

**Monday, December 5 2005 Governance Subcommittee Meeting Minutes
(Approved March 30, 2006)**

Cedars-Sinai Hospital

Educational Center
Room C Plaza Level (North Tower)
8700 Beverly Blvd.
Los Angeles, CA 90048

The Burnham Institute

Building Room/Conference Room 4
10901 N. Torrey Pines Road
La Jolla, California 92037

UC Irvine

NSI-3134 Admin Conference Room
Natural Sciences I
Irvine, CA 92697

The Salk Institute

Trustees Room
001 N. Torrey Pines Road
La Jolla, California 92037

USC

Keck School of Medicine
KAM 505
1975 Zonal Avenue
Irvine, CA 92697

Stanford University

James H. Clark Center
Room S363
Stanford, CA 94305

CIRM

210 King Street
San Francisco, CA 94107

Sherry Lansing (Chair)	Absent
Phil Pizzo	Present
Brian Henderson	Present
Os Steward	Present
Claire Pomeroy	Absent
David Meyer (Designee for Keith Black)	Present
John Reed	Absent
Robert N. Klein	Present
Tina Nova (Vice Chair)	Present
Richard Murphy	Absent

Agenda Item #3, President's Report

A. Consideration of Updated CIRM Budget for FY 2005-2006

Dr. Hall: We presented a budget previously that was broken out in broad categories and basically projected our money available and our expenses over the fiscal year. Since that time, we have engaged in a very extensive exercise in which we have divided the CIRM into cost centers, and we have analyzed our budget by function. The budget Walter will present to you shows that with the money on hand and with some belt tightening, we have enough to fund our activities through the end of the fiscal year ending June 30, 2006.

In order to make our budget, we have had to take out of it our projected activities. The three things that we are concerned with are 1) our scientific strategic planning, 2) our conference on medical risk, and then 3) a project that I had been working on and will hope to report to you later on.

We intend to raise money for those scientific and administrative costs separately from the BAN costs, and we are optimistic we can find donors.

Mr. Barnes: The first item has to do with the CIRM budget for the current year which begins on July 1st and ends on June 30th of 2006. This is under the assumption that we only have money that comes from the \$3 million loan from the General Fund and a \$5 million Dolby grant. The expenditures summarized are broken down into what we call four cost centers: The Science Office, The Office of Administration, The Office of the President, and the Office of the Chair.

At the August meeting, the Subcommittee members approved a three-alternative budget plan. The budget plan had three funding alternatives: 1) a "worst case" scenario including \$3 million of a General Fund and a \$5 million Dolby grant, 2) a "mid-case" budget assuming \$21.5 M in BAN proceeds, and 3) A "best case" alternative was that would be supplemented by \$100 million in bond proceeds. The plan that was approved was that we would operate under the first alternative until January; and if there were no additional funding at that time, we would take the actions to ensure that the operation would be continued through the end of the fiscal year. There is no ICOC meeting in January, so we are going to tell you what the actions are today that are necessary to attain this goal. We currently have 19 employees, and we're not expecting that any additional hires will be made during this time. We are going to cover the full cost of the October Scientific Meeting in San Francisco, which actually came in nearly \$75,000 under budget. In addition, there's funding for two small scientific meetings, the purpose of which is to be determined. We have a full slate of Standards meetings, six meetings in all during this year. We have one Facilities meeting, one Grants Review meeting related to the Training Grants and then two follow up meetings related to those grants. As far as ICOC meetings, we will have 8 full meetings for this fiscal year. The budget also includes: four

legislative subcommittee meetings, five Governance subcommittee meetings, four IP Task Force meetings, and one Standards Working Group meeting. We have sufficient legal services through Remcho and the Department of Justice to meet both Litigation and legal needs.

Under the Interagency agreements, we are budgeted at about \$527,000; about \$270,000 goes to the Department of Justice. That's a little over 50%, and based upon my discussions with James and with the DOJ, most of the work time is devoted to the litigation efforts. For external contracts or third-party contracts, we have allocated a total \$1,260,000. A little over \$500,000 is for Remcho. In talking to James, about 25% to date has been related to litigation.

In regards to our non-litigation legal work, which is managing our regulations and our grants management policies and other legal non-litigation legal questions, there are two things that are in this budget. One is that we have a temporary hire named Scott Tocher, who is a lawyer with the FPPC. He actually started December 1st, and his contract would go through the end of the fiscal year. In addition, we've acquired the services of Dan Bedford from Orrick through a pro bono agreement, who will be helping particularly in the grants management policies development area.

Dr. Pizzo: Could you remind us which Personnel are in that under Klein? The number is about as big as under the office of the President.

Mr. Klein: Perhaps, Walter, I can do that for you. Amy DuRoss and Amy Lewis who worked with me on both legal and fund raising aspects, including donation and BAN's as well as financial oversight committee hearings. Mary Maxon, who is Deputy to the Vice Chair. Kirk Kleinschmidt is our one government relations policy member, who deals with the [California] legislature and federal policy. Melissa King, who deals with all of the ICOC meetings and other Public Meetings. Kate Shreve, who is on essentially assignment and detailed to the Standards Working Group and supports functions related to the patient advocacy organizations and other support organizations. Jennifer Rosaia deals with all of the logistics of setting up these public meetings. And in fact, Erin Robbins has currently been reassigned to deal with Facilities.

Mr. Barnes: There are actually two members of the chairman's staff who are actually on permanent loans to other cost centers, so their salaries are here but they're actually working elsewhere. Erin Robbins is working with me on dealing with both Facilities management. And then Kate Shreve has been on loan for some time now to the office of the President working on the Standards Working Group.

Dr. Henderson: You said there are 19 full-time individuals. That does not include your own salary; is that correct?

Mr. Barnes: Yes it does. I'm now a permanent member as of July.

Dr. Henderson: So you're in this budget twice?

Mr. Barnes: It's actually a contract that goes back into last year and the reference to me actually refers to the cost through last year. The rest of the contract for the current year is related to the detailed work that they do on keeping our accounting system actually and recording all of our expenditures and keeping track of that.

Dr. Henderson: So that is \$350,000 without your salary in it?

Mr. Barnes: It's actually \$200,000 for the current year, and my salary is no longer in it. That's just the estimate associated with the full-time operation of our accounting system and a lot of our procurement activities. It does include Scott Tocher. Our recommendation is that you recommend to the ICOC that this budget be approved. Our next step will be to start working on the budget for 2006-2007.

Motion:

Dr. Pizzo: Recommend Approval of Budget as stated

Mr. Klein: Second

Dr. Nova: Calls to move ahead or for comments

Dr. Henderson: Agree to approval but I would still like us to do a provisional on discussion of the external contracts since it's such a large amount of the budget and we don't have the detail we need to evaluate that number. So I'm in agreement with approving all but the external contracts provisional to a line-by-line review of it.

Dr. Hall: Walter has addressed Remcho. The other big contract we have is with Edelman. Our current contract with them expires March 31st. We have told them we would like a no cost extension of that contract through the end of the fiscal year. The work they do for us is billed at a higher rate than what we pay. So they do a considerable amount of pro bono work. It goes something like this. For the last month we are billed by agreement at twenty-seven five and I think they had an additional 12. There was a 46 total, so it's almost \$20,000 pro bono. They have been very effective for us in contacting the media, in offering advice. We have a tremendous pressure on our communication staff and we have one person, Nicole Pagano, who is, I would say in terms of career, a mid-level person. And we are constantly in the press, we are barraged by requests for interviews, and we've had a number of high profile activities that go on.

Dr. Murphy: From an outsider's point of view, Edelman's input seems to be less than visible and certainly not aggressive in responding. I think that the idea of a no-cost extension is right, and we probably should really take a look again at this during the March-to-June period to see what we want to do next year.

Dr. Hall: We've considered an alternative in hiring a senior communications person in-house. It's not an optimal time from the perspective of the budget or of recruiting to get the quality we need. We're analyzing with Edelman what the money is spent for. For example, the daily clips cost us \$3000 a month, and we're now looking into alternative sources for producing that service. We have had strategy conferences with them daily for the last several weeks. We're now cutting that down to weekly.

Mr. Klein: We lack the rapid response writing capacity to deal with information in that press that's incorrect. It's a resource constraint, and we're just going to have to figure out how to get some additional resources to be able to deal with this need.

• Mr. Klein Seconds with a friendly amendment as suggested by Dr. Henderson to approve budget excluding external contracts per a detailed discussion.

Vote:

- All in favor; no opposition.**
- Motion carried.**

Mr. Barnes: The contracts report which this subcommittee has asked to present at every one of our meetings shows all contracts on one page. These are external contracts going back to the time they were first executed and showing expenditures that have been made to date through October 31st and what the current balance is. The second page shows all of the interagency agreements and the encumbrances amount and expenditures to date, thru October 31st. The Governance Subcommittee and the ICOC Meeting laid out a process of contracts approval. There have been no new contracts since our last meeting. The President was granted authority to approve new and amended third-party contracts of less than \$100,000. Since the last meeting, we've had two of those. One is Evian, a one time contract for \$22,000 to relocate our IT System to the new San Francisco location. In addition we executed a contract with Shredworks to perform shredding of confidential documents at \$960 a year.

We do have one contract exceeding \$100,000 that is subject to approval by this Governance Subcommittee: Career Resources. Career Resourced provides temporary and administrative support. The current contract is for \$90,000, began on March 10th and expires December 31st. based on our current and expected expenditures, it appears we need an additional \$30,700 to provide those services through March 31st, 2006. It would bring the contract total of \$120,700. We need approval on this.

There is also a contract exceeding \$250,000 which is subject to approval by the full ICOC. This contract with Remcho, Johansen & Purcell began January 6th, and it is set to expire on June 30th, 2006. We feel that an additional \$250,200 is necessary to cover the anticipated litigation costs through June 30th and would bring the contract to a total of \$772,200. During the first nine months of the contract, the invoices averaged \$44,000 and

during the last nine months the average is expected to be \$41,000. Our request is that you approve the recommended extension of increase to Career Resources and we recommend that the increase to Remcho, which is also included in the budget cost that you saw in the first presentation, be approved.

Dr. Henderson: There is an incorrect figure in the tabulation for contracts.

Dr. Pizzo: It seems to me we need to see the corrected data before we take a vote.

Mr. Klein: Dean Pizzo, on the increase to the Remcho contract, can we treat that as an individual item?

Dr. Pizzo: Yes.

Motion:

- **Mr. Klein Moves to approve Remcho, Johansson, & Purcell Increase.**
- **Dr. Pizzo Seconds**

Vote:

- **All in favor; no opposition.**
- **Motion carried.**

B. Consideration of Modifications to Travel Expense Policies

Mr. Barnes: We have one new policy, two modifications, and information on an internal policy. We're hoping that we get BAN's and/or Bonds soon, and we will need to fill a number of positions, most of them scientific. Currently, we don't have a specific policy for reimbursing candidates for interviews and new hires for relocation. I've attached a policy called Allowable Expenses related to Interviews and Relocations that would require approval of by the President. It provides reimbursement for transportation and lodging which is equivalent to what CIRM and ICOC staff are allowed. For relocation, it provides for moving costs. These are based on the costs that are available under the UC Travel Policy. We would like to have your approval to implement these.

The second item is to modify two current policies; the first is contracted meals. For ICOC Meetings, we were only meeting during the day so the policy applies to lunch, but we have instances now where these meetings are during the evenings or the early mornings, so we'd like to recommend that the policy be revised to substitute "meals" for "lunch" to cover those costs. We think that basically we should revise that to recommend that when meetings are held, and—the cost must be approved by the President—that the reimbursement also include the ICOC members and CIRM staff who are required to attend the same meeting.

The final item is a policy for travel out of state and out of the country. The travel reimbursements are the same as for in-state travel. This policy requires approval by either the president for CIRM staff members or by the Chair for ICOC members. In this

instance, we are adopting a policy that all other state agencies use, so it doesn't really require a vote but we wanted to put it forward as information for you.

Motion:

- **Mr. Klein Moves to support the modifications on meals and travel reimbursement.**
- **Dr. Pizzo Seconds**

Vote:

- **All in favor; no opposition.**
- **Motion carried.**

4. Consideration of ICOC Bylaws

It was decided by the Subcommittee that this issue did not need to be taken up at this time.

Following a request for public comment at each location, the meeting was adjourned.