



TO: Members, Citizens' Financial Accountability Oversight Committee

FROM: Jonathan Y. Thomas, Chair, Governing Board, California Institute for Regenerative Medicine

DATE: January 13, 2012

RE: Board Survey and Allocation of Responsibilities between the Chair and President

I look forward to meeting with you later this month to discuss CIRM's financial practices and performance and to inform you regarding the progress made by the California Institute of Regenerative Medicine ("CIRM") in 2011. Having served in the role of Chair for the last six months, I can assure that CIRM's staff members are among the hardest working people in state government. Their commitment to CIRM's mission of finding therapies and cures for patients who suffer from chronic disease and injury is inspiring, as is the work currently being performed by the outstanding scientists and physician-scientists whom CIRM has funded. As you will read in some of the other materials presented to you, CIRM has a number of very exciting research projects underway. We are eager to discuss these projects with you at the upcoming meeting of the Citizens' Financial Accountability Oversight Committee ("CFAOC").

At the CFAOC's meeting on January 28, 2011, Controller Chiang asked about a Board survey regarding the Board's performance and the division of labor between the Chair and the President. We thought it would be helpful to provide you with information regarding the survey and to discuss the steps the Board has taken to further define the roles of Chair and President.

In 2011, the Independent Citizens' Oversight Committee, CIRM's Governing Board (the "Board") engaged in an open and transparent process to identify the criteria and parameters for a new Chair. This process included two public meetings of the Board's Governance Subcommittee, led by Sherry Lansing and Claire Pomeroy, and two public meetings of the Board, at which members of the Board and the public offered their views on the selection of a Chair and the allocation of responsibilities between the Chair and the President.

As part of the Chair selection process, the Governance Subcommittee recommended, and the Board approved, the use of a survey of Board members and alternates to gather information regarding members': (1) assessment of the Board's performance; (2) self-assessment; (3) assessment of the desired attributes, skills, percent effort, and salary for a new Chair; and (4) assessment of the allocation of responsibilities among the Chair, Vice Chairs, and President and the appropriate relationship among these leaders. Board counsel distributed the survey on February 2, 2011, and asked members to respond no later than the end of the day on

February 10. In total, 20 members and/or alternates responded. The Governance Subcommittee and the Board used the information obtained from the survey to inform the Board's discussion regarding these matters.

The Governance Subcommittee and the Board made the survey results available to the public and considered the results at their respective meetings on February 17, 2011 and March 10, 2011. Based on the survey results, the Governance Subcommittee's recommendations, Board debate, and public comment, the Board adopted a series of motions to offer guidance to the Governor, Lieutenant Governor, Treasurer, and Controller who, pursuant to Proposition 71, are charged with nominating candidates for Chair.

- First, the Board recommended that the Constitutional Officers consider the following key attributes in evaluating potential candidates for Chair: collaborative; leadership and vision; and knowledgeable and intellectually curious.
- Second, the Board recommended that the Constitutional Officers consider the following key skill sets in evaluating potential candidates for Chair: advocacy; leadership; scientific understanding; and governmental and financial expertise.
- Third, the Board determined that its best assessment of the time required to perform the duties of Chair is 50 to 80 percent effort, but indicated that it would be willing to modify the percent effort based on the candidate's attributes and interests.
- Fourth, the Board left the previously established salary range of \$137,500 to approximately \$400,000, as adjusted for the percent effort, in place.
- Finally, the Board determined that it would clearly delineate the discrete responsibilities of the Chair, Vice Chairs, and President, and that the Chair and Vice Chairs should lead a robust oversight effort, including taking advantage of the skills of the Board members in conducting their oversight role, and that if the Chair and Vice Chairs possess expertise in the areas of responsibility assigned to the Chair in Proposition 71, then the Board may elect to take advantage of their expertise operationally in those areas as well.

On June 23, 2011, the Board elected me as its new Chair. Since then, the Board, has engaged in an effort to refine the lines of authority between the Chair and the President. Specifically, the Board has clearly delineated the lines between external finance, for which the

Chair is responsible, and internal finance, for which the President is responsible, and has created and filled the position of Chief Financial Officer, who reports to the Chair, and on a dotted line basis, to the President. In addition, the Board has approved a unified communications office and is searching for a Director of Communications and Patient Advocate Outreach, who will report jointly to the statutory Vice Chair and to the Senior Vice President for Research and Development. These governance changes have helped to more clearly define the roles of Chair and President in the areas of finance and communications.

Under CIRM’s current governance structure, the Chair’s primary responsibilities are:

- (1) To manage the Governing Board’s agenda and work flow, including the evaluation and approval of grants and loans for research and facilities and medical and ethical standards;
- (2) 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;
- (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;
- (6) To provide oversight of, and establish the policies for, CIRM with respect to legislation through the Governing Board and the Legislative Subcommittee;
- (7) To interface with the California healthcare system and the California public;

¹ 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 funding cash flow plans and financial leverage opportunities. (Health & Saf. Code, § 125290.45(b)(1)(A).)

- (8) To lead negotiations for intellectual property agreements, policies, and contract terms; and
- (9) 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.

The President's primary responsibilities are:

- (1) To recruit the highest scientific and medical talent in the United States to serve CIRM on its Working Groups;
- (2) To direct the staff of CIRM's Working Groups;
- (3) 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;
- (4) To hire, direct, and manage the staff of CIRM, except the staff of the Office of the Chair;
- (5) To develop the budgets and cost control programs of CIRM;
- (6) To manage compliance with all rules and regulations of the Governing Board, including the performance of all grant recipients;
- (7) To manage and execute all intellectual property agreements and any other contracts pertaining to CIRM or the research it funds; and
- (8) To implement the policies established by the Governing Board and the Legislative Subcommittee with respect to legislation.

The Chair and the President, along with senior staff, meet on a weekly basis to coordinate their activities and to share information and obtain input. These meetings, along with the governance changes approved by the Board, help to ensure an effective working relationship between the Chair and the President.