

Policy and Procedure on Accepting Real and Personal Property and Naming

Background

Section 125290.40(n) states that the Independent Citizens' Oversight Committee may "...accept additional revenue and real and personal property, including, but not limited to, gifts, royalties, interest, and appropriations that may be used to supplement annual research grant funding and the operations of the..." California Institute for Regenerative Medicine (CIRM).

At the June 6, 2005 meeting, the ICOC accepted a gift of \$5 million from the Dolby Foundation to be used for the costs of operations of CIRM, including general administration and grants management activities.

At the August 31, 2005 meeting of the ICOC Governance Subcommittee the members adopted a motion to recommend to the ICOC that the executive committee – the Chair and Vice Chair of the ICOC and the President of CIRM – be authorized to offer a naming opportunity to a donor of \$10 million or more.

At the September 9, 2005 meeting of the ICOC, this recommendation was considered but no action was taken. There was a sense that the idea had merit and that it could be expanded to include naming opportunities for funds or property received under H&S Code 125290.40(n). However, there was also a concern that there should be a separation between naming opportunities and grant awards to avoid potential conflicts of interest.

At the February 10, 2006 ICOC meeting, the members considered the following process for a Naming and Funding Opportunity related to the Training Grants approved by the ICOC at its 9/9/2005 meeting:

- The naming opportunity would be reviewed by the Executive Committee made up of the Chair and Vice-Chair of the ICOC and the President of CIRM.
- If acceptable, the Executive Committee would pursue the naming opportunity, subject to the final approval/acceptance by the board.
- The actual grant/gift would be brought back to the board at a future meeting for final approval.

This process was adopted.

CIRM has been approached by various entities and individuals about donating real and personal property. These include inquiries about donating minimal amounts – e.g. \$50.

Information

University of California

While there are exceptions, the regents have generally delegated to the President of the University who delegates to the Chancellor of each campus the authority to accept gifts of personal property up to and including a value of \$5 million. All exceptions, gifts of real property and gifts of personal property valued at a level higher than \$5 million must be approved by the regents.

The regents are authorized to name land reserves, buildings, major centers of activities and other highly visible properties and major or multi-campus programs or facilities. They have delegated to the President of the University who delegates to the Chancellor of each campus the authority to approve naming for streets and roads, portions of buildings, small outdoor areas and other minor properties, and single-campus programs or facilities.

California State University

The board of trustees is authorized to name all CSU facilities and properties, including: all buildings, major portions of buildings, university or college streets or roads, stadium and baseball fields and other areas of major assembly or activity, plazas, malls and other large areas of campus circulation and all other highly visible facilities and properties.

In addition, the board has delegated to the Chancellor the authority to name individual rooms, limited areas and individual items or features within buildings, individual landscape items or features within buildings, limited outdoor areas and other minor properties. The Chancellor has delegated this authority to the individual University Presidents.

Naming is intended to encourage private support to the CSU and its programs and only in extraordinary circumstances are facilities and properties to be named without a gift. The authority to accept gifts, bequests and donations of personal property has been delegated to the campus presidents. The trustees must approve all gifts of real property.

Other State Agencies

Generally, with certain exceptions, all gifts of real or personal property must be approved by the Department of Finance. One of the exceptions is for state agencies which are statutorily exempt from approval. Under Proposition 71, CIRM is statutorily exempt from approval.

However, real property must be reviewed by the Department of General Services to determine if there are reasons not to accept (e.g. – toxic waste, liens, etc), including the cost of maintaining the property.

Generally, the Legislature makes the decision to name facilities, buildings, roads, etc. Individual state agencies can provide recognition naming for public service activities (e.g. - Transportation for Adopt-a-Highway),

Analysis

Generally, each of the various policies and procedures are written down, approved by a governing body and include the following elements:

- A statement of goals for both the receipt of real or personal property and naming.
- A delegation from the highest authority to a lower level for authorization to accept certain real or personal property and/or to make certain naming decisions.
- A preference for gifts that do not require either additional expenditure or significant delay in the availability for use. Specifically, real estate is subjected to significant review.
- A strict limit on naming that is not linked to gifts.

Recommendation

It is recommended that a policy and procedure be adopted to implement Section 125290.40 (n) regarding the receipt of real and personal property through gifts, including bequests and donations, and for naming of programs or property.

A suggested Policy and Procedure is contained in Attachment IV. It has been developed to build on the actions already taken by the ICOC and is based upon the information on gift and naming policies and procedures in the UC system where possible.

Attachment I

Proposed Policy and Procedure For Receipt of Gifts and Naming

I. Policy

It is the policy of the ICOC to accept the offer of additional revenue and real and personal property as authorized by Health and Safety Code Section 125290.40 (n) to support the operations of CIRM and to further the goals of Proposition 71. In addition, it is the policy of the ICOC to encourage the offer of additional revenue and real and personal property through naming. Naming can be given to both real objects - such as rooms at the CIRM location - and inanimate objects— such as grant programs.

II. Limits

- A. No naming will be considered without a gift of substantial value to CIRM and its programs.
- B. A gift that requires an initial and/or on-going expenditure will not be considered if the total estimated expenditures will likely equal or exceed the value of the gift.
- C. No gift will be accepted from an institution, entity, or individual that has applied for CIRM funding or that intends to apply for CIRM funding, except for gifts of the use of government or nonprofit-owned facilities for ICOC, working group, or scientific meetings.
- D. No gift will be accepted from a biotechnology company that devotes five percent or more of its annual budget to stem cell research.

III. Procedure

A. Decision-making Authority on Real and Personal Property and Naming

All naming decisions must be approved by the ICOC. All gifts must be approved by the ICOC, except as follows:

- 1. Gifts of cash, stock, bonds or personal property with a value of up to \$5 million can be approved by the unanimous agreement of an Executive Committee, comprised of the Chair and Vice-Chair of the ICOC and the President of CIRM, provided the terms of the gift are consistent with the Policy described above.

If one or more of the members of the Executive Committee vote against accepting the gift or if one or more of the members must abstain from voting, the proposed gift shall be submitted to the ICOC for its consideration, even if the value is less than \$5 million.

2. Direct payment or reimbursement by third parties for the costs of general operation or grant management administrative activities can be accepted by the President of CIRM (e.g. – payment for activities at a conference sponsored by CIRM). In addition, the President of CIRM and the Chair of the ICOC are authorized to accept free or reduced cost for the use of government or nonprofit-owned facilities for ICOC, working group, scientific and other CIRM related meetings. Direct payments and reimbursements cannot be used to supplement the ICOC approved compensation of CIRM employees. Direct payments, reimbursements and use of facilities are not considered gifts for purposes of presentation to the ICOC.
3. Gifts of a de minimis amount – \$5,000 or less – may be accepted by the President, without the approval of the Executive Committee or the ICOC.

B. *Presentation of Gifts to the ICOC*

1. Gifts Requiring ICOC Approval

- Each proposed gift, except those described above in section III.A. 2 and 3 must be reviewed and approved unanimously by the Executive Committee.
- A report with the following information will be prepared by the Executive Committee and submitted to the ICOC for each gift and proposed naming requiring the ICOC approval:
 - Name and biographical data regarding the individual or organization making the gift.
 - A description of the gift.
 - A list of conditions or requirements to be imposed on CIRM as a result of accepting the gift.
 - If one of the conditions is naming, then include a description of the object to be named and whether there is a time limit on continuing the name.
 - If the gift is real property, include an evaluation of the gift by the Department of General Services.
 - If the gift is stock or other investments, include a description of how they will be sold and the expected net proceeds.
 - A description of how the gift will be used.

Once the ICOC approves the gift by a majority of ICOC members present and eligible to vote, the President of CIRM is authorized to initiate action to accept the gift and implement the conditions.

2. Gifts that Do Not Require ICOC Approval

At each ICOC meeting a list of gifts that have been accepted by the Executive Committee or the President will be presented as an information item. Gifts

described under II.A.2. are not required to be on the list. The following information should be included for each reportable gift on the list:

- Name and biographical data regarding the individual or organization making the gift.
 - A description of the gift.
 - A list of conditions or requirements to be imposed on CIRM as a result of accepting the gift.
 - If the gift is stock or other investments, include a description of how they will be sold and the expected net proceeds.
 - A description of how the gift will be used.
3. Gifts of a de minimis amount may be summarized and reported in total without the information described in III.B.2.

C. Implementation of the Decision to Accept the Gift and Its Terms and Conditions, Including Naming

1. Once a gift has been approved by the Executive Committee, President or ICOC as appropriate, a Commitment Letter will be developed and signed by the donor and the President of CIRM. A sample format with the minimum required terms for CIRM is given in Attachment II. Any changes to this format must be included in the report to the ICOC discussed in III.B., above. A Commitment Letter is not required for gifts of a de minimis amount however a letter of appreciation will be sent to the donor by the President.
2. Once the Commitment Letter is signed, the Office of Administration will receive the gift and deposit any funds into a state account as soon as possible. If the gift is personal property other than cash or real property, the Office of Administration will take action to liquidate these assets as soon as possible and the resulting funds will also be deposited into a state account. The Office of Administration will contract with a brokerage firm or other independent agency to receive and immediately sell all securities received as gifts.
3. The Office of Administration will maintain current files on each gift and, under the direction of the President of CIRM, will ensure that all conditions and terms of the gift are adhered to by CIRM and its staff. Each file will contain all information presented to the ICOC either for approval or information and a copy of the commitment letter (or letter of appreciation) and a copy of any reports on the use of the funds. It will also include any necessary information to ensure compliance with California Code of Regulations Section 18944.2 regarding Gifts to Agency.
4. If one of the conditions is that a real or inanimate object is to be named after a donor or some other name of the donor's choosing, the Office of

Administration will, under the direction of the President of CIRM, implement the naming. A report on the naming action taken will be sent by the President of CIRM to the donor and a copy included in the file described in III.C.3.

Attachment II

LETTER OF COMMITMENT
[Sample Format]

The California Institute for Regenerative Medicine (the "CIRM"), an agency of the State of California, and _____ ("Donor"), agree to enter into this Letter of Commitment, as of _____, 2006.

RECITALS

WHEREAS, on November 2, 2004, California voters overwhelmingly approved Proposition 71, which established the CIRM in state government and authorized the issuance of \$3 billion of bonds to fund stem cell research in California;

WHEREAS, Proposition 71 established the Independent Citizens' Oversight Committee (the "ICOC") to act as the governing board of the CIRM and to approve all grants, loans and contracts;

WHEREAS, on April 7, 2005, the Life Legal Defense Foundation, on behalf of People's Advocate and the National Tax Limitation Foundation, filed a complaint for declaratory and injunctive against the ICOC, ICOC Chairman Bob Klein, the Governor, the Lieutenant Governor, the State Controller, and the State Treasurer in Alameda County Superior Court;

WHEREAS, on July 6, 2005, the California Family Bioethics Council filed a complaint for declaratory and injunctive relief against the California Institute for Regenerative Medicine and the California Stem Cell Research and Cures Finance Committee in Sacramento County Superior Court;

WHEREAS, the actions filed by the Life Legal Defense Foundation and the California Family Bioethics Council impede the State's ability to issue bonds because they challenge the constitutionality of Proposition 71 and the State's authority to issue the bonds;

WHEREAS, the CIRM has a critical need for funding to honor the mandate of California voters to advance medical science in the quest for cures and therapies for chronic disease and injury through stem cell research;

WHEREAS, millions of Californians are suffering from chronic diseases and injuries that could, in the future, be treated or cured with stem cells;

WHEREAS, on May 13, 2005, the CIRM issued a request for applications for a \$45 million training grant program to train stem cell researchers in California;

WHEREAS, the ICOC approved the award of grants to 16 research institutions in California to train stem cell researchers at its September 9, 2005 meeting;

WHEREAS, Health & Safety Code section 125290.40(n) authorizes the ICOC to accept real and personal property, including but not limited to gifts, royalties, interest and appropriations that may be used to supplement annual research grant funding and for the operations of the CIRM;

WHEREAS, Donor is committed to advancing medical science through stem cell research;

WHEREAS, in order to enable CIRM to continue its operations and to begin to fund stem cell research in California, Donor is prepared to make a gift of _____ in the form of _____ valued at \$_____ to the CIRM;

WHEREAS, Donor agrees that the State, the CIRM, the ICOC, and their officers, employees, agents, advisors, and counsel, and the CIRM's grant recipients, are under no obligation to repay this gift; and

WHEREAS, the CIRM, the ICOC, and millions of California families whose loved ones suffer from chronic disease and injury, are grateful for Donor's generosity and commitment to the advancement of medical science through stem cell research.

TERMS

In consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Donor agrees to make a gift of _____ in the form of _____ valued at \$_____ to the CIRM on or before _____, 2006.
2. The CIRM shall use the funds, in its sole discretion, for the purposes authorized by Proposition 71, including the funding of grant programs approved by the ICOC at public meetings and for the costs of operations and grant administration.
3. Donor agrees that the State, the CIRM, the ICOC, and their officers, employees, agents, advisors, and counsel, and the CIRM's grant recipients, shall have no obligation, whatsoever, to repay this gift at anytime.

4. Donor certifies that it is not now nor will it be in the future a recipient of or applicant for CIRM funding.

5. Donor certifies that it is not a biotechnology company that devotes five percent or more of its annual budget to stem cell research.

5. Donor acknowledges that this gift may be subject to the approval of the ICOC and shall not be deemed accepted by CIRM subject to these terms until it is approved by the ICOC, if the ICOC's approval is required..

DONOR:

By: _____

Date: _____

INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE (If prior approval is needed)

By: _____
Robert Klein, Chairman

Date: _____

CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE

By: _____
Zach Hall, President

Date: _____