

**Minutes for the May 19th, 2006 Governance Subcommittee Meeting
(Approved on December 4th, 2006)**

Genoptix, Inc.

2110 Rutherford Rd.
Carlsbad, CA 92008

Stanford University

James H. Clark Center
Room: 362
Stanford, CA

UC Davis Medical Center

Patient Support Services Bld.
PSSB 3037
4150 V street
Sacramento, CA

Burnham

10901 North Torrey Pines Road
Admin. Conference Room 4
La Jolla, CA

CIRM

210 King Street
San Francisco, CA

UC Irvine

NSI 3134
Irvine, CA
*No ICOC member will be
present at Irvine site.*

Sherry Lansing (Chair)	Absent
Phil Pizzo	Present
Brian Henderson	Absent
Os Steward	Absent
Claire Pomeroy	Present
David Serrano Sewell	Present
John Reed	Present
Robert N. Klein	Present
Tina Nova (Vice Chair)	Present
Richard Murphy	Present

Tina Nova convened the meeting and took roll call.

Agenda Item #5: Consideration of proposed amendments to CIRM gift policy

Walter Barnes presented information on the cost of living adjustment for the ICOC per diem, as dictated by the ICOC bylaws, increasing the daily rate to \$104 (from \$100) and the hourly rate to \$13 (from \$12.50) to be implemented effective April 1st, 2006. There were no board or public comments.

Agenda Item #3: Consideration of President's Report

3 a. Employee Compensation Plan:

Alexandra Campe introduced additional employee salary compensation index information for state of California, University of California, Radford, and Mercer data, as requested by the subcommittee members at their last meeting (March 30th, 2006). Full benefit information was considered separately since all CIRM employees are “at will” and thus, entitled only to those benefits accorded other state employees. The state offers moving expenses but none of the other “perks” (i.e. car and housing allowances) that UC does.

Walter Barnes points out that a relocation expense policy was approved at the last Governance Subcommittee meeting.

Alexandra Campe reminded the subcommittee that CIRM is located in San Francisco, one of the highest cost of living areas in the country. The proposed changes as a result of the new data are as follows: 1) adding another salary level (level 8), 2) reducing minimum salary for all top tier positions, except the General Counsel, and 3) retaining the 50% spread. At a future meeting, a performance management program including merit increases and awards for exceptional work will be presented.

Preliminary discussion ensued about various merit award programs at UCSF, NIH and other institutions, but further discussion was postponed until a later meeting.

Richard Murphy asked if consideration was made for recruitment incentives, beyond moving expenses, and Alexandra replied there was not at that time.

Phil Pizzo suggested formulating a Compensation committee given how difficult it is to recruit top people to the Bay Area.

Zach Hall suggested that the Governance Subcommittee already functions as a Compensation Committee.

Richard Murphy asked if CIRM were prevented from bringing in outside sources (i.e. philanthropic) in exceptional cases when more compensation was needed to lure a particular candidate.

Robert Klein offered that the intent of benchmarking CIRM to the best institutions in California was to emulate all of their best practices in regards to hiring—as long as we do so with full disclosure. We also have factors like our court battle and our limited time horizon that are a disadvantage to us in recruiting.

Walter Barnes suggested that the CIRM team explore these hiring incentive concerns and come back to the subcommittee.

Motion: Phil Pizzo moved approval of the employee compensation policy, as presented;
Bob Klein: second.

Claire Pomeroy expresses concern that the proposal doesn't adequately address the requests at the last meeting: 1) ranges remain very large, 2) preference to have a cutoff for review by the Governance Subcommittee on an individual basis within certain ranges, 3) some of the specific roles (Chief Communications Officer) seem particularly high vis a vis other state agencies, and 4) comparators on scope and role of jobs are still not accurate.

Robert Klein suggests the Governance Subcommittee be explicit about which salary cases are brought before it, to ease Claire Pomeroy's concerns.

David Serrano-Sewell concurred with Claire Pomeroy and expressed concern about the General Counsel Salary range.

Zach Hall suggested the formula range could be altered.

Phil Pizzo supported larger ranges for enhanced flexibility and indicated that typically, state government benefits play a significant role as incentives.

Robert Klein responded to David Serrano Sewell's concern by commenting on the extraordinary scope of the General Counsel position in the CIRM context.

Zach Hall suggested dropping the salary range to 50%.

Claire Pomeroy agreed with Zach Hall's suggestion and added that she would like for the Governance Subcommittee to review specific compensation packages for employees at level 4 and above.

Zach Hall requested level 7 and above.

Phil Pizzo suggested 75-80% of the range and above would require review by the Governance Subcommittee and also offered the Stanford experience of making offers "contingent upon board review."

Zach Hall restated that any salary proposal that was 1.4X the minimum would have to be contingent upon Governance Subcommittee approval.

Claire Pomeroy offered the example at University of California: any salary above \$148,000 would have to receive specific regent approval and the idea of an "Executive Committee" of the Governance Subcommittee for the purpose of pre-reviewing salary proposals.

Robert Klein suggested that only levels 9 and 10 would need to go to the ICOC for approval and Sherry Lansing and Tina Nova could act as a "sounding board" for Zach on the question of salaries.

Zach Hall suggested adding Claire Pomeroy and Phil Pizzo to the Executive Committee.

Scott Tocher explained that consultation with more than two board members violates the Bagley-Keene act.

Rich Murphy expressed concern about a two-person Executive Committee structure.

Phil Pizzo summarized the motion proposal: 1) the ranges be reduced to 50% range for all positions, 2) any offers for any salary level from 6-10 that exceed 80% will come before the Governance Subcommittee for approval, 3) any offers that exceed the upper limit of any defined range will have to go to the ICOC after review by the Governance Subcommittee.

David Serrano Sewell reiterated his concern about lack of adequate comparators.

Robert Klein conformed his "second" to Phil Pizzo's modified motion.

Don Reed (member of the public) expressed concern about reducing salaries and dismissed concerns about momentary scrutiny from the public.

John Simpson (member of the public) expressed concern that the 80% rule should also apply to salary levels 1-4.

Phil Pizzo suggested that in lieu of requiring review on the lower ranges, that periodic reports be given to the Governance Subcommittee on activities in the upper range, and Zach Hall agreed.

3 b. CIRM Internal Governance Policy

Zach Hall introduced the CIRM Internal Governance Policy as a companion piece to the ICOC Bylaws describing the respective duties of the President's Office and the Office of the Chairman, including an organizational chart.

Tina Nova asked about the genesis of the document.

Zach Hall told the Subcommittee that the process began in the summer of 2005 with the hire of a management consultant and was determined to be a separate policy from the ICOC Bylaws, although developed in parallel, and that there had been some modifications along the way.

Robert Klein expressed his wish for two amendments 1) expanded travel policy within the Office of the Chair and 2) ability to assign offices within the Office of the Chair.

Phil Pizzo expressed support for the document as a good template and moved approval. Richard Murphy: second.

Zach Hall reminded the Subcommittee that the President is responsible for approving all out-of-state and out-of-country travel and his need for this policy to be consistent across CIRM, including pre-approval by the Department of Finance. Secondly, Zach commented on how symbolically important office assignments are and the need for this policy, too, to be consistent across CIRM. There has been the potential for a schism between the Office of the President and the Office of the Chair, and it is important for the CIRM to be as unified as possible.

David Serrano Sewell suggested no approval at this time because the refinements Robert Klein mentioned had not been worked through.

Zach Hall expressed concern that the process had begun in September and he would be happy to abide by the Subcommittee's wish in regards to the refinements and agreed with Phil Pizzo that this is an "organic" document that could be further refined later.

Robert Klein suggested he was 98% content with the document but disagreed on travel policy and office assignments.

Tina Nova agrees with the importance of office assignments on the perception of status and employee morale and supported a policy where assignments conform to seniority.

Claire Pomeroy suggested that it is still important to name some officer as ultimately responsible and there is a dispute that needs to be resolved one way or the other.

David Serrano Sewell referred to Proposition 71 and expressed support for giving the ultimate responsibility on issues of travel and office assignments to the President.

Robert Klein expressed concern that micromanagement leads to poor performance.

Richard Murphy asked Zach Hall if he was uncomfortable with the process of recommending and having ICOC approve a certain budget allocation for the Office of the Chair for Bob to oversee as he wished.

Zach Hall responded that he is held responsible for the activities of the employees of CIRM and feels strongly it is important to have unified policies.

Phil Pizzo suggested that the President should approve travel of the Office of the Chair exceeding approved budget and devise an office assignment policy in accordance with the compensation levels just approved.

Zach Hall expressed his support but insisted that the final responsibility should lie with the President.

Claire Pomeroy commented that Phil Pizzo's solution was a good one but only addressed the symptom and not the larger issue of lack of trust.

Phil Pizzo acknowledged Claire Pomeroy's comment and suggested modification of the Internal Governance Policy for the two specific solutions he described.

Walter Barnes reminded the Subcommittee that the current travel policy says that the President is to approve travel for all CIRM employees and the Chair to approve all out-of-state travel or out-of-country travel for himself and the ICOC.

Robert Klein was concerned with that policy because he felt it reduced his flexibility to travel at a moment's notice in times of crisis.

Phil Pizzo asked for a restatement of the motion: any travel exceeding the approved budget would have to be approved by the President, and an office assignment policy will be developed that corresponds to the CIRM compensation policy, and all final decisions will rest with the President. Richard Murphy reaffirmed his second.

David Serrano Sewell and Richard Murphy expressed the need to readdress the situation of lack of trust in the future.

John Simpson (member of the public) suggested adopting the policy as it was submitted to give the President direct management over CIRM employees.

Motion passes.

3 c. CIRM FY 2006-2007 Budget

Walter Barnes presented an updated budget for the first 6 months of FY 2006-2007, including a break down of all four cost centers, with two scenarios (Scenario 2 contemplates selling an additional \$34 million in Bond Anticipation Notes (BANs)).

Robert Klein congratulated Walter on the no-exceptions opinion on the CIRM audit. Robert Klein requested an amendment, contingent on closing the next round of BANs, to

hire additional administrative support for patient advocate ICOC Members, and Claire Pomeroy and Phil Pizzo concurred.

Richard Murphy expressed a preference to provide any kind of administrative support locally within the CIRM's office.

Claire Pomeroy moved to recommend approval of the budget for the first six months.
Second: Phil Pizzo.

Motion Passes

Agenda Item #4: Consideration of update on contracts

Alex Campe referred the committee to her standard report on all executed contacts and interagency agreements. For contracts exceeding \$100,000 for approval by the Governance Subcommittee: up to \$200,000 for Institute of Medicine, Mosaic Services, and Brobeck Event Management in connection with our Egg Donor Risk Conference. For third-party contracts exceeding \$250,000, Alex offered an informational update on the PriceWaterhouse Coopers strategic plan contract, capped at \$400,000. The one contract that required a vote was the Arlington Group for grant management.

Zach Hall spoke in support of how important the Arlington Group contract was for CIRM's grant review and management efforts.

Claire Pomeroy expressed concern that the Arlington Group hadn't been formally bid, even though staff thoroughly explored the market of options.

Walter Barnes replied that there weren't many options for such an "off the shelf" product and that the team thoroughly vetted all of them.

Robert Klein made a motion to recommend approval of the Arlington Group contract.
Second: Phil Pizzo.

Motion passes.

Agenda Item #5: Consideration of proposed amendments to CIRM Gift Policy

Walter Barnes presented the policy and procedure for accepting real and personal property and naming, with amendments, as discussed at a prior Governance Subcommittee meeting and a prior ICOC meeting. Those amendments include 1) naming policy is reserved for the ICOC, 2) a clarification on limiting gifts requiring an expenditure of funds to those cases where the initial or ongoing expenditure will exceed or equal or exceed the value of the gift, and 3) Executive committee approvals are reported to the ICOC for information, 4) the ICOC changed the delegation from \$5 million to \$3 million, and 5) a report will be provided to all donors except those giving de minimus amounts.

John Simpson (member of public) asked if the names of the donors from the SF Gala fundraiser will be made public.

Zach Hall responded that the gala was being organized by a local SF committee, not CIRM. All donations will go to the San Francisco Foundation which will pay for the expenses associated with the gala and then we will receive the balance. When those

names come to us, we will make them public—but no biographical information, just names.

Richard Murphy requested at least a week lead time for all future Governance Subcommittee materials.

John Simpson (member of public) noticed a greater availability of information and documents in recent months.

Tina Nova adjourned the meeting at 11:40 a.m.