to modify the Internal Governance Policy to reflect the Board's actions. The proposed amendments to the Internal Governance Policy would: (1) describe the allocation of shared responsibilities between the Chair and the President for finance and communications; (2) incorporate the delegation of authority to the Chair for employment decisions, including compensation, for the staff for whom he is responsible, consistent with the policy approved by the Board on June 23, 2011; and (3) streamline the policy by eliminating the discussion of the internal offices established by the President and by eliminating the reference to internal executive committee meetings.

RECOMMENDATION

Adopt a motion recommending that the Governing Board approve the proposed amendments to the Internal Governance Policy.

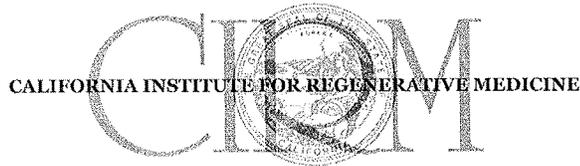
Attachment

As Approved by CIRM's Governing Board on 6/23/11
Proposed Amendments 10.22.12



INTERNAL GOVERNANCE POLICY

As Approved by CIRM's Governing Board on 6/23/11



**INTERNAL GOVERNANCE POLICY
THE CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE**

Section 1. (Purpose of CIRM). The California Institute for Regenerative Medicine (CIRM) was established by the California Constitution (California Constitution, article XXXV, Section 1).

The purposes of CIRM are as follows:

- (a) To make grants and loans for stem cell research, for research facilities, and for other vital research opportunities to realize therapies, protocols, and/or medical procedures that will result in, as speedily as possible, the cure for, and/or substantial mitigation of, major diseases, injuries, and orphan diseases.
- (b) To support all stages of the process of developing cures, from laboratory research through successful clinical trials.
- (c) To establish the appropriate regulatory standards and oversight bodies for research and facilities development.

(Cal. Const., art. XXXV, § 2.)

Section 2. (Organization of CIRM). The roles of the Independent Citizens' Oversight Committee (the "ICOC" or "Governing Board"), its Chair and Vice-Chairs, and the President of CIRM are generally defined by Proposition 71 and the bylaws of the Governing Board. (Health & Safety Code, §§ 125290.15 & 125290.40.) The purpose of this policy is to provide more specific guidance in particular areas.

- (a) The Chair of the Governing Board's primary responsibilities are:
 - (i) To manage the Governing Board's agenda and work flow, including all evaluations and approvals of scientific and medical Working Group grants, loans, facilities, and standards evaluations;

Deleted: Organization of CIRM:¶
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As Approved by the ICOC on 6/23/11

- (ii) To supervise the annual report and the annual financial plan¹ of CIRM, the public accountability requirements for the Governing Board and its subcommittees, including compliance with public meeting and conflict of interest requirements, and the legal and financial accountability of the Governing Board;
- (iii) To provide oversight for the annual audit of CIRM and for the legal and financial accountability of CIRM;
- (iv) To manage and optimize CIRM's bond financing plans and funding cash flow plans;
- (v) To optimize all financial leverage opportunities for CIRM;
- (vi) To provide oversight of, and establish the policies for, CIRM with respect to legislation through the Governing Board and the Legislative Subcommittee;
- (vii) To interface with the California healthcare system and the California public;
- (viii) To lead negotiations for intellectual property agreements, policies and contract terms; and
- (ix) To serve as an ex officio member of the Grants Working Group and to serve, along with the Vice Chairs of the Grants Working Group, as the Board's bridge to peer review.

(b) The primary responsibilities of the Vice-Chairs of the Governing Board are:

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- (i) To assist the Chair in carrying out his or her duties; and
- (ii) To interface with the California Legislature and Executive Branch and the United States Congress and Executive Branch, consistent with the policies established by the Governing Board and the Legislative Subcommittee.

(c) The President shall serve as Chief Executive of CIRM and shall perform the duties of his or her office as set forth in the Act and such other duties as may be approved by the Governing Board. The President's primary responsibilities are:

Deleted: Section 2. (President)

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

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- i. To recruit the highest scientific and medical talent in the United States to serve CIRM on its Working Groups;
- ii. To direct the staff of CIRM's Working Groups ;
- iii. To direct CIRM staff and participate in the process of supporting all working group requirements to develop recommendations on grants, loans, facilities, and standards as well as to direct and support the Governing Board's process of evaluating and acting on those recommendations, the implementation of all decisions on these and general matters of the Governing Board;
- iv. To hire, direct and manage the staff of CIRM;
- v. To develop the budgets and cost control programs of CIRM;
- vi. To manage compliance with all rules and regulations of the Governing Board, including the performance of all grant recipients;
- vii. To manage and execute all intellectual property agreements and any other contracts pertaining to CIRM or research it funds;
- viii. To implement the policies established by the Governing Board and the Legislative Subcommittee with respect to legislation.

Section 3. (Administrative Structure).

- (a) The President and the Chair shall recommend to the Governance Subcommittee for its consideration an organizational and administrative structure, which shall be reflected in an organizational chart depicting the major functional areas. The Governance Subcommittee shall recommend the organizational chart to the Governing Board for its consideration. The current organizational chart reflecting the leadership of CIRM and its major functional areas is attached as Exhibit A and is incorporated by this reference.
- (b) The Office of the Chair shall be limited to no more than twelve (12) employees whose primary duties are to support the Chair and the Vice-Chairs. The President may assign additional CIRM staff to assist the Chair or Vice-Chairs as necessary, consistent with the priorities of CIRM. The Governance Subcommittee may review these staff allocations on a periodic basis and recommend any adjustments to the Governing Board. The Chair shall be responsible for managing the personnel in the Office of the Chair, including hiring, firing and personnel management, within the parameters of the Employee Handbook and the Compensation Program for

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¶ (b) . The staff of CIRM shall be organized into the following offices as depicted in CIRM's organizational chart, which is attached hereto and which

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Deleted: Office of the President, which is responsible for support of the President in the performance of his or her duties, including special projects and international alliances. ¶

¶ Office of the Chair, which is responsible for support of the Chair and Vice-Chair of the Governing Board in the performance of their respective duties and for support of the Governing Board and its subcommittees. ¶

¶ Office of Scientific Activities, which is responsible for scientific programs, scientific review (including support for the Grants Working Group) and for grants administration and grants management systems. ¶

¶ Office of the General Counsel, which is responsible for legal, human resources, facilities and other functions specified in Exhibit B. ¶

¶ Office of the Vice President for Research and Development, which is responsible for industry relations, academic relations, clinical research, ethics and compliance, and science reporting, education the web, and other functions specified in Exhibit B. ¶

¶ Office of the Chief Financial Officer, which is responsible for strategic financial plans and programs, budgeting, cash flow planning and management to support all funding programs, and the implementation of programs. ¶

¶ The Senior Officers of CIRM who report to the Chair and the Vice Chair are the Executive Director of the Board and the Public Communications Director. Board Counsel, in coordination with the Chair's counsel for state regulations and Board governance, shall also report to the Chair and Vice Chair. ¶

¶ The Senior Officers of CIRM who report to the President are the Vice President of Research and Development, the General Counsel, the Executive Director for Scientific Activities and other staff designated by the President. ¶

¶ The Chief Financial Officer shall report jointly to the Chair and the President, who will be jointly ... [1]

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CIRM Employees. The Chair shall also be responsible for setting the salary for all employees within the Office of the Chair as specified in Paragraph (e). The Chair shall exercise the discretion accorded to the President by the Compensation Program for CIRM Employees for the purpose of making compensation decisions for employees in the Office of the Chair.

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- (c) All employees shall report to the President, either directly or indirectly, except for the Chair, the Statutory Vice-Chair, and employees of the Office of the Chair, who shall report to the Chair and Statutory Vice-Chair. The President shall have final responsibility for hiring, firing, and personnel management of CIRM employees, except the Chair and Statutory Vice-Chair of the Governing Board and staff of the Office of the Chair. All employees of CIRM, except the Chair and Statutory Vice-Chair of the Governing Board, are subject to human resource policies of CIRM whose execution for employees of the Office of the Chair is the responsibility of the Chair and for all other employees is the President. These policies include, but are not limited to, compensation policy as established by the Governing Board, merit increases, office assignment, approval for travel, parking privileges and policies in the Employee Handbook.

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Deleted: Each Senior Officer who reports to the President shall be responsible to the President for management of those personnel who report to them and shall be responsible for managing the internal affairs of his or her office, including its organization, reporting relationships within the office, assignment of duties, allocation of time, employee evaluations, and recommendations for hiring, firing, salary, promotion and merit increases.

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(e).

- (d) The President shall appoint Senior Officers responsible for major functional areas. Each Senior Officer who reports to the President shall be responsible to the President for management of those personnel who report to them and shall be responsible for managing the internal affairs of his or her office, including its organization, reporting relationships within the office, assignment of duties, allocation of time, employee evaluations, and recommendations for hiring, firing, salary, promotion and merit increases.

- (e) The President shall be responsible for setting the salary for all employees, except the Chair and Statutory Vice-Chair of the Governing Board and employees of the Office of the Chair, and the Chair shall be responsible for setting the salary for employees of the Office of the Chair, except for the Chair and the Statutory Vice-Chair, within the range for each salary level established and approved by the Governing Board pursuant to section 125290.45(b)(4) of the Health and Safety Code, with two exceptions: (1) for new employees hired into levels 6 through 10 and for current employees in positions newly reclassified into levels 6 through 10, the Chair and the President, respectively, shall obtain the approval of the Governance Subcommittee in order to set the salary for their employees in an amount that is 80 percent or higher than the salary range for that level;³

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³ The following example illustrates how this amount is determined. If the salary range is \$100,000-\$150,000, 80 percent of the salary range for that level is calculated by multiplying 80 percent by the difference between the upper limit of the range and the lowest limit of the range (\$150,000 - \$100,000 =

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and (2) for employees in all levels, the Chair and President, respectively, will obtain the approval of the Governing Board in order to set the salary for their employees in an amount that would exceed the maximum salary for that level.

The Chair and the President shall have the discretion to make job classification changes for their respective employees. This may include:

- Reclassifying positions between salary levels (either higher or lower) based on significant job responsibility changes.
- Once reclassified the salary shall be set based on available salary survey data.

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- (f) As part of the budget process and to ensure parity among the President and the Chair's staff, the Chair and the President will consult with one another on an annual basis before taking action to change salaries for, or to reclassify, employees for whom they are responsible. If the Chair and the President disagree, they will consult with the Chair of the Governance Subcommittee.

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Deleted: Each office of CIRM is responsible for supporting the President and the Chair and the Vice-Chair of the Governing Board in the performance of their duties as described herein.

Section 4. (Shared Responsibilities),

Deleted: Leadership and Management Committees)

- (a) Finance. The Chair and the President each have areas of financial responsibility. The Chair has primary responsibility for ensuring that CIRM has the financial resources to operate and fund awards. The President has primary responsibility for ensuring proper use of funds in accordance with the awards and operating budgets approved by the Governing Board.

(i) The Chair is responsible for:

- A. External financial resource management and support (e.g., bond financing, cash flow plans, donor funds, matching funds, and State financial submissions supporting the bond program);
- B. Optimizing leverage opportunities by working with institutional and private donors and others who support medical research and medical research facilities;
- C. Coordinating with the Department of Finance, the State Treasurer's Office and the California Stem Cell Research

Deleted: The President and any Senior Officers he or she wishes to attend will be available on a regular basis for an executive committee meeting of the Governing Board. The Governing Board Executive Committee will meet on all board matters. The Chair of the Governing Board shall set the agenda, chair the meeting, invite members of the Office of the Chair and others, and prepare the minutes for the meeting.

\$50,000), or $.80 \times \$50,000 = \$40,000$, and adding that amount (\$40,000) to the lowest limit of the range (\$100,000), or $\$40,000 + \$100,000 = \$140,000$.

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and Cures Finance Committee regarding CIRM's bond funding;

- D. Managing public communications on financial issues;
- E. Developing the budget, including the travel budget, for the Office of the Chair, with the assistance of CIRM's finance staff, and presenting it to the Governing Board for approval. The Governing Board shall establish the travel budget for the Office of the Chair.⁴

(ii) The President is responsible for:

- A. Internal financial resource management and support (e.g., budgeting and cost control programs);
- B. Developing CIRM's research budget and resource allocation strategy;
- C. Establishing and coordinating the funding of collaborations with other countries and states, in collaboration with the Chair on the financial matters set forth in footnote 1; and
- D. Developing linkages and partnerships with the biomedical sector to cosponsor and support CIRM projects/programs for delivery of research and clinical opportunities; and
- E. Developing the budget (with the exception of the budget for the Office of the Chair) and cost controls of CIRM, with the assistance of CIRM's Finance staff, and presenting it to the Governing Board for approval, and implementing the approved budget and reporting on any significant changes in a timely manner to the Governing Board.

(b) Communications

- (i) The Chair and the President each have a role to play regarding public and scientific communications. The Communications staff shall be under the joint oversight of the Office of the Chair (through the Statutory Vice-Chair) and the Office of the President (through the Senior Vice President for Research and Development).

⁴ The Chair shall be responsible for approving travel within the budget for employees of the Office of the Chair, with the exception of the Chair, whose travel expense claims shall be subject to the approval of the Chief Financial Officer or the President

Deleted: Section 5. (Budget)¶
¶ (a). The President, with the assistance of the Chief Financial Officer, shall develop
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(b) .
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- (ii) For purposes of decisions relating to employment, the Senior Director for Public Communications and Patient Advocate Outreach, along with the other members of the communications staff, shall be considered employees of the Office of the Chair.

Office of the President, which is responsible for support of the President in the performance of his or her duties, including special projects and international alliances.

Office of the Chair, which is responsible for support of the Chair and Vice-Chair of the Governing Board in the performance of their respective duties and for support of the Governing Board and its subcommittees.

Office of Scientific Activities, which is responsible for scientific programs, scientific review (including support for the Grants Working Group) and for grants administration and grants management systems.

Office of the General Counsel, which is responsible for legal, human resources, facilities and other functions specified in Exhibit B.

Office of the Vice President for Research and Development, which is responsible for industry relations, academic relations, clinical research, ethics and compliance, and science reporting, education the web, and other functions specified in Exhibit B.

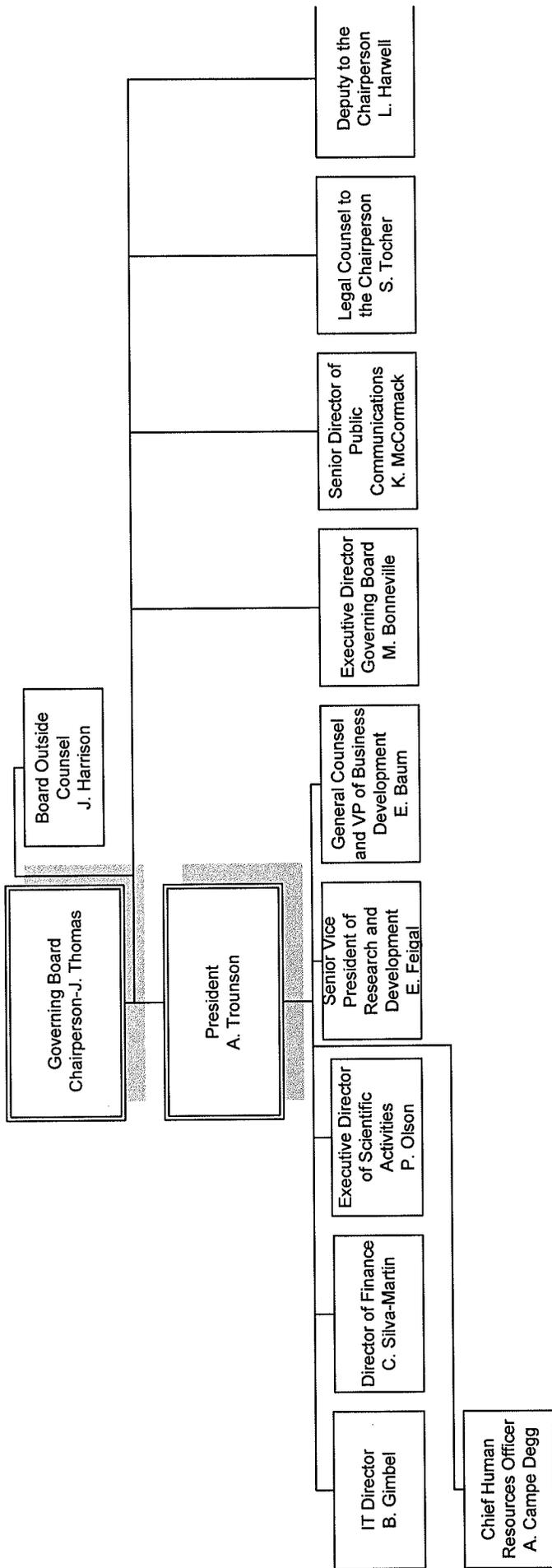
Office of the Chief Financial Officer, which is responsible for strategic financial plans and programs, budgeting, cash flow planning and management to support all funding programs, and the implementation of programs.

The Senior Officers of CIRM who report to the Chair and the Vice Chair are the Executive Director of the Board and the Public Communications Director. Board Counsel, in coordination with the Chair's counsel for state regulations and Board governance, shall also report to the Chair and Vice Chair.

The Senior Officers of CIRM who report to the President are the Vice President of Research and Development, the General Counsel, the Executive Director for Scientific Activities and other staff designated by the President.

The Chief Financial Officer shall report jointly to the Chair and the President, who will be jointly responsible for hiring the Chief Financial Officer and making compensation and evaluation decisions. The allocation of financial responsibilities between the Chair and the President and the reporting relationship of the Chief Financial Officer to the Chair and the President are described in greater detail in Exhibit C which is attached hereto and which is incorporated by this reference.

The Chair and the President shall also carry out separate elements of CIRM's communications program, as specified in Exhibit C.



Major Functional Areas
October 2012