

BETH C. DRAIN, CA CSR NO. 7152

BEFORE THE
CITIZENS FINANCIAL ACCOUNTING OVERSIGHT COMMITTEE
ORGANIZED PURSUANT TO THE
CALIFORNIA STEM CELL RESEARCH AND CURES ACT
REGULAR MEETING

LOCATION: STATE CONTROLLER'S OFFICE
888 S. FIGUEROA STREET,
SUITE 2050
LOS ANGELES, CALIFORNIA

DATE: FRIDAY, AUGUST 23, 2019
9 A.M.

REPORTER: BETH C. DRAIN, CSR
CA CSR. NO. 7152

FILE NO.: 2019-15

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PUBLIC COMMENT	NONE
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1 LOS ANGELES, CALIFORNIA; AUGUST 23, 2019

2 9:12 A.M.

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CONTROLLER YEE: OKAY. THE HOUR OF 9:12
ON FRIDAY, APRIL 23D, WE ARE GATHERED HERE FOR THE
CITIZENS FINANCIAL ACCOUNTABILITY OVERSIGHT
COMMITTEE. GOOD MORNING, EVERYONE. AND I BELIEVE
WE'RE JOINED BY COMMITTEE MEMBER MR. JIM LOTT
ONLINE. GOOD MORNING. JIM?

MR. LOTT: YES, I'M HERE.

CONTROLLER YEE: GOOD MORNING. I'M SORRY
YOU CAN'T JOIN US IN PERSON, BUT THANK YOU FOR
CALLING IN.

MR. LOTT: YOU'RE WELCOME. I APOLOGIZE.
I WAS -- UNFORTUNATELY I'M PAYING THE PRICE FOR
HAVING SPENT THE EVENING LAST NIGHT WITH 60,000
OTHER SEPTAGENARIANS AT THE ROSE BOWL WATCHING THE
ROLLING STONES CONCERT. I'M RECOVERING FROM THAT
THIS MORNING.

CONTROLLER YEE: SO WE NEED TO ASK MICK
JAGGER WHAT HIS SECRET IS.

THANK YOU FOR JOINING. LET ME -- BEFORE
WE PROCEED, IF I COULD ASK ALL OF YOU TO RISE AND
JOIN ME IN THE PLEDGE OF ALLEGIANCE.

(THE PLEDGE OF ALLEGIANCE.)

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1 CONTROLLER YEE: WHY DON'T WE OFFICIALLY
2 CALL THIS MEETING TO ORDER AND ASK MS. JONES TO CALL
3 THE ROLL.

4 MS. JONES: CONTROLLER BETTY T. YEE,
5 CHAIR.

6 CONTROLLER YEE: HERE.

7 MS. JONES: DR. MICHAEL QUICK.

8 DR. QUICK: PRESENT.

9 MS. JONES: MR. JIM LOTT.

10 MR. LOTT: PRESENT.

11 MS. JONES: AND MARK FISCHER-COLBRIE.

12 MR. FISCHER-COLBRIE: PRESENT.

13 CONTROLLER YEE: THANK YOU VERY MUCH. WE
14 DO HAVE A QUORUM. THANK YOU. THANK YOU, MS. JONES.

15 LET ME FIRST WELCOME THE COMMITTEE
16 MEMBERS. THANK YOU FOR SPENDING THE TIME HERE TODAY
17 WITH US AS WE CONVENE THIS COMMITTEE, WHICH, UNDER
18 PROPOSITION 71, WE PROVIDE A VERY IMPORTANT
19 OVERSIGHT FUNCTION OF THE WORK OF CIRM THROUGH THE
20 REVIEW OF THE ANNUAL AUDIT AND CERTAINLY EVALUATING
21 THE FINANCIAL PRACTICES OF CIRM AS WELL, THE
22 CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE.

23 I WANTED TO GIVE AN OPPORTUNITY FOR OUR
24 COMMITTEE MEMBERS JUST TO INTRODUCE THEMSELVES. WE
25 HAVE SOME NEW MEMBERS, AND I WANT TO WELCOME MARK

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1 FISCHER-COLBRIE, WHO WAS JUST SWORN IN YESTERDAY TO
2 BE A PART OF THIS COMMITTEE BY TREASURER FIONA MA.
3 SO, MARK, WHY YOU DON'T START AND THEN DR. QUICK AND
4 THEN JIM, JUST BRIEF INTRODUCTIONS.

5 MR. FISCHER-COLBRIE: MARK
6 FISCHER-COLBRIE, AND I'VE BEEN LONG TERM IN THE
7 MEDICAL DEVICE, DIAGNOSTICS, AND THERAPEUTICS AREA,
8 MOST RECENTLY WITH TWO COMPANIES THAT HAVE BEEN
9 INSTRUMENTAL IN DEVELOPING NEW TECHNOLOGIES FOR
10 IMPROVING DRUG DISCOVERY.

11 I'VE ALSO BEEN A LONG-TERM VOLUNTEER WITH
12 THE JUVENILE DIABETES RESEARCH FOUNDATION AND HAVE
13 BEEN PREVIOUSLY ON THE BOARD FOR SEVEN YEARS AND
14 CHAIRMAN OF THE BOARD FOR A TWO-YEAR TERM AS WELL.

15 CONTROLLER YEE: THANK YOU. WELCOME.

16 DR. QUICK: MICHAEL QUICK. I'M PROVOST
17 EMERITUS, THANK GOD, AND FACULTY MEMBER AT THE
18 UNIVERSITY OF SOUTHERN CALIFORNIA. MY LABORATORY
19 WORKS ON MOLECULES OF DRUG ABUSE AND ADDICTION. AND
20 I'M LOOKING FORWARD TO GOING BACK TO THAT WORK.

21 CONTROLLER YEE: THANK YOU. JIM.

22 MR. LOTT: I'M JIM LOTT, RETIRED
23 HEALTHCARE EXECUTIVE, APPOINTED BY THE STATE SENATE
24 TO THIS COMMITTEE. I NOW TEACH COURSES AT UCLA,
25 HEALTHCARE ADMINISTRATION COURSES AT UCLA AT THE CAL

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1 STATE UNIVERSITY SYSTEM.

2 CONTROLLER YEE: WONDERFUL. THANK YOU FOR
3 JOINING US.

4 SO WE'RE CONVENED HERE TODAY AS WE
5 APPROACH THE END OF THE AVAILABLE BOND FUNDING FROM
6 PROP 71, AND CIRM, I KNOW, HAS CONTINUED TO KEEP US
7 FOCUSED ON HOW BEST TO SPEND THE DOLLARS AUTHORIZED
8 BY THE BOND MEASURE. AND I THINK CERTAINLY THIS
9 TIME, AS CIRM CONTEMPLATES ITS FUTURE, THIS
10 COMMITTEE HAS A VALUABLE ROLE TO SERVE AND HOPEFULLY
11 GUIDING CIRM TO CLARIFY ITS WORK GOING FORWARD AND
12 TO HOPEFULLY HELP SHEPHERD THE ONGOING
13 RESPONSIBILITIES OF THE BENEFITS THAT WE HAVE
14 STARTED AND GUIDING THEM INTO THE GREATER PUBLIC
15 TRUST.

16 AND SO I THINK CERTAINLY TOP OF MIND AND
17 WHY I ENJOY CONVENING THIS COMMITTEE IS BECAUSE IT'S
18 NOT JUST ABOUT THE REVIEW OF THE AUDIT, BUT REALLY
19 ABOUT UNDERSTANDING WHAT THE PUBLIC HAS EARNED FROM
20 THIS INVESTMENT. AS MANY OF YOU KNOW ON THIS
21 COMMITTEE, MEASURING SCIENTIFIC PROGRESS CAN
22 SOMETIMES BE VERY CHALLENGING FROM A QUANTITATIVE
23 PERSPECTIVE, THAT WITHOUT A DOUBT ALL WOULD AGREE
24 THAT THERE HAS BEEN PROGRESS AND THERE HAS BEEN
25 IMPACT, AND WE'RE EXCITED TO HEAR THE LATEST UPDATE

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1 ABOUT THAT.

2 SO WHAT WE GENERALLY HEAR DURING THESE
3 COMMITTEE MEETINGS IS AN UPDATE ABOUT CIRM'S WORK,
4 INCLUDING THE GROWTH OF THE NUMBER OF PATIENTS
5 ENTERING CIRM-INITIATED CLINICAL TRIALS, THE
6 HIGHLIGHTS OF THE CUMULATIVE WORK OF CIRM TO DATE,
7 PLANS FOR THIS LAST PHASE, AND JUST I THINK WHAT
8 WOULD BE, TO THE EXTENT THAT WE KNOW, JUST SOME
9 THOUGHTS ABOUT IDEAS AND OPTIONS UNDER CONSIDERATION
10 FOR THE FUTURE OF CIRM. SO I THINK THERE'S A LOT OF
11 INTEREST IN THAT.

12 AGAIN, I WANT TO THANK YOU FOR BEING HERE.
13 AND OUR FIRST ORDER OF BUSINESS IS ACTUALLY ITEM 4,
14 WHICH IS THE ADOPTION OF THE MINUTES OF THE NOVEMBER
15 9, 2017, OVERSIGHT COMMITTEE MEETING. AND IS THERE
16 A MOTION TO APPROVE THOSE MINUTES?

17 DR. QUICK: MOTION.

18 CONTROLLER YEE: MOTION BY DR. QUICK.

19 I'LL SECOND THAT MOTION. CALL THE ROLL
20 PLEASE.

21 MS. JONES: CONTROLLER BETTY T. YEE.

22 CONTROLLER YEE: YES, AYE.

23 MS. JONES: DR. MICHAEL QUICK.

24 DR. QUICK: AYE.

25 MS. JONES: MR. JIM LOTT.

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1 MR. LOTT: AYE.

2 MS. JONES: MR. MARK FISCHER-COLBRIE.

3 MR. FISCHER-COLBRIE: AYE.

4 CONTROLLER YEE: I THINK, MARK, WHY DON'T
5 WE HAVE YOU AS AN ABSTENTION SINCE YOU WEREN'T HERE.

6 MR. FISCHER-COLBRIE: YEAH. I WAS GOING
7 TO SAY I'M NOT SURE I CAN DO THAT.

8 CONTROLLER YEE: THANK YOU. THE MINUTES
9 ARE ADOPTED.

10 AND THEN OUR NEXT ORDER OF BUSINESS AND
11 REALLY THE CORE FUNCTION OF THIS COMMITTEE IS TO
12 LOOK AT REVIEWING THE INDEPENDENT FINANCIAL AUDIT.
13 I'M GLAD TO WELCOME CRAIG HARNER WHO'S HERE FROM
14 MACIAS, GINI & O'CONNELL, MGO, TO PRESENT THE
15 FINANCIAL AUDIT REPORT AND ALSO THE FINDINGS FROM
16 THAT REPORT. THANK YOU FOR BEING HERE.

17 MR. HARNER: THANK YOU FOR HAVING ME.
18 MEMBERS OF THE COMMITTEE, I JUST WANT TO SAY BEFORE
19 I GET INTO THE RESULTS OF THE AUDIT, AGAIN, THANK
20 YOU FOR ALLOWING US TO PRESENT THE RESULTS OF OUR
21 WORK TO THE COMMITTEE. AND WHAT I'M GOING TO
22 PRESENT TODAY IS ACTUALLY THE RESULTS OF TWO AUDITS.
23 IT WILL BE FOR FISCAL YEAR 2017 AND FOR THE FISCAL
24 YEAR 2018 AUDITS.

25 IN THE INTEREST OF TIME, I WILL SPEAK TO

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1 BOTH OF THEM AT THE SAME TIME UNLESS THERE'S
2 SOMETHING DIFFERENT, AND THEN I'LL HIGHLIGHT WHAT
3 THAT DIFFERENCE WAS FOR THAT YEAR.

4 SO, AGAIN, WE DID OUR FINANCIAL STATEMENT
5 AUDITS FOR THE FISCAL YEARS ENDING 2017 AND 2018.
6 AS A BY-PRODUCT OF OUR AUDIT, WE ISSUE A FINANCIAL
7 STATEMENT REPORT, AND ALSO OUR REPORT GOES TO THE
8 INDEPENDENT CITIZENS OVERSIGHT COMMITTEE. AND OUR
9 FINANCIAL STATEMENT IN THAT PACK, IN THAT REPORT,
10 WILL HAVE OUR INDEPENDENT AUDITOR'S REPORT, WHICH IS
11 THE OPINIONS OR HOW WE THINK THAT THOSE FINANCIAL
12 STATEMENTS WERE PRESENTED FAIRLY. AND THEN WE ALSO
13 INCLUDE WHAT'S CALLED AN INDEPENDENT AUDITOR'S
14 REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING
15 AND ON COMPLIANCE AND OTHER MATTERS BASED ON OUR
16 AUDITS PERFORMED IN ACCORDANCE WITH WHAT WE CALL
17 GOVERNMENT AUDITING STANDARDS WHICH PUTS A LITTLE
18 MORE EMPHASIS ON OUR REPORT, BUT WE HAVE TO DO IT
19 BECAUSE IT RELATES TO LAWS AND COMPLIANCE WITH
20 REGULATIONS, AND IN THIS CASE THE MOST SIGNIFICANT
21 ONE BEING PROP 71.

22 AND THEN THE LAST REPORT I MENTIONED, THE
23 REPORT TO THE INDEPENDENT CITIZENS OVERSIGHT
24 COMMITTEE THAT WE ISSUED, CONTAINS WHAT WE CALL OUR
25 REQUIRED COMMUNICATIONS THE PROFESSIONAL AUDIT

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1 STANDARDS REQUIRE AT THE END OF OUR AUDITS, THAT WE
2 COMMUNICATE FINDINGS AND THEN SIGNIFICANT MATTERS
3 THAT CAME UP DURING THE COURSE OF THE AUDIT.

4 SO THE FINANCIAL STATEMENTS THAT ARE
5 PREPARED BY CIRM'S MANAGEMENT ARE PREPARED IN
6 ACCORDANCE WITH WHAT WE CALL US GENERALLY ACCEPTED
7 ACCOUNTING PRINCIPLES, AND THEN OUR AUDITS WE
8 PERFORM IN ACCORDANCE WITH GENERALLY ACCEPTED
9 AUDITING STANDARDS AND ALSO THE PREVIOUSLY MENTIONED
10 GOVERNMENT AUDITING STANDARDS.

11 AS PART OF OUR AUDIT, WE ISSUED OUR
12 OPINIONS ON THE 2017 FINANCIAL STATEMENTS ON OCTOBER
13 16, 2017, AND ON OCTOBER 15, 2018, THE 2018
14 FINANCIAL STATEMENTS, RESPECTIVELY. AND WE'RE ALSO
15 HAPPY TO SAY THAT IN BOTH YEARS, BOTH INSTANCES, WE
16 ISSUED WHAT WE CALL UNMODIFIED OPINIONS, WHICH IS
17 THE HIGHEST LEVEL OF ASSURANCE THAT AN INDEPENDENT
18 AUDITOR CAN GIVE AN ORGANIZATION OVER THEIR
19 FINANCIAL STATEMENTS.

20 ALSO, IN BOTH YEARS I MENTIONED THE
21 GOVERNMENT AUDITING STANDARDS. WHAT THESE MEAN IS
22 THAT WHILE WE DON'T AUDIT OR GIVE AN OPINION ON THE
23 INTERNAL CONTROLS OF CIRM, WE HAVE TO REVIEW THEM
24 DURING THE COURSE OF OUR AUDIT TO HELP US PLAN OUR
25 PROCEDURES THAT WE DO. AND IF WE NOTE OR NOTICE

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1 ANYTHING THAT WE BELIEVE RISES TO WHAT WE CALL A
2 MATERIAL WEAKNESS OR SIGNIFICANT DEFICIENCY IN THOSE
3 INTERNAL CONTROLS, WE WOULD BE REQUIRED TO REPORT
4 THAT IN THAT LETTER TO THE COMMITTEE. AND WE'RE
5 HAPPY TO REPORT THAT THERE WERE NO SUCH INSTANCES OF
6 THOSE TYPES OF CONTROL DEFICIENCIES.

7 ALSO IN THAT LETTER, IF WE NOTICE ANY
8 NONCOMPLIANCE WITH LAWS OR REGULATIONS THAT WOULD
9 HAVE A MATERIAL IMPACT ON THE AMOUNTS IN THE
10 FINANCIAL STATEMENTS, WE WOULD REPORT THAT AS WELL.
11 AND WE'RE HAPPY TO SAY IN BOTH YEARS THERE WERE NO
12 SUCH INSTANCES OF NONCOMPLIANCE.

13 LAST THING, IN BOTH YEARS IN OUR REQUIRED
14 COMMUNICATIONS REPORTS, WE REPORTED NO DIFFICULTIES
15 IN PERFORMING OUR AUDITS, WE HAD NO DISAGREEMENTS
16 WITH MANAGEMENT, THERE WERE NO SIGNIFICANT
17 UNCORRECTED MISSTATEMENTS OR EVEN CORRECTED
18 MISSTATEMENTS. IT WAS PRETTY CLEAN BOTH YEARS. AND
19 MANAGEMENT PROVIDED US WITH THE REQUIRED
20 REPRESENTATIONS THAT WE NEEDED IN ORDER TO ISSUE OUR
21 REPORTS, AND WE REALLY DIDN'T HAVE ANY OTHER
22 FINDINGS OR ISSUES DURING EITHER YEAR.

23 WITH THAT, IF THERE'S ANY QUESTIONS, I'LL
24 BE HAPPY TO ANSWER.

25 CONTROLLER YEE: VERY WELL. QUESTIONS

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1 FROM COMMITTEE MEMBERS? VERY WELL. THANK YOU.

2 THANK YOU VERY MUCH.

3 LET ME NOW ASK JIM SPANO, WHO IS THE CHIEF
4 OF OUR DIVISION OF AUDITS FOR THE STATE CONTROLLER'S
5 OFFICE, TO NOW PRESENT THE REVIEW OF THE MGO
6 FINANCIAL AUDIT.

7 MR. SPANO: GOOD MORNING, COMMITTEE
8 MEMBERS. THANK YOU FOR ALLOWING THE STATE
9 CONTROLLER'S OFFICE TO PRESENT OUR REVIEW OF
10 RESULTS. MY NAME IS JIM SPANO. I'M THE CHIEF IN
11 THE DIVISION OF AUDITS, STATE CONTROLLER'S OFFICE.

12 UNDER THE AUTHORITY OF THE HEALTH AND
13 SAFETY CODE SECTION 125290.3, THE STATE CONTROLLER'S
14 OFFICE CONDUCTED A QUALITY CONTROL REVIEW OF MACIAS,
15 GINI & O'CONNELL', MGO'S, WORKPAPERS RELATED TO ITS
16 FINANCIAL STATEMENTS OF THE CALIFORNIA INSTITUTE OF
17 REGENERATIVE MEDICINE AS OF JUNE 30TH, 2017, AND
18 JUNE 30, 2018.

19 THE STATE CONTROLLER'S OFFICE DETERMINED
20 THAT THE FINANCIAL AUDITS WERE PERFORMED IN
21 ACCORDANCE WITH AUDITING STANDARDS AND THE
22 CALIFORNIA BUSINESS AND PROFESSIONAL CODE
23 REQUIREMENTS. WE ISSUED OUR REVIEW REPORTS FOR THE
24 TWO FISCAL YEARS 2016-17 AND 2017-18 ON FEBRUARY 23,
25 2018, AND MARCH 29, 2019, RESPECTIVELY.

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1 I'M AVAILABLE TO ANSWER ANY QUESTIONS YOU
2 MAY HAVE.

3 CONTROLLER YEE: ANY QUESTIONS?

4 MR. SPANO: THANK YOU.

5 CONTROLLER YEE: THANK YOU, MR. SPANO.

6 ANY MEMBERS OF THE PUBLIC PRESENT? SEEING NONE, WE
7 WILL MOVE TO THE NEXT ITEM.

8 NEXT ITEM IS ITEM 6, WHICH IS STATUS
9 UPDATE OF CIRM'S FINANCIAL PERFORMANCE. WE WILL
10 ALSO HEAR AN UPDATE OF THE GRANTS AWARDED IN THE
11 GRANT PROCESS. AND WITH THAT, I'D LIKE TO INVITE
12 THE CIRM REPRESENTATIVES TO ADDRESS THIS ITEM. AND
13 AS YOU BRING US UP TO DATE, I DON'T KNOW, I'M SURE
14 COMMITTEE MEMBERS WILL HAVE SOME QUESTIONS WITH
15 RESPECT TO TRANSITION ISSUES, STATUS OF PROJECTS,
16 WHICH I KNOW WE WILL GET MORE INTO AS WELL. BUT I'M
17 VERY HONORED TO WELCOME DR. MARIA MILLAN, WHO IS THE
18 PRESIDENT AND CEO REPRESENTING CIRM TODAY WITH THE
19 UPDATE, AS WELL AS CHILA SILVA-MARTIN, WHO IS THE
20 VICE PRESIDENT OF FINANCE. SO TOGETHER WELCOME.

21 JIM, YOU PROBABLY WILL NOT HAVE THE
22 BENEFIT OF SEEING THE POWERPOINT PRESENTATION, BUT
23 I'M SURE THE REMARKS WILL BE ILLUSTRATIVE OF WHAT'S
24 BEFORE US.

25 MR. LOTT: MADAM CHAIR, I DO HAVE COPIES

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1 OF IT.

2 CONTROLLER YEE: VERY GOOD. THANK YOU.

3 MS. SILVA-MARTIN: GOOD MORNING. I'M
4 GOING TO START FIRST. THANK YOU VERY MUCH FOR THE
5 OPPORTUNITY TO PRESENT OUR FINANCIAL UPDATE. IT HAS
6 BEEN AWHILE SINCE WE LAST MET, SO THE PRESENTATION
7 THIS MORNING WILL ACTUALLY COVER AN ADDITIONAL
8 FISCAL YEAR.

9 MOVING ON TO SLIDE NO. 3, I JUST BRIEFLY
10 WANT TO REVIEW THE AGENDA FOR YOU. I WILL BE
11 PRESENTING THE FINAL RESULTS FOR THE 17-18 FISCAL
12 YEAR AS WELL AS THE YEAR THAT WE JUST ENDED ON JUNE
13 30TH, 2019, THE 18-19 FISCAL YEAR. I WILL REVIEW
14 THE BUDGET THAT WAS ALLOCATED FOR THOSE YEARS AS
15 WELL AS THE FINAL RESULTS AND THE MAJOR DRIVERS THAT
16 IMPACTED THOSE FINAL RESULTS. THEN I'LL PRESENT THE
17 BUDGET THAT WAS APPROVED BY OUR GOVERNING BOARD, THE
18 ICOC, FOR THE 19-20 FISCAL YEAR. AND, LAST, I WILL
19 BRIEFLY REVIEW THE REMAINING ADMINISTRATIVE FUNDS
20 THAT ARE AVAILABLE TO US TO MANAGE OUR REMAINING
21 GRANTS.

22 SO FIRST, LOOKING AT THE 17-18 FISCAL
23 YEAR, MOVING ON TO -- PERFECT. SO ON SLIDE 5 YOU
24 SEE THIS CHART, AND THIS ACTUALLY REPRESENTS THE
25 NUMBERS FOR THE 17-18 FISCAL YEAR. IT INCLUDES OUR

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1 BUDGET, THE FINAL RESULTS.

2 CONTROLLER YEE: LET ME STOP YOU FOR A
3 MINUTE. WE'RE IN TAB 6 IN THE BINDER.

4 MS. SILVA-MARTIN: SLIDE NO. 5. SO THE
5 BUDGET HERE IS REPRESENTED AT THE CATEGORICAL LEVEL,
6 WHICH IS REPRESENTED BY THE FIRST COLUMN. THE
7 SECOND COLUMN REPRESENTS THE BUDGET THAT WAS
8 ALLOCATED FOR THE 17-18 FISCAL YEAR, WHICH WAS JUST
9 UNDER \$18.6 MILLION. THE NEXT COLUMN, THE THIRD
10 COLUMN, REPRESENTS WHERE WE ACTUALLY ENDED THE
11 FISCAL YEAR, WHICH WAS RIGHT ABOUT \$15.1 MILLION.
12 AND THEN THE LAST COLUMN REPRESENTS THE VARIANCE OR
13 THE OVERSPEND OR UNDERSPEND. AS YOU CAN SEE, WE HAD
14 A FAIRLY SIGNIFICANT SAVINGS OF ABOUT \$3.5 MILLION.
15 AND WE UNDERSPENT EACH OF OUR CATEGORIES. SO THAT
16 IS A FAIRLY SIGNIFICANT AMOUNT, SO NEXT I'D LIKE TO
17 BRIEFLY COVER SOME OF THE AREAS WHERE WE HAD THE
18 LARGEST VARIANCES.

19 DR. QUICK: DO YOU MIND IF I JUMP IN REAL
20 QUICK AND JUST ASK IN PAST YEARS, YOU KNOW, WHAT DID
21 YOUR VARIANCES LOOK LIKE? DID YOU EVER HAVE ONE
22 THAT'S AS LARGE AS A SIXTH OF THE BUDGET?

23 MS. SILVA-MARTIN: ACTUALLY WE HAD ONE FOR
24 FOUR MILLION, I THINK, ONE YEAR. SO THEY RANGE
25 USUALLY BETWEEN TWO TO \$4 MILLION.

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1 DR. QUICK: THANK YOU.

2 MS. SILVA-MARTIN: SO THE NEXT CHART
3 REPRESENTS THE THREE MAJOR AREAS WHERE WE HAD THE
4 LARGEST VARIANCES. IN OUR EMPLOYEE EXPENSES, WE HAD
5 SAVINGS OF ABOUT \$1.6 MILLION. IN OUR REVIEWS,
6 MEETINGS, AND WORKSHOP CATEGORY, \$775,000, AND THEN
7 FOR OUR EXTERNAL SERVICES, WE SAW SAVINGS OF ABOUT
8 \$538,000.

9 WHY DID THIS OCCUR? FIRST, LOOKING AT THE
10 LARGEST VARIANCE, WHICH IS OUR EMPLOYEES EXPENSES,
11 THEY ACTUALLY CAME IN LOWER THAN WHAT WE BUDGETED.
12 THE APPROVED BUDGET FOR THE 17-18 FISCAL YEAR
13 SUPPORTED A TOTAL OF 52 POSITIONS. THIS WAS THE
14 NUMBER OF POSITIONS WE FELT WERE NECESSARY FOR US TO
15 DELIVER ON OUR STRATEGIC PLAN AND MEET ALL OF OUR
16 MILESTONES. SEVERAL OF THOSE POSITIONS WERE VACANT
17 AT THE BEGINNING OF THE FISCAL YEAR. WHEN THE
18 BUDGET WAS DEVELOPED, WE HAD ANTICIPATED ACTUALLY
19 FILLING THOSE POSITIONS. HOWEVER, RIGHT AROUND THE
20 TIME THAT THIS BUDGET BECAME EFFECTIVE, WE
21 IMPLEMENTED AN ORGANIZATIONAL RESTRUCTURE. UNDER
22 THIS NEW ORGANIZATIONAL STRUCTURE, LEADERSHIP
23 MEMBERS WORKED WITH ALL OF THEIR TEAMS TO IDENTIFY
24 AND IMPLEMENT PROCESS CHANGES THAT WOULD ENABLE US
25 NOT ONLY TO MEET OUR OPERATIONAL GOALS, BUT TO BE

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1 MORE EFFICIENT. IN DOING SO, WE WERE NOT ONLY ABLE
2 TO MEET OUR GOALS, BUT IN MANY CASES WE EXCEEDED THE
3 GOALS, AND WE WERE ABLE TO DO THIS WITHOUT FILLING
4 MOST OF THE POSITIONS, AND SO THEY REMAINED VACANT,
5 AND WE HAVE SUBSEQUENTLY ELIMINATED THEM.

6 ONE EXAMPLE OF AN OPERATIONAL CHANGE THAT
7 WE MADE IS HOW WE PROCESS OUR GRANT PAYMENTS.
8 VARIOUS CIRM TEAMS WORK VERY CLOSELY WITH THE STATE
9 CONTROLLER'S OFFICE TO IMPLEMENT EFT, ELECTRONIC
10 FUND TRANSFER. I'LL DISCUSS EFT IN MORE DETAIL MORE
11 LATER ON IN THE PRESENTATION, BUT I JUST WANTED TO
12 PROVIDE YOU WITH THE OPERATIONAL CHANGE THAT ALLOWED
13 US NOT ONLY ELIMINATE A POSITION, BUT, MORE
14 IMPORTANTLY, TO INCREASE WORKFLOW EFFICIENCIES.

15 MOVING ON TO THE NEXT AREA, WE HAD AN
16 UNDERRUN IN OUR COST FOR REVIEWS AND MEETINGS. SO
17 PREVIOUSLY WE WERE HOUSED IN SAN FRANCISCO, AND OUR
18 SPACE IN SAN FRANCISCO COULD NOT ACCOMMODATE LARGE
19 IN-HOUSE MEETINGS. WHEN WE MOVED OVER TO OAKLAND,
20 WE WERE ABLE TO IMPLEMENT SOME OPERATIONAL CHANGES
21 IN THE WAY WE HELD OUR MEETINGS, AND ONE OF THOSE
22 WAS TO MOVE THOSE MEETINGS IN-HOUSE. SO WE ACTUALLY
23 BEGAN THE PROCESS OF HOLDING IN-HOUSE MEETINGS BACK
24 IN 16-17. AND IT PROVED TO BE VERY EFFICIENT AND
25 RESULTED IN COST SAVINGS. SO THEN DURING THE 17-18

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1 FISCAL YEAR, WE ACTUALLY OPERATIONALIZED THAT
2 THROUGHOUT THE ENTIRE ORGANIZATION AND WE BROUGHT
3 ALL OF OUR STANDARD MEETINGS IN-HOUSE. AND AS YOU
4 CAN SEE, IT RESULTED IN FAIRLY SIGNIFICANT SAVINGS.

5 ANOTHER AREA WHERE WE DIDN'T REALIZE OUR
6 EXPENDITURES AT THE BUDGETED LEVEL WAS FOR EXTERNAL
7 SERVICE. HERE IN THIS AREA WE HAD SAVINGS OF JUST
8 OVER \$500,000. SO THIS IS REALLY ATTRIBUTABLE TO
9 TWO REASONS. FIRST, OUR ACTUAL EXPENSES CAME IN
10 LOWER THAN WHAT WE BUDGETED. SO AS YOU MAY RECALL,
11 ANOTHER FUNCTIONAL AREA WHERE WE MADE CHANGES WAS IN
12 OUR GENERAL COUNSEL OFFICE. WE HAD PREVIOUSLY
13 CONTRACTED FOR THE GENERAL COUNSEL POSITION.
14 HOWEVER, TOWARD THE END OF THE 16-17 FISCAL YEAR, WE
15 BROUGHT THAT FUNCTION IN-HOUSE. WHEN WE BROUGHT
16 THAT FUNCTION IN-HOUSE, WE ANTICIPATED THAT WE WOULD
17 STILL NEED TO USE EXTERNAL LEGAL SERVICES DEPENDING
18 ON EXPERTISE THAT WE WOULD NEED. SO BASED ON
19 HISTORICAL DATA, WE ESTABLISHED A BUDGET FOR THAT.
20 HOWEVER, OUR EXPENSES DID NOT MATERIALIZE ANYWHERE
21 NEAR WHAT WE THOUGHT THEY WOULD. AND SO AS A RESULT
22 WE HAD SAVINGS IN THAT AREA OF OVER \$200,000.

23 WE ALSO BUDGETED FOR EXTERNAL SERVICES
24 THAT IN THE END TURNED OUT WE DIDN'T NEED THEM. AN
25 EXAMPLE WAS WE THOUGHT WE MIGHT NEED SOME BUSINESS

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1 DEVELOPMENT CONSULTING TO HELP US IN THAT FUNCTIONAL
2 AREA. BUT AS IT TURNED OUT, WE WERE ACTUALLY ABLE
3 TO PERFORM ALL THOSE FUNCTIONS WITH OUR INTERNAL
4 TEAM. AS A RESULT, WE DID HAVE AN UNDERRUN THERE OF
5 JUST OVER \$538,000. SO THAT REPRESENTS THE MAJOR
6 DRIVERS FOR THE 17-18 FISCAL YEAR, SO I'D LIKE TO
7 NOW MOVE ON TO THE 18-19 BUDGET AND THE FINAL
8 RESULTS THERE.

9 SO LOOKING AT THE CHART ON SLIDE NO. 11,
10 THIS IS SIMILAR TO THE CHART FOR 17-18. IT REFLECTS
11 THE DATA AT THE CATEGORICAL LEVEL BEING REPRESENTED
12 IN THE FIRST COLUMN. THE SECOND COLUMN REPRESENTS
13 THE BUDGET THAT WAS ALLOCATED BY THE ICOC FOR THE
14 18-19 FISCAL YEAR, WHICH WAS ABOUT \$16.8 MILLION.
15 THE THIRD COLUMN REPRESENTS OUR ACTUAL EXPENSES.
16 THEY CAME IN RIGHT AT UNDER \$14.5 MILLION. AND,
17 LASTLY, THE LAST COLUMN IS THE OVERALL VARIANCE, A
18 SAVINGS OF, AS YOU CAN SEE, THIS WENT DOWN TO \$2.3
19 MILLION.

20 MR. LOTT: MADAM CHAIR.

21 CONTROLLER YEE: YES, MR. LOTT.

22 MR. LOTT: IF I MAY INTERRUPT, I WAS
23 CURIOUS WHEN I READ THIS AND SAW THIS THAT YOU HAD
24 SUCH SIGNIFICANT REDUCTIONS OR SAVINGS OR VARIANCES
25 AGAIN IN THE FOLLOWING YEAR. WHAT DID YOU USE AS

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1 THE BASE FOR YOUR BUDGETING BETWEEN THE TWO YEARS?
2 WHAT DID YOU USE FOR THE BASE OF ESTABLISHING A
3 BUDGET FOR 18-19?

4 MS. SILVA-MARTIN: WHAT WE DID IS
5 OBVIOUSLY WE LOOK AT OUR OPERATIONAL NEEDS. WE
6 LOOKED AT HOW MANY REVIEWS WE EXPECTED TO HAVE. WE
7 ANTICIPATED WHAT OUR PORTFOLIOS WOULD BE IN EACH OF
8 THOSE AREAS. AND THEN, BASED ON HISTORICAL DATA, WE
9 ALSO THEN DEVELOPED, OKAY, WE'RE GOING TO HAVE THIS
10 MANY REVIEWS, SO WE BELIEVE WE NEED THIS AMOUNT OF
11 MONEY. WE BELIEVE THAT OUR CLINICAL AND
12 TRANSLATIONAL PORTFOLIOS WILL INCREASE. AND GIVEN
13 THAT, WE WILL NEED TO HOLD MORE ADVISORY PANELS.
14 AND BASED ON HISTORICAL DATA, WE ESTABLISHED THOSE
15 COSTS. AND THEN BASED ON OTHER OPERATIONAL
16 EXPENSES, WE IDENTIFIED WHAT WE FELT WOULD BE THE
17 NEED TO SUPPORT THOSE AREAS. AND THAT'S HOW WE
18 ESTABLISHED THE BUDGET. AND EACH OF OUR MANAGERS IN
19 EACH OF THE FUNCTIONAL AREAS WERE VERY INVOLVED IN
20 PUTTING THAT INFORMATION TOGETHER.

21 MR. LOTT: THANK YOU.

22 MS. SILVA-MARTIN: SO NOW LOOKING AT THE
23 VARIANCES, AGAIN, FOR WHAT WAS BUDGETED VERSUS WHAT
24 WE ACTUALLY CAME IN WITH THE BUDGET. SO, AGAIN,
25 THIS PIE CHART REPRESENTS THE AREAS WHERE WE

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1 EXPERIENCED THE LARGEST SAVINGS. AGAIN, THEY'RE IN
2 SAME THREE AREAS: EMPLOYEE EXPENSES, EXTERNAL
3 SERVICES, AND REVIEWS, MEETINGS, AND WORKSHOPS.

4 SO, FIRST, LOOKING AT OUR EMPLOYEE
5 EXPENSES. SO I JUST WANT TO POINT OUT THAT OUR
6 EMPLOYEE EXPENSES REPRESENT ABOUT 70 TO 75 PERCENT
7 OF OUR OPERATING BUDGET. SO IT'S NOT SURPRISING
8 THAT WHEN WE EXPERIENCE SAVINGS, IT'S GENERALLY IN
9 THIS CATEGORY. AND THIS YEAR WAS NO DIFFERENT THAN
10 THE PREVIOUS YEAR. OUR SAVINGS WAS LESS THIS YEAR.

11 SO FOR THE 18-19 FISCAL YEAR, THAT BUDGET
12 SUPPORTED 45 POSITIONS WHERE PREVIOUSLY WE HAD HAD
13 52, SO WE REDUCED IT FOR 18-19 TO 45 POSITIONS.
14 DURING THE FIRST HALF OF THE YEAR, WE AGAIN
15 EXPERIENCED SOME VACANCIES. MINDFUL OF THE FACT
16 THAT WE HAD LIMITED FUNDING, AND WITH LIMITED
17 FUNDING WE HAVE DECREASED ACTIVITIES, WHENEVER WE
18 HAVE A VACANCY, WE GO THROUGH A VERY DETAILED
19 EVALUATION. AND WE LOOK AT THE WORKLOAD OF THE
20 POSITION THAT'S BECOME VACANT AS WELL AS THE
21 WORKLOAD OF OUR EXISTING STAFF SO THAT WE CAN
22 DETERMINE WHETHER WE SHOULD FILL THE POSITION OR WE
23 SHOULD REDISTRIBUTE THAT WORKLOAD.

24 FOR MANY OF THE POSITIONS THAT WERE VACANT
25 AT THE BEGINNING OF THIS FISCAL YEAR, WE DETERMINED

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1 THAT WE COULD ACTUALLY REDISTRIBUTE THAT WORK TO OUR
2 EXISTING STAFF. WE CONSIDERED THIS A WIN-WIN
3 SITUATION BECAUSE IT PROVIDED OUR EMPLOYEES STILL ON
4 BOARD TO ACQUIRE ADDITIONAL SKILLS, AND WE WERE ABLE
5 TO ACCOMPLISH OUR GOALS WITHOUT HAVING TO FILL THE
6 MAJORITY OF THE POSITIONS. THERE WAS A COUPLE OF
7 POSITIONS WHERE WE NEEDED VERY SKILLED -- SKILLS
8 SUCH AS FINANCE AND UNDERSTANDING THE STATE PROCESS.
9 SO WHEN THOSE POSITIONS BECAME VACANT, WE DID FILL
10 THAT POSITION. SO WE STARTED THE YEAR WITH 45
11 POSITIONS, AND WE ENDED IT WITH 40 FILLED POSITIONS.

12 MOVING ON TO THE NEXT SLIDE, WE CONTINUE
13 TO SEE LOWER EXPENSES FOR OUR REVIEWS, MEETINGS, AND
14 WORKSHOPS IN THAT CATEGORY AS WELL DURING THE
15 18-19-20 FISCAL YEAR. AND, AGAIN, IT'S REALLY DUE
16 TO THE FUNDING AVAILABILITY AND THE DECREASED
17 ACTIVITY. SO OUR COSTS ACTUALLY CAME IN LOWER THAN
18 WE BUDGETED OR SOME COSTS DIDN'T MATERIALIZE. I'M
19 GOING TO GIVE YOU AN EXAMPLE.

20 IN THE 18-19 REVIEW BUDGET, WE ANTICIPATED
21 THAT WE WOULD HOLD 15 REVIEWS. BUT BECAUSE OF THE
22 LIMITED AVAILABILITY IN THE RESEARCH FUNDS, WE ONLY
23 HELD 14 OF THE 15 MEETINGS. SO WE HAD SAVINGS IN
24 THAT AREA.

25 WE SAW LOWER EXTERNAL SERVICES. THE FACT

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1 THAT WE HAVE A RESTRICTED AMOUNT LEFT IN OUR
2 RESEARCH BUDGET IS OBVIOUSLY IMPACTING OTHER
3 OPERATIONAL COSTS. WITH REDUCED ACTIVITIES
4 THROUGHOUT THE ORGANIZATION, WE REALLY ARE
5 EXPERIENCING SAVINGS ACROSS ALL CATEGORIES OF
6 SPENDING. AND OBVIOUSLY EXTERNAL SERVICES WE SAW
7 SAVINGS OF ABOUT \$423,000. DURING THE 18-19 FISCAL
8 YEAR, WE DID CONTINUE TO SECURE SERVICES THAT WERE
9 NECESSARY TO MEET OUR MISSION-CRITICAL GOALS, BUT WE
10 FOUND THAT THOSE ITEMS THAT WE THOUGHT WE MIGHT NEED
11 TO EXPEND FOR DIDN'T MATERIALIZE OR THEY DIDN'T
12 MATERIALIZE AT THE LEVEL. FOR OUR LEGAL OFFICE, WE
13 NEVER KNOW WHAT TYPE OF LEGAL SERVICES WE'RE GOING
14 TO NEED AND WHAT KIND OF EXPERTISE WE'RE GOING TO
15 NEED, SO WE ALWAYS DO PUT IN A CONTINGENCY BUDGET
16 FOR THAT IN CASE WE SHOULD NEED SERVICES FOR LOAN
17 EXPERTISE, THAT TYPE OF THING. BUT IF THE
18 SERVICES -- IF THE NEED DOESN'T MATERIALIZE, WE WILL
19 NOT, OF COURSE, SPEND THE MONEY FOR THOSE SERVICES.
20 SO THOSE, AGAIN, WERE THE VARIANCES FOR THE 18-19
21 FISCAL YEAR.

22 SO NOW I'D LIKE TO BRIEFLY REVIEW THE
23 19-20 BUDGET THAT WAS APPROVED BY OUR ICOC IN MAY.

24 SO IN THIS CHART ON PAGE 17, WE WILL LOOK
25 AT THE 19-20 BUDGET AGAINST THE 18-19 ALLOCATION AND

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1 WHERE WE ENDED THE FISCAL YEAR.

2 SO, AGAIN, AT THE CATEGORICAL LEVEL, THE
3 SECOND COLUMN REPRESENTS THE BUDGET THAT WAS
4 ALLOCATED FOR THE 18-19 FISCAL YEAR, WHICH WAS \$16.8
5 MILLION. IN THE THIRD COLUMN, YOU SEE WHERE WE
6 ENDED THAT YEAR. THAT WAS \$14.5 MILLION. AND THE
7 LAST COLUMN REPRESENTS OUR BUDGET FOR THE 19-20
8 FISCAL YEAR, WHICH WAS ESTABLISHED AT \$15.6 MILLION.

9 SO COMPARING YEAR OVER YEAR, FOR 18-19, WE
10 WERE AUTHORIZED TO SPEND \$16.8 MILLION, BUT WE ONLY
11 SPENT 14.5. FOR 19-20 WE'VE ASKED FOR AND WERE
12 APPROVED \$15.6 MILLION. THAT \$15.6 MILLION IS
13 ACTUALLY \$1.2 MILLION LOWER THAN WHAT WAS ALLOCATED
14 FOR THE 18-19 FISCAL YEAR AND \$1.19 MILLION HIGHER
15 THAN WHERE WE ENDED THE FISCAL YEAR AT 14.5.

16 SO I WANT TO TALK BRIEFLY ABOUT WHAT'S
17 ACCOUNTING AND WHAT'S MAKING UP THAT \$1.1 MILLION
18 DIFFERENCE. WE ARE A STATE AGENCY; AND AS A STATE
19 AGENCY, WE ARE MANDATED TO PAY CERTAIN EMPLOYEE
20 BENEFITS, SUCH AS RETIREMENT AND HEALTH. AND THESE
21 COSTS HAVE INCREASED AS THEY DO ALMOST EVERY YEAR.
22 THEY INCREASE AND SO THERE'S NO DIFFERENCE FOR
23 19-20. WE ARE ANTICIPATING AN OVERALL INCREASE OF
24 ANYWHERE FROM 2 TO 6 PERCENT IN THOSE AREAS. AND
25 THEN DURING 2018, THE STATE ACTUALLY ADDED A NEW

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1 BENEFIT THAT IS BEING COVERED BY BOTH THE EMPLOYEE
2 AND THE EMPLOYER, AND THOSE ARE THE POSTRETIREMENT
3 HEALTH BENEFITS.

4 SO FOR THE 19-20 FISCAL YEAR, THE
5 POSTRETIREMENT BENEFITS WILL INCREASE ABOUT 1
6 PERCENT FOR BOTH THE EMPLOYER AND THE EMPLOYEE. WE
7 CONTRACT WITH THE DEPARTMENT OF GENERAL SERVICES TO
8 PERFORM OUR ACCOUNTING FOR US, AND THEY INCREASED
9 OUR CONTRACT DURING THE 19-20 FISCAL YEAR, AND THEY
10 ATTRIBUTE THAT MAINLY TO FISCAL. SO THEY'RE A COST
11 RECOVERY AGENCY, SO WHENEVER THEIR COSTS GO UP, OF
12 COURSE, THEY PASS IT ON TO THEIR CLIENTS. AND FOR
13 THE 19-20 FISCAL YEAR, OUR CONTRACT INCREASED BY 6
14 PERCENT. AND THAT WAS ACTUALLY AFTER WE MADE SOME
15 NEGOTIATIONS AND REDUCED IT BY SEVERAL THOUSAND
16 DOLLARS.

17 CONTROLLER YEE: CHILA, WHY DON'T YOU JUST
18 BRIEFLY EXPLAIN WHAT FISCAL IS.

19 MS. SILVA-MARTIN: FISCAL IS THE STATE'S
20 FINANCIAL SYSTEM THAT ENCOMPASSES BUDGETING,
21 PURCHASING, AND ACCOUNTING. AND SO IT WAS
22 IMPLEMENTED, I BELIEVE, IN THE 14-15 FISCAL YEAR.
23 AND AS A DGS CUSTOMER, WE ACTUALLY WENT ONTO FISCAL
24 DURING THE 15-16 FISCAL YEAR. SO THIS HAS BEEN OUR
25 FOURTH YEAR. AND I'M ACTUALLY GOING TO TOUCH

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1 BRIEFLY ON FI\$CAL AND GIVE YOU AN UPDATE ON WHAT
2 WE'VE EXPERIENCED IN THESE FOUR YEARS.

3 SO JUST AS WE'VE DONE IN PREVIOUS YEARS,
4 WE HAVE INCLUDED FUNDS SHOULD WE NEED THEM FOR
5 EXTERNAL SERVICES SUCH AS LEGAL, AND WE WILL ONLY
6 USE THEM, OBVIOUSLY, IF IT'S DEEMED NECESSARY. THIS
7 YEAR WE DID LOOK TO IMPLEMENT SECURITY FOR OUR I.T.
8 BECAUSE WE WANTED TO ENSURE THAT IT'S SAFE. SO
9 WE'VE DONE THAT DURING THIS LAST YEAR, AND WE WILL
10 CONTINUE TO DO SO GOING FORWARD. AND THEN, FINALLY,
11 BASED ON OUR AWARD ACTIVITY OVER THE LAST YEAR, OUR
12 PORTFOLIO FOR BOTH CLINICAL AND TRANSLATIONAL HAS
13 INCREASED, AND SO WE ANTICIPATE THAT WE WILL HOLD
14 MORE CLINICAL ADVISORY PANELS FOR THOSE PROGRAMS.

15 SO I DO WANT TO POINT OUT THAT I DO
16 BELIEVE WE WORK VERY DILIGENTLY, IN PARTICULARLY
17 THIS YEAR, TO DEVELOP A VERY DELIBERATE BUDGET PLAN,
18 ONE THAT IS ACTIVITY BASED. HOWEVER, BECAUSE OUR
19 RESEARCH FUNDS ARE COMING TO AN END, THE ACTIVITIES
20 AND THE ASSOCIATED COSTS MAY NOT MATERIALIZE AS
21 WE'VE ANTICIPATED. SO WE MAY NOT REALIZE THE FULL
22 BUDGET IN A PARTICULAR CATEGORY THIS YEAR AS COSTS
23 MAY SHIFT FROM ONE CATEGORY TO ANOTHER. FOR
24 EXAMPLE, SHOULD POSITIONS CONTINUE TO BECOME VACANT
25 DURING THIS YEAR, WE'LL CONTINUE TO EVALUATE THE

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1 POSITION. WE'LL DETERMINE WHETHER THESE TASKS ARE
2 MISSION CRITICAL AND ARE NEEDED TO SUPPORT OUR TEAM
3 SO THAT THEY CAN MEET THEIR GOALS. AND THEN WE'LL
4 DECIDE WHETHER WE SHOULD FILL THE POSITIONS OR
5 WHETHER WE SHOULD SECURE THE SERVICES THROUGH AN
6 OUTSIDE CONSULTANT OR CONTRACTOR OR WHETHER WE CAN
7 REDIRECT IT TO EXISTING STAFF.

8 WITH LIMITED FUNDING, THE TIMING OF OUR
9 PORTFOLIO ACTIVITY MAY BE DIFFERENT FROM WHAT WE
10 FORECAST. AND THIS COULD POTENTIALLY IMPACT OTHER
11 FUNCTIONS SUCH AS, I INDICATED, OUR CLINICAL AND
12 TRANSLATIONAL ADVISORY PANELS.

13 AS WE HAVE DONE IN THE PAST, WE WILL
14 CONTINUE TO MANAGE OUR EXPENSES AND ONLY SPEND FOR
15 THOSE ITEMS THAT ARE ABSOLUTELY NECESSARY TO MEET
16 OUR GOALS AND OUR MISSION. THIS WILL ENSURE THAT WE
17 HAVE SUFFICIENT FUNDS TO MANAGE OUR GRANT PORTFOLIOS
18 THROUGH THEIR TERMS.

19 SO MOVING ON TO THE NEXT CHART, THE
20 INFORMATION ON THE CHART ON PAGE 21 PRESENTS THE
21 FUNDS THAT WE HAVE AVAILABLE IN THE LITTLE BUCKET,
22 IN THE ADMINISTRATIVE BUCKET, TO SUPPORT THE
23 MAJORITY OF OUR OPERATIONAL EXPENSES. SO AT THE
24 BEGINNING OF THE 18-19 FISCAL YEAR, WE STARTED OUT
25 THE YEAR WITH \$45 MILLION AVAILABLE TO SUPPORT OUR

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1 ADMINISTRATIVE FUNCTIONS. FOR 18-19 WE SPENT \$14.5
2 MILLION. OF THAT 7.5 MILLION WAS COVERED FROM THE
3 LITTLE BUCKET. FOR THE 19-20 FISCAL YEAR, WE HAVE
4 AN ALLOCATION OF 15.6. IF WE WERE TO REALIZE THAT
5 FULLY, ABOUT 12.6 MILLION OF THAT WILL COME FROM THE
6 LITTLE BUCKET. SO THAT WILL LEAVE US AT THE END OF
7 THIS YEAR ON JUNE 30TH OF 2020 ABOUT \$20 MILLION.
8 WE BELIEVE THAT THAT \$20 MILLION WILL BE SUFFICIENT
9 TO COVER US THROUGH THE 2023 FISCAL YEAR WHEN OUR
10 GRANTS, THE TERMS WILL ALL BE ENDING.

11 SO THAT REALLY CONCLUDES THE PRESENTATION
12 ON THE FINANCES, BUT THERE ARE A COUPLE OF OTHER
13 ITEMS THAT I WOULD LIKE TO QUICKLY COVER.

14 CONTROLLER YEE: ASK A QUESTION IN TERMS
15 OF THE STAFF VACANCIES AND THE TURNOVER. ARE YOU
16 SAYING THOSE ARE ACTUALLY HAPPENING? ARE THOSE
17 CONCENTRATED WITHIN PARTICULAR AREAS WITHIN CIRM UP
18 TO THIS POINT?

19 MS. SILVA-MARTIN: I THINK IT'S BEEN
20 ACROSS THE ORGANIZATION FOR VARIOUS REASONS. WE'VE
21 BEEN REALLY FORTUNATE IN THAT WHEN WE DO HAVE A
22 VACANCY LIKE WE DID IN THIS ACCOUNTING, BECAUSE OF
23 SOME OF THE EFFICIENCIES, WE WERE ABLE TO LOOK AT DO
24 WE NEED TO FILL THIS POSITION OR CAN WE ABSORB IT?
25 CAN WE GIVE SOME OF OUR OTHER TEAM MEMBERS NEW

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1 OPPORTUNITIES SO THAT THEY CAN LEARN THINGS. AND WE
2 WERE ABLE TO DO THAT. SO FOR US IT REALLY FELT LIKE
3 A WIN-WIN SITUATION.

4 OUR EMPLOYEES CERTAINLY APPRECIATE IT
5 BECAUSE THEY WERE ABLE TO LEARN NEW SKILLS THAT THEY
6 CAN TAKE TO OTHER STATE AGENCIES IF THEY DECIDE THAT
7 THAT'S WHAT THEY WANT TO PURSUE LATER ON.

8 CONTROLLER YEE: I WANT TO APPLAUD YOU
9 ALSO JUST SQUEEZING OUT EFFICIENCIES WELL.

10 MS. SILVA-MARTIN: WE TRY. WE WORK REALLY
11 HARD AT DOING THAT. ACTUALLY I MENTIONED EFT
12 EARLIER, ELECTRONIC FUND TRANSFER. SO I WOULD LIKE
13 TO PERSONALLY THANK THE CONTROLLER AND HER TEAM FOR
14 WORKING WITH THE CIRM TEAM TO IMPLEMENT ELECTRONIC
15 FUND TRANSFER. IT HAS BEEN A MAJOR SUCCESS FOR US,
16 A WIN-WIN FOR CIRM, ALLOWING US TO REDUCE, NOT ONLY
17 REDUCE COST, BUT, MORE IMPORTANTLY, TO PROVIDE FUNDS
18 TO OUR GRANTEES IN A SIGNIFICANTLY MORE TIMELY
19 FASHION.

20 WE'VE BEEN ON EFT FOR 18 MONTHS. WE HAVE
21 MADE HUNDREDS AND HUNDREDS OF PAYMENTS THROUGH THIS
22 PROCESS, ABOUT \$300 MILLION WORTH OF FUNDS HAVE BEEN
23 DISBURSED USING THE EFT. WE'VE ACTUALLY ONLY HAD
24 ONE TRANSACTION THAT DIDN'T POST. WE WERE ABLE TO
25 CORRECT THAT WITHIN ONE DAY VERSUS SOMETIMES IT

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1 WOULD TAKE US THREE TO FOUR WEEKS. SO OUR GRANTEES
2 REALLY APPRECIATE IT, AND WE REALLY APPRECIATE IT
3 BECAUSE WE MADE EFFICIENCIES IN OUR GRANTS
4 MANAGEMENT OFFICE AS WELL AS IN OUR FINANCE OFFICE.
5 SO THANK YOU VERY MUCH.

6 SO I TALKED ABOUT FISCAL EARLIER. SO I'D
7 LIKE TO PROVIDE A QUICK UPDATE THERE. SO FOR THE
8 LAST TWO YEARS, CIRM HAS ACTUALLY CLOSED ITS BOOKS,
9 NOT JUST ON TIME, BUT ABOUT A WEEK TO 9, 10 DAYS
10 EARLY. SO FOR US THAT CERTAINLY SHOWS THAT FISCAL
11 IS WORKING.

12 CONTROLLER YEE: GOOD.

13 MS. SILVA-MARTIN: THE SYSTEM IS FAIRLY
14 USER FRIENDLY AND PROVIDES US WITH MUCH MORE
15 INFORMATION THAN WE EVER GOT IN OUR OLD SYSTEM IN
16 CALSTRS. WE ARE ABLE -- WE ARE NOT THE ACCOUNTING
17 OFFICE, BUT WE HAVE ACCESS TO MOST OF THE MODULES.
18 AND WE ARE ACTUALLY ABLE TO SEARCH PAYMENT
19 INFORMATION, VENDOR INFORMATION WITHOUT HAVING TO
20 RELY ON DGS. SO IT'S MADE US MUCH MORE EFFICIENT.
21 WE CAN RESPOND TO OUR CUSTOMERS MUCH MORE QUICKLY,
22 AND WE DON'T HAVE TO HAVE DGS SPEND TIME TRACKING
23 DOWN THAT INFORMATION FOR US. SO IT HAS BEEN VERY
24 SUCCESSFUL FOR US.

25 HAVING SAID THAT, WE HAVE EXPERIENCED

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1 PROBLEMS ESPECIALLY WHEN NEW FUNCTIONALITY IS ADDED.
2 SUCH AS WE HAD THE CASH TRANSFER PROCESS THAT WAS
3 AUTOMATED DURING THE 18-19 FISCAL YEAR. THIS
4 IMPACTED HOW OUR EFT PAYMENTS ARE DISPLAYED IN OPEN
5 TRANSPARENCY. WE FOUND THAT, BECAUSE OF THE NEW
6 PROCESS FOR CASH TRANSFER, WE ARE NOT ABLE TO, FOR
7 EXAMPLE, POST OUR INDIVIDUAL PAYMENTS AGAINST THE
8 VENDORS IN OPEN TRANSPARENCY. I SHOWS IN BULK.
9 FISCAL IS AWARE THAT THIS IS A PROBLEM NOT ONLY FOR
10 US, BUT OTHER EFT USERS, AND THEY HAVE ASSURED US
11 THAT THEY WILL CONTINUE TO WORK ON A SOLUTION TO
12 RESOLVE THAT SO THAT EVENTUALLY, WHEN THE PUBLIC
13 LOOKS AT OPEN TRANSPARENCY, THEY CAN SEE ALL OF
14 THESE INDIVIDUAL TRANSACTIONS, BUT RIGHT NOW IT'S
15 NOT SHOWING THAT.

16 IN ORDER TO DO IT, WE'D HAVE TO PUT IN
17 DEBITS AND CREDITS, AND THEN IT WOULD JUST CAUSE
18 CONFUSION. THEY ARE WORKING ON A SOLUTION.

19 I'VE SPENT THE MAJORITY OF MY 40 PLUS
20 YEARS OF CIVIL SERVICE YEARS IN FINANCE, SO I HAVE
21 BEEN WAITING FOR FISCAL FOR A REALLY, REALLY LONG
22 TIME. I WAS AT DFEH WHEN THE TEAM REACHED OUT TO
23 EVERYBODY AND SAID CAN YOU GIVE US YOUR OPINION ON
24 WHAT YOU WOULD LIKE TO SEE IN THE SYSTEM. I SAID,
25 "OH, GOSH. I'VE GOT LOTS OF OPINIONS. I'M READY TO

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1 DO THAT." SO FOR ME THIS IS REALLY GREAT. I'VE
2 IMPLEMENTED MANY SYSTEMS FOR THE STATE, AND I KNOW
3 THAT ANYTIME YOU IMPLEMENT A SYSTEM, YOU ARE GOING
4 TO RUN INTO PROBLEMS. FI\$CAL IS NO DIFFERENT. BUT
5 I ALSO KNOW THAT WITH TIME YOU WORK THOSE ISSUES OUT
6 AND YOU ADDRESS THEM. AND I BELIEVE THAT AND VERY
7 HOPEFUL THAT THIS WILL BE THE SAME WITH FI\$CAL, AND
8 THAT THE AREAS THAT WE'VE ENCOUNTERED PROBLEMS,
9 THEY'RE GOING TO GO AWAY.

10 ONE OF OUR BIGGEST CHALLENGES IS WHAT
11 REPORTS DO WE USE. SOMETIMES I THINK THEY DIDN'T DO
12 THE REPORTS THE SAME WAY, BUT I THINK MAYBE IT'S
13 MORE LACK OF GOOD TRAINING. SO MAYBE FI\$CAL COULD
14 WORK MORE ON THE TRAINING THAT THEY PROVIDE AND THE
15 AVAILABLE REPORTS. I THINK IF THEY SPENT MORE TIME
16 PROVIDING THAT KIND OF TRAINING TO THE USERS, I
17 THINK WE WOULD BE MORE SUCCESSFUL IN TRYING TO
18 OBTAIN INFORMATION FROM THE SYSTEM.

19 WELL, THAT ACTUALLY WRAPS UP THE
20 PRESENTATION. I WANT TO THANK YOU FOR THE
21 OPPORTUNITY TO UPDATE YOU ON --

22 MR. LOTT: MADAM CHAIR.

23 CONTROLLER YEE: MR. LOTT.

24 MR. LOTT: I HAVE A QUESTION, IF I MAY.
25 THIS IS WONDERFUL. YOU GUYS HAVE DONE A TERRIFIC

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1 JOB. I KNOW WE'RE GOING TO HEAR MORE LATER ABOUT
2 THE FUTURE AND WHAT THE PLANS ARE. BUT WHAT OR WHEN
3 WILL YOU PROVIDE US WITH A PLANNING BUDGET FOR THE
4 EXIT, THE EXIT PLAN AND BUDGET, IN THE EVENT THAT
5 THIS EFFORT DOES COME TO AN END? ACTIVITIES WILL
6 NEED TO CONTINUE BECAUSE THEY'RE IN MIDSTREAM. AND
7 I MAY BE HOPEFUL, LIKE MANY OTHERS, THAT THIS
8 PROJECT CONTINUES, BUT WE NEED TO BE PRACTICAL ABOUT
9 WHAT IF IT DOESN'T. WHEN COULD WE EXPECT TO GET AN
10 EXIT PLAN AND BUDGET?

11 MS. SILVA-MARTIN: WE HAVE DEVELOPED A
12 TRANSITION PLAN THAT WE PRESENTED TO OUR BOARD. AS
13 PART OF THAT TRANSITION PLAN ON THE SLIDE ON PAGE
14 21, THAT INCLUDES THE NUMBERS THAT WERE PRESENTED TO
15 OUR BOARD AND SHOW THAT IT SUPPORTS THE OPERATIONS
16 THROUGH THE 2023 FISCAL YEAR OBVIOUSLY AT A HIGH
17 LEVEL. THEY'RE NOT DETAILED, BUT WE HAVE --

18 MR. LOTT: THAT DOESN'T TELL US WHAT YOU
19 WILL DO WHEN YOU SHUT DOWN. I DON'T GET THAT FROM
20 THIS. MAYBE A MOTION WOULD BE IN ORDER AT SOME
21 LATER POINT AFTER YOU DO YOUR FUTURE PLANS, BUT WE
22 NEED TO GET -- AS AN ACCOUNTABILITY COMMITTEE, WE
23 NEED TO GET A PLAN AND BUDGET FOR THE SHUTDOWN OF
24 THE ORGANIZATION, WHETHER THAT HAPPENS OR NOT, WHICH
25 TELLS US SPECIFICALLY WHAT ACTIVITIES MUST CONTINUE

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1 AND HOW THEY WILL CONTINUE AND WHAT THE COST WILL
2 BE.

3 MS. SILVA-MARTIN: SURE. ABSOLUTELY. WE
4 WILL BE HAPPY TO PUT SOMETHING TOGETHER AND PROVIDE
5 THAT TO YOU MAYBE AT THE NEXT UPDATE.

6 CONTROLLER YEE: YES. MR. LOTT, THANK YOU
7 FOR THE QUESTION. AS WE CRAFT THE AGENDA FOR OUR
8 NEXT MEETING, THAT DEFINITELY WILL BE FRONT AND
9 CENTER. OBVIOUSLY MORE WORK WILL HAVE BEEN
10 FINE-TUNED RELATIVE TO THE TRANSITION PLAN. SO
11 GREAT QUESTION. THANK YOU.

12 I JUST WANTED TO OFFER A COMMENT ABOUT
13 FI\$CAL WHICH, UNFORTUNATELY SOMETIMES WHEN WE HEAR
14 ABOUT THIS PROJECT, IT'S NOT GOOD NEWS, BUT I JUST
15 THINK CIRM HAS BEEN KIND OF A GREAT POSITIVE POSTER
16 CHILD FOR THE PROJECT. AND IT'S CERTAINLY ONE THAT
17 I KNOW ALL STATE AGENCIES ARE WORKING VERY HARD TO
18 GET ONTO THE SYSTEM.

19 I ALSO WANT TO APPLAUD THE DEPARTMENT OF
20 GENERAL SERVICES FOR BEING A TERRIFIC PARTNER OF THE
21 PROJECT. IT IS A PARTNERSHIP BETWEEN THE DEPARTMENT
22 OF FINANCE, DEPARTMENT OF GENERAL SERVICES, STATE
23 TREASURER'S OFFICE, STATE CONTROLLER'S OFFICE, AND I
24 THINK IT'S REALLY ONE OF THOSE PROJECTS, NOW
25 PARTICULARLY AS WE'RE SEEING THE BENEFITS, THAT IT'S

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1 ALL HANDS ON DECK JUST TO TRY TO GET EVERY STATE
2 DEPARTMENT ONTO IT. GREAT WORK ON CIRM'S PART
3 THERE.

4 MS. SILVA-MARTIN: THANK YOU. WE REALLY
5 APPRECIATE FI\$CAL, SO I'M ENJOYING IT.

6 CONTROLLER YEE: GOOD. ANY OTHER
7 QUESTIONS FROM COMMITTEE MEMBERS? THANK YOU.

8 MS. SILVA-MARTIN: THANK YOU.

9 CONTROLLER YEE: DR. MILLAN.
10 TAB 6.

11 DR. MILLAN: MR. LOTT, ARE YOU ABLE TO
12 FIND THE PRESENTATION?

13 MR. LOTT: YES, MA'AM. I HAVE IT.

14 DR. MILLAN: THANK YOU SO MUCH. SO,
15 CONTROLLER AND CHAIRWOMAN YEE AND MEMBERS OF THE
16 COMMITTEE, THE CITIZENS FINANCIAL ACCOUNTABILITY
17 COMMITTEE, THANK YOU. SINCE WE LAST PRESENTED TO
18 THIS COMMITTEE IN 2017, CIRM HAS CONTINUED TO MAKE
19 TREMENDOUS PROGRESS, AND I AM VERY APPRECIATIVE ON
20 BEHALF OF THE AGENCY TO GIVE YOU AN UPDATE TODAY.

21 I'M NOT A NUMBER PERSON LIKE CHILA. SO
22 THE NEXT SLIDE JUST GIVES KIND OF A BROAD OVERVIEW
23 OF WHERE WE ARE TODAY IN 2019. SINCE THE PASSAGE OF
24 PROP 71, WHICH COMMITTED \$3 BILLION IN BOND FUNDING
25 AND THE CREATION OF CIRM, CIRM HAS CONTINUED TO

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1 CARRY FORTH ON THE MISSION TO ADVANCE THE SCIENCE
2 AND TO DELIVER ON THE POTENTIAL TRANSLATION OF THE
3 SCIENCE TO PATIENTS WITH UNMET MEDICAL NEEDS. WE'VE
4 FUNDED A THOUSAND PROGRAMS IN TOTAL. TWO HUNDRED
5 ARE STILL IN ACTIVE MANAGEMENT. AND MUCH OF WHAT
6 YOU HEARD EARLIER IN TERMS OF THE IMPROVEMENTS AND
7 THE EFFICIENCIES IN THE SYSTEM, ALL OF THIS HAS LED
8 TO OUR ABILITY TO REALLY ACCELERATE PROGRAMS.

9 WHEN WE LAST SPOKE TO YOU, WE HAD JUST
10 LAUNCHED THE STRATEGIC PLAN. AND SINCE THEN, WE'VE
11 BUILT OUR CLINICAL PORTFOLIO. THERE WERE ONLY TEN
12 CLINICAL TRIALS IN THE FIRST TEN YEARS OF THE
13 AGENCY'S EXISTENCE, AND WE'RE NOW UP TO 56 CLINICAL
14 TRIALS, HIGH QUALITY, WELL-VETTED, REGULATED TRIALS,
15 THAT HAVE GONE THROUGH THE MOST RIGOROUS PEER
16 REVIEW. QUITE REMARKABLE. AND MOST OF THIS HAS
17 BEEN OVER THE PAST THREE AND A HALF YEARS, ABOUT 70
18 PERCENT OF THESE TRIALS. AND THESE, TO KEEP IT IN
19 CONTEXT, ARE FIRST-IN-HUMAN CELL AND GENE THERAPY
20 TRIALS. SOMETHING THAT IN THIS FIELD REALLY DIDN'T
21 EXIST WHEN CIRM WAS FORMED.

22 THE PICTURES ABOVE ARE SOME OF THE
23 PATIENTS WHO HAVE PARTICIPATED IN THESE TRIALS.
24 JAKE AS THE SPINAL CORD INJURY CHILD BY ASTERIAS ON
25 THE LEFT; EVIE, WHICH I'LL TALK ABOUT A LITTLE BIT

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1 MORE, THE LITTLE GIRL IN THE BLUE; BRANDON IS NOW
2 FIVE YEARS OUT FROM A TRIAL WHERE HE HAD NO IMMUNE
3 SYSTEM TO BATTLE INFECTIOUS DISEASE. SO HE HAD
4 CHRONIC INFECTIONS, ABSCESSSES, ANTIBIOTIC-RESISTANT
5 INFECTIONS. HE'S NOW COMPLETELY FREE AND PURSUING
6 HIS CAREER. AND ROSIE ON THE FAR RIGHT IS ONE OF
7 THE PATIENTS WHO HAS SHARED HER EXPERIENCES WITH
8 RETINITIS PIGMENTOSA, A BLINDING EYE DISEASE, FOR
9 WHICH SHE HAS REPORTED SOME BENEFIT. OF COURSE, THE
10 TRIAL IS UNDER WAY TO DEMONSTRATE THAT THIS IS
11 REPRODUCIBLE AND THAT THIS IS VALIDATED.

12 NEXT SLIDE. AS YOU KNOW, AND AS WE
13 PRESENTED LAST TIME, CIRM HAS INVESTED IN FIVE MAJOR
14 PILLARS: INFRASTRUCTURE, EDUCATION, DISCOVERY,
15 TRANSLATION, AND CLINICAL. AND I'LL GO OVER THESE
16 IN A LITTLE BIT MORE DETAIL. AS A SOLID FOUNDATION,
17 THESE FIVE PILLARS HAVE HELPED TO BUILD AN ECOSYSTEM
18 IN THE FIELD. OVER \$480 MILLION WAS INVESTED IN
19 INFRASTRUCTURE. AND WHEN WE SAY INFRASTRUCTURE,
20 INITIALLY THEY WERE LABS AND FACILITIES THAT ENABLED
21 THE RESEARCHERS TO START DOING THE WORK. AND LATER
22 THERE WERE PROGRAMS SUCH AS THE ALPHA CLINICS
23 NETWORK, WHICH IS COMPOSED OF FIVE PROGRAMS AT SIX
24 ACADEMIC INSTITUTIONS: USCF, UC DAVIS, CITY OF
25 HOPE, UC SAN DIEGO, UCLA, AND UC IRVINE.

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1 AND THESE PROGRAMS IN THE ALPHA CLINICS
2 NETWORK ADDRESS SPECIAL NEEDS OF THESE TYPES OF
3 SPECIALIZED CLINICAL TRIALS IN CELL AND GENE
4 THERAPY. THEY CREATE EFFICIENCIES, SUCH AS
5 CENTRALIZED HUMAN SUBJECTS, IRB APPROVAL, CONTRACT
6 EFFICIENCIES, AND SERVE AS A HUB IMPORTANTLY FOR
7 PATIENTS TO ACCESS REGULATED, NOVEL TRIALS AND
8 INFORMATION.

9 THE NEXT PILLAR OF EDUCATION, OVER \$200
10 MILLION HAS BEEN INVESTED IN LURING TALENT TO THE
11 FIELD, AND WE START EARLY. OUR SPARK PROGRAM AWARD
12 SUPPORTS SUMMER RESEARCH INTERNSHIPS FOR HIGH SCHOOL
13 STUDENTS. SO THESE HIGH SCHOOL STUDENTS CAN GO TO
14 TOP TIER LABS AROUND CALIFORNIA BOTH IN ACADEMIA AS
15 WELL AS INDUSTRY PARTNERS. AND THE GRADUATES OF
16 THIS PROGRAM HAVE GONE ON TO TOP UNIVERSITIES AND
17 EARNED SCHOLARSHIPS. SIXTY-FIVE PERCENT OF THEM
18 PURSUED CAREERS OR FURTHER EDUCATION IN SCIENCE, 25
19 PERCENT IN ENGINEERING, AND 5 PERCENT IN BUSINESS.
20 SO THEY'RE EXPOSED TO ALL THE FACETS OF THIS.

21 THE BRIDGES PROGRAM IS A SIMILAR PROGRAM,
22 BUT IT'S A LITTLE BIT UNIQUE. THIS IS FOR
23 UNDERGRADUATE AND MASTER'S LEVEL PROGRAMS, AND THEY
24 ARE FROM 14 CAL STATE AND CITY COLLEGES. THESE
25 STUDENTS ARE FROM THESE CAL STATE CITY COLLEGES

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1 WHERE THEY'RE OFFERED OPPORTUNITIES, HANDS-ON
2 EXPERIENCE, IN TRAINING IN TOP LABS AROUND THE
3 STATE, EXPOSING THEM TO LABS AND RESEARCH THAT THEY
4 COULDN'T GET THROUGH THEIR OWN COLLEGES. IT'S AN
5 AMAZING PROGRAM THAT BRIDGES ACROSS THE DIFFERENT --
6 WE'RE SO BLESSED TO HAVE THESE UNIVERSITIES AND
7 COLLEGES AROUND CALIFORNIA. THIS HAS CREATED THAT
8 LINK BETWEEN THEM.

9 ALMOST 1500 ALUMNI HAVE COME THROUGH THIS
10 PROGRAM. THIRTY PERCENT HAVE GONE ON TO GRADUATE
11 AND PROFESSIONAL SCHOOL, 50 PERCENT HAVE GAINED
12 POSITIONS IN ACADEMIC AND BIOTECH RESEARCH. THEY'VE
13 GOTTEN JOBS. AND IF YOU THINK ABOUT IT, THIS IS
14 REMARKABLE. AND MANY OF THESE STUDENTS ARE FROM
15 UNDERPRIVILEGED BACKGROUNDS. MANY OF THEM ARE THE
16 FIRST TO ATTEND COLLEGE IN THEIR FAMILIES.

17 SO THE NEXT THREE PROGRAMS, DISCOVERY,
18 TRANSLATION, AND CLINICAL, ARE THE CORE RESEARCH
19 PROGRAMS. DISCOVERY FUNDS THE BASIC AND EARLY
20 RESEARCH THAT GIVES RISE TO THE KNOWLEDGE AND THE
21 POTENTIAL SCIENCE THAT CAN LEAD TO THERAPIES.
22 STRONG MEDICINE COMES FROM SOLID SCIENCE, AND THAT'S
23 WHY OVER \$900 MILLION, IT'S THE LARGEST PROGRAM
24 FUNDED, IS IN DISCOVERY AND BASIC RESEARCH. THEN
25 THOSE THAT COME OUT OF THAT ARE WHAT'S CALLED

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1 CANDIDATES CAN THEN BE TRANSLATED, MEANING THEY CAN
2 DO THE WORK TO FIGURE OUT HOW TO MORE RELIABLY
3 MANUFACTURE, GET A PROCESS TO PRODUCE THE CELL AND
4 GENE MEDICINE CANDIDATES TO PUT IT THROUGH ALL THE
5 STEPS NEEDED TO GET THE FDA TO APPROVE THEM GOING
6 INTO CLINICAL TRIALS. AND THEN TO, FINALLY, PERFORM
7 THE CLINICAL TRIALS UNDER FDA REGULATIONS IN OUR
8 CLINICAL PROGRAMS.

9 SO JUST AS A BROAD LOOK AT WHAT THE
10 RESEARCH AND DEVELOPMENT PORTFOLIO LOOKS LIKE, AS
11 YOU CAN SEE, IT'S VERY DIVERSE. IT SPANS ALL THE
12 ORGAN SYSTEMS. IT SPANS ACROSS MULTIPLE DIFFERENT
13 APPLICATIONS OF THIS RESEARCH, WHICH IN THE NEXT
14 SLIDE TRANSLATES INTO THE MORE MATURE PROGRAMS OF
15 THE 56 CLINICAL TRIALS THAT ADDRESS 35 DIFFERENT
16 UNMET MEDICAL NEEDS SPANNING FROM BLINDING EYE
17 DISEASES, SPINAL CORD INJURY, LOU GEHRIG'S DISEASE,
18 HUNTINGTON'S DISEASE, KIDNEY FAILURE, VARIOUS SORTS
19 OF HARD-TO-TREAT CANCERS THAT ARE UNRESPONSIVE TO
20 WHAT WE CURRENTLY HAVE, BLOOD CANCERS, AS WELL AS
21 SOLID CANCERS, SICKLE CELL DISEASE, DIABETES, TYPE 1
22 DIABETES WITH CELL REPLACEMENT THERAPY. THESE ARE
23 JUST TO GIVE YOU A BROAD-STROKE LOOK.

24 BUT I WANTED TO JUST GIVE YOU A REALLY
25 HIGH LEVEL LOOK AT WHERE WE ARE IN THE FIELD. WE

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1 ARE ENTERING A NEW ERA IN MEDICINE. AND CIRM HAS
2 BEEN THERE SHEPHERDING MUCH OF THIS SCIENCE ALONG.
3 ON THE LEFT SIDE OF THE SLIDE, YOU WILL SEE A
4 PICTURE OF A CELL, THE CHIMERIC ANTIGEN RECEPTOR
5 T-CELLS OR THEY CALL IT CAR-T'S.

6 WHAT CAR-T'S ARE ARE OUR IMMUNE CELLS THAT
7 ARE TAKEN FROM CANCER PATIENTS THAT ARE ENGINEERED
8 SO THAT THESE CELLS CAN MORE STRONGLY RECOGNIZE THE
9 CANCERS, SEEK AND ATTACK THEM, AND DESTROY THESE
10 CANCERS. THIS IS REMARKABLE TECHNOLOGY THAT'S BEEN
11 USED FOR PATIENTS WHO ARE NOT RESPONSIVE TO CHEMO OR
12 RADIATION THERAPIES AND CAN ALSO BE COMBINED WITH
13 SOME OF THE OTHER THERAPIES OUT THERE.

14 CIRM HAS BEEN AT THE FOREFRONT PUSHING
15 ALONG NEXT GENERATION IMMUNE APPROACHES TO CANCER TO
16 BATTLE -- CURRENTLY WE HAVE FIVE PROGRAMS TO BATTLE
17 GLIOBLASTOMA, MULTIPLE MYELOMA, T-CELL MALIGNANCIES,
18 METASTATIC BREAST CANCER TO THE BRAIN, PROSTATE
19 CANCER, AND OTHER SOLID CANCERS. SO THE WORK HAS
20 BEGUN. THERE'S SOME NOW. THE FIRST TWO OF SUCH
21 THERAPIES WERE APPROVED BY THE FDA FOR MARKETING
22 JUST IN THE PAST TWO YEARS. CIRM IS PUSHING FORWARD
23 NEXT GENERATION PROGRAMS. SO WHEREAS WE HAVE NOW
24 HIT A MAJOR MILESTONE, THE WORK HAS JUST BEGUN.

25 WHAT'S REALLY TELLING AS TO THE FACT THAT

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1 THIS IS NOW MATURING INTO A REAL FIELD IS THAT THE
2 CENTER FOR MEDICARE AND MEDICAID SERVICES HAS NOW
3 APPROVED FUNDING FOR THESE TREATMENTS AND ALSO FOR
4 THE HOSPITAL COSTS, WHICH IS REMARKABLE IN TERMS OF
5 ADOPTION. IN ADDITION TO THE CAR-T PROGRAMS, CIRM
6 FUNDS 25 GENE MEDICINE PROGRAMS.

7 I WANTED TO DISTINGUISH THE GENE THERAPY
8 PROGRAMS THAT WE'RE FUNDING FROM SOME OF THE REPORTS
9 YOU MAY HAVE HEARD OF THE ROGUE ACTIVITY IN CHINA
10 WHERE THERE WAS EDITING OF GERMLINE STEM CELLS,
11 WHICH THEN COULD GO ON TO FUTURE GENERATIONS. THAT
12 IS STILL SOMETHING THAT IS ESSENTIALLY BANNED, OR
13 THERE'S A MORATORIUM ON THIS WORLDWIDE. THERE'S
14 MORE CONVERSATION OCCURRING. CIRM IS COMPLETELY
15 ALIGNED WITH THE NATIONAL ACADEMY OF SCIENCES AND
16 THE WORLD HEALTH ORGANIZATION REGARDING MORE WORK
17 NEEDS TO BE DONE IN EVALUATING THAT TYPE OF
18 APPROACH.

19 SO THE APPROACH I'M TALKING ABOUT TODAY IS
20 DEALING WITH THE PERSON'S OWN CELLS, MODIFY THOSE
21 GENES TO EITHER CORRECT OR USE THEM TO MODIFY THE
22 DISEASE. AND AS YOU CAN SEE LISTED HERE, THIS HAS
23 BEEN APPLIED TO CANCERS SUCH THE CAR-T'S, HIV/AIDS,
24 ALL SORTS OF GENETIC DISEASES AND ORPHAN DISEASES,
25 AS WELL AS SOME EARLY WORK IN NEUROLOGIC DISEASE.

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1 AS A MORE SPECIFIC EXAMPLE OF THIS, I
2 SHOWED ON THE SECOND SLIDE A PICTURE OF EVIE. THIS
3 IS AN EARLIER PICTURE OF EVIE. EVIE WAS TREATED IN
4 A CLINICAL TRIAL OVER FIVE YEARS AGO. SHE WAS BORN
5 WITHOUT AN IMMUNE SYSTEM, SO-CALLED A BUBBLE BABY
6 DISEASE, SEVERE COMBINED IMMUNODEFICIENCY.

7 EVIE RECEIVED HER OWN BLOOD STEM CELLS
8 THAT WERE TAKEN FROM HER, GENE CORRECTED TO CORRECT
9 THE DEFECT THAT LED TO HER INABILITY TO MAKE THE
10 IMMUNE CELLS, RECEIVED THOSE BLOOD STEM CELLS, AND
11 OVER FIVE YEARS LATER, THOSE BLOOD STEM CELLS ARE
12 STILL GIVING RISE TO NORMAL AND HEALTHY IMMUNE
13 CELLS. SHE'S CURED. ALTHOUGH WE WERE VERY HESITANT
14 TO USE THE C WORD IN THE PAST, SHE IS CURED. SHE IS
15 NOT ON ANY THERAPY THAT'S DETECTABLE IN HER BLOOD.
16 AND IT'S NOT JUST HER. IT'S OVER 30 OTHER PATIENTS.

17 SO NOW THIS PARTICULAR TECHNOLOGY IS IN
18 PIVOTAL PHASE CLINICAL TRIAL THAT CIRM HAS FUNDED.
19 IT'S BEEN PARTNERED WITH A COMPANY CALLED ORCHARD
20 THERAPEUTICS. ORCHARD IN ITS OWN RIGHT HAS BUILT A
21 PORTFOLIO OF GENE PROGRAMS, AND DR. DON KOHN, WHO'S
22 SCIENTIFIC FOUNDER OF THIS TECHNOLOGY, AND HIS CREW
23 CONTINUE TO WORK HAND IN HAND WITH INDUSTRY TO BRING
24 IT TO THE MARKET, AND IT'S TARGETED FOR MARKETING
25 APPROVAL IN 2020.

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1 SO THIS IS QUITE A REMARKABLE THING TO
2 THINK ABOUT IT, THAT WE CAN TRANSFORM THE TREATMENT
3 OF PATIENTS WITH SCID; BUT WHAT IT REPRESENTS IS,
4 NOW THAT IT'S A PROOF OF CONCEPT, THIS IS A VIABLE
5 APPROACH FOR ALMOST 7,000 GENETIC DISORDERS. MAYBE
6 NOT ALL OF THEM, BUT THAT SHOWS THAT THIS IS A
7 VIABLE APPROACH THAT ONE COULD PURSUE FOR AT LEAST A
8 PORTION OF 7,000 GENETIC INHERITED DISEASES.

9 WE RECENTLY WERE PARTNERED WITH THE NIH
10 HEART, LUNG, BLOOD INSTITUTE ON THEIR CURE SICKLE
11 CELL PROGRAM. THIS IS REMARKABLE FOR A COUPLE OF
12 REASONS. ONE IS THE NIH HAS BEEN IN BUSINESS LONGER
13 THAN CIRM. YET THE REASON THAT NIH PARTNERED WITH
14 CIRM IS BECAUSE THEY RECOGNIZE OUR ACCELERATION
15 PROGRAM AND OUR UNIQUE SPECIALIZATION IN TRANSLATING
16 THE SCIENCE INTO THE CLINICS AND OUR EXPERTISE IN
17 PARTNERSHIPS IN CELL AND GENE MEDICINE.

18 SO THE CIRM AND NHLBI ENTERED FORMALLY
19 INTO AN MOU IN JUNE OF THIS PAST YEAR TO JOINTLY
20 FUND INDUSTRY AND ACADEMIC CELL AND GENE PROGRAMS
21 FOR THE CURE SICKLE CELL INITIATIVE. PLEASED TO SAY
22 WE HAVE THE FIRST OF THAT PROGRAM, DR. MARK WALTERS'
23 PROGRAM, AT UCSF USING CRISPR-BASED TECHNOLOGY TO
24 CORRECT THE GENE MUTATION THAT LEADS TO SICKLE CELL.

25 MANY OF YOU ALREADY KNOW ABOUT SICKLE CELL

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1 DISEASE AS A DEVASTATING DISORDER THAT SHORTENS THE
2 LIFE SPAN TO 40 YEARS. AND DURING THOSE 40 YEARS,
3 AFFLICTED PATIENTS HAVE MULTIPLE HOSPITALIZATIONS,
4 PAIN CRISES, AND SOCIAL IMPLICATIONS BECAUSE THEY
5 OFTEN ARE IN PAIN. AND SO THEY'RE ACCUSED OF
6 DRUG-SEEKING BEHAVIOR, REALLY AN UNTENABLE SITUATION
7 FOR THEM. SO WE'RE VERY PLEASED TO BE PART OF THIS
8 EFFORT, INTERNATIONAL AND THEN GLOBAL EFFORT, TO
9 CURE SICKLE CELL DISEASE.

10 IN ADDITION TO TARGETING THESE RARE AND
11 ORPHAN INDICATIONS, CIRM ALSO HAS TECHNOLOGIES,
12 UNIQUE PROGRAMS, THAT TARGET LARGE MARKETS SUCH AS
13 KIDNEY FAILURE. I MENTIONED DIABETES EARLIER, BUT
14 KIDNEY FAILURE. IN PATIENTS WHO HAVE END-STAGE
15 RENAL DISEASE, THEY HAVE TWO OPTIONS, DIALYSES AND,
16 HOPEFULLY, KIDNEY TRANSPLANT. BUT PATIENTS WHO ARE
17 EITHER WAITING FOR A TRANSPLANT OR WHO CAN'T GET A
18 TRANSPLANT, ESSENTIALLY ACCESS TO THEIR VESSELS TO
19 DO DIALYSIS IS THEIR LIFELINE. THE BEST WAY TO DO
20 THAT IS THROUGH WHAT'S CALLED AN AV GRAFT, MEANING
21 WE TAKE THEIR OWN VESSELS AND CREATE A CONDUIT TO DO
22 THE DIALYSIS. THE PROBLEM IS MANY TIMES YOU RUN OUT
23 OF VESSELS THAT YOU CAN DO THAT WITH. THEY EITHER
24 CLOT, THEY STOP WORKING, AND WE ONLY HAVE SO MANY
25 VESSELS. THERE ARE SYNTHETIC OPTIONS, BUT THEY'RE

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1 SUBJECT TO INFECTION. THEY'RE FOREIGN BODIES. SO
2 THIS PARTICULAR PROGRAM THAT CIRM HAS FUNDED IS AN
3 ENGINEERED VESSEL THAT, IF YOU LOOK AT THE HISTOLOGY
4 AFTER THESE GRAFTS HAVE BEEN IMPLANTED, SEEDED WITH
5 THE STEM CELLS, AND THEN CREATED A NEW VESSEL, THEY
6 HAVE ALL THE LAYERS AND LOOK LIKE A NATIVE VESSEL.
7 AND THEY HAVE THE PROPERTIES THAT MAKE THEM MORE
8 LIKELY TO STAY OPEN AND TO NOT BE INFECTED.

9 SO THIS TECHNOLOGY IS NOW IN PHASE III
10 CLINICAL TRIALS, LARGE MULTICENTER TRIALS. AND
11 ANOTHER VERY TELLING EVENT WITH THIS IS THEY WERE
12 PARTNERED WITH FRESINIUS MEDICAL CARE, WHICH IS THE
13 LARGEST DIALYSIS COMPANY IN THE WORLD, SPEAKING TO
14 THE VIABILITY OF THIS GOING OUT TO PATIENTS, WHICH
15 IS REALLY THE MOST IMPORTANT THING.

16 NEXT SLIDE TALKS ABOUT OUR LEVERAGED
17 FUNDING. CIRM'S VALUE PROPOSITION IS THAT, ON
18 BEHALF OF THE CITIZENS OF CALIFORNIA, CIRM CAN FUND
19 IN PROGRAMS THAT ARE STILL TOO EARLY OR RISKY FOR
20 TRADITIONAL INVESTORS TO FUND. BUT BECAUSE WE'RE
21 ABLE TO LOOK AT THE SCIENCE, WE'RE ABLE TO PLACE
22 BETS. AND BECAUSE OF OUR RIGOROUS PEER REVIEW
23 PROCESS AND OUR SYSTEM, WE SO-CALLED DERISK THESE
24 PROGRAMS. BY DERISKING THESE PROGRAMS AND
25 PARTNERING WITH THEM EARLY, THE RESEARCHERS ARE ABLE

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1 TO CONDUCT THE WORK AND GET INFORMATION ENOUGH TO
2 MAKE PEOPLE COMFORTABLE IN INVESTING.

3 SO THIS WORKS. AND YOU CAN SEE IN THE
4 ARROW THAT IN 2015 \$40 MILLION IN INDUSTRY FUNDING
5 CAME TO OUR PROGRAMS. EACH YEAR WE'VE BEEN
6 INCREASING THE NUMBER, FROM 2016 153 ADDITIONAL
7 INVESTMENTS; 2017, 390; LAST YEAR OVER A BILLION;
8 AND THIS YEAR ALONE, ALMOST \$500 MILLION, AND IT
9 HASN'T BEEN YEAREND YET. SO TO DATE OVER \$1.8
10 BILLION, AND THAT'S JUST WHAT WE CAN COUNT, OF
11 INDUSTRY INVESTMENT BY WAY OF LICENSING, M&A, AND
12 ACTUALLY TWO OF OUR COMPANIES HAVE GONE PUBLIC. TWO
13 OF THE COMPANIES IN OUR PORTFOLIO HAVE GONE PUBLIC
14 SO CAN NOW ACCESS PUBLIC FUNDS. SO THIS REALLY
15 SPEAKS TO THE MODEL OF WE'LL GET THEM STARTED EARLY,
16 GET THEM THROUGH THE VALLEY OF DEATH, AND THEN GO
17 MORE ONTO THE TRADITIONAL INVESTMENT PATH.

18 IN ADDITION TO INDUSTRY INVESTMENT,
19 THERE'S CO-FUNDING AND FOLLOW-ON GRANTS AND GIFTS
20 FOR A TOTAL OF \$3.3 BILLION IN LEVERAGE OF NEW FUNDS
21 COMING IN TO SUPPORT THE PROGRAM BASED ON THE \$2.6
22 BILLION OR SO THAT CIRM USED TO INITIALLY FUND THE
23 PROGRAM.

24 THE NEXT SLIDE JUST GIVES KIND OF AN
25 OVERVIEW OF THE ACTIVITIES IN TERMS OF THE

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1 PARTNERSHIP EVENTS. I WON'T GO THROUGH EACH IN
2 DETAIL, BUT YOU COULD SEE JUST VISUALLY THAT YEAR
3 AFTER YEAR THERE HAVE BEEN MORE AND MORE ACTIVITIES
4 EITHER WITH NEW COMPANY PARTNERSHIPS, NEW FORMATION,
5 OR CONTINUED FOLLOW-ON FINANCING, AND EVENTS SUCH AS
6 IPO'S FOR OUR COMPANIES.

7 SO WHEN WE LAUNCHED THE STRATEGIC PLAN IN
8 2016, ONE OF OUR GOALS WAS TO INCREASE INDUSTRY
9 PULL. AND IT'S BEEN REALLY REMARKABLE THAT WE'RE
10 STARTING TO SEE THAT. AND IT'S DUE TO A COUPLE OF
11 FACTORS. ONE IS THE FIELD IS MATURING, BUT ACTUALLY
12 IT WAS A DELIBERATE EFFORT IN TERMS OF ACCELERATION
13 TO HAVING PROCESSES IN PLACE. THE EFT, THE
14 ELECTRONIC FUNDS TRANSFER, HAVE FACILITATED AND
15 ENABLED US TO GET MONEY OUT THE DOOR TO THESE
16 COMPANIES SO THAT THEY'RE NOT DELAYED IN THEIR
17 PROGRESS. AND TIME IS MONEY, AND OPPORTUNITY IS
18 OPENED UP WHEN WE INCREASE IN THESE EFFICIENCIES.

19 THROUGH ALL THESE PROGRAMS, IT'S TOUGH TO
20 KIND OF TOUCH ON EVERYTHING, BUT AS A BIG PICTURE,
21 THE CIRM FUNDING AND ACTIVITIES HAS CREATED AN
22 ECOSYSTEM. AND IT'S SERVED AS A HUB TO PROMOTE
23 PARTNERSHIP. IT'S BEEN NOTED AS A SEAL OF APPROVAL,
24 A QUALITY SEAL.

25 WE HAVE BEEN HEARING IN THE PRESSES THIS

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1 ISSUE OF STEM CELL TOURISM, DIRECT TO CONSUMER, AND
2 THESE ROGUE CLINICS. WE NEED TO COUNTER THAT BY
3 HAVING THE HIGH QUALITY, VALID SCIENCE THAT'S
4 RECOGNIZABLE, AND CIRM DOES PROVIDE THAT THROUGH ITS
5 ECOSYSTEM OF INVESTIGATORS, INSTITUTIONS, AND
6 THROUGH PARTNERSHIP WITH PATIENT ADVOCATES.

7 WE HAVE AN ACTUAL FORMAL INDUSTRY ALLIANCE
8 PROGRAM THAT FACILITATES VISIBILITY OF OUR PROGRAMS
9 TO OUR INVESTORS CALLED INDUSTRY ALLIANCE PROGRAM,
10 AND I MENTIONED THE ALPHA CLINICS NETWORK. AND
11 SINCE ITS FORMATION APPROXIMATELY FIVE YEARS AGO,
12 THAT NETWORK HAS SUPPORTED ALMOST CLOSE TO A HUNDRED
13 CLINICAL TRIALS NOW. INDUSTRY AND ACADEMIC TRIALS,
14 NOT JUST OUR TRIALS, BUT THAT OF THE GROWING FIELD.

15 SO WITH THAT, I WANT TO THANK YOU ALL FOR
16 YOUR ATTENTION AND THE OPPORTUNITY TO GIVE THIS
17 UPDATE. I KNOW YOU WANTED TO ALSO GET AN IDEA OF
18 WHAT'S NEXT. FOR 2019 OUR BOARD APPROVED THE
19 REMAINDER OF THE RESEARCH BUDGET OF ABOUT 143
20 MILLION TO BE ALLOCATED. WE BELIEVE WE'RE GOING TO
21 FINISH THAT BY THE END OF THIS YEAR. AND SO RIGHTLY
22 SO, WE HAVE A TRANSITION PLAN IN PLACE, WHICH WE'LL
23 DEVELOP FURTHER TO PRESENT TO YOU. THEN I'LL TAKE
24 QUESTIONS, AND I'D LIKE TO TURN IT OVER TO THE CHAIR
25 OF OUR ICOC, JONATHAN THOMAS, WHO CAN ALSO ADDRESS

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1 WHAT NOW, WHAT NEXT.

2 CONTROLLER YEE: BEFORE WE MOVE AHEAD, ANY
3 QUESTIONS FROM COMMITTEE MEMBERS?

4 MR. FISCHER-COLBRIE: I HAVE SOME
5 QUESTIONS. SOME COMMENTS TOO.

6 FIRST OF ALL, THE CONCEPTUAL VIEW OF BEING
7 FIRST IS OF MASSIVE VALUE, WHICH GOES WELL BEYOND
8 THE NUMBERS HERE. AND I CAN'T OVERSTATE HOW
9 CRITICAL THAT IS IN TERMS OF CONCEPTUALIZATION, WHAT
10 THAT MEANS FOR OTHER PEOPLE EXPLORING THAT SAME
11 SPACE, WHETHER IT'S RESEARCHERS OR INDUSTRY. AND
12 SOME CONCEPTUALIZATION AROUND THAT WOULD PROBABLY BE
13 HELPFUL TO CONTINUE TO EXPAND ON THOSE CONCEPTS THAT
14 YOU ARTICULATED SO WELL.

15 ALONG THOSE LINES, TYING IN THE EXPANSION
16 OF CLINICAL TRIAL NUMBERS, THE PATIENTS ASSOCIATED
17 WITH THAT, TO SHOW KIND OF THE LEVERAGE EFFECT THERE
18 WOULD ALSO BE GREAT FOR PEOPLE TO KNOW RELATED TO
19 TRUE IMPACT.

20 SO AT JDRF WE RAN INTO CONDITIONS WITH THE
21 FDA WHERE IT WAS SO CRITICAL TO TRAIN THE FDA ON HOW
22 TO DO THINGS. WITH CIRM IT'S BEEN THE SAME KIND OF
23 ACTIVITIES. WHAT THAT MEANS FOR ACCELERATION OF
24 CLINICAL TRIALS IS SO IMPACTFUL.

25 DR. MILLAN: THANK YOU.

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1 MR. FISCHER-COLBRIE: THAT'S JUST AMAZING.
2 ALSO, JUST COINCIDENTALLY, I MET SOMEBODY
3 IN THE BRIDGES PROGRAM. I CAN'T TELL YOU HOW
4 JAZZED, EXCITED, MOTIVATED, FIRST COLLEGE GRAD IN
5 THE FAMILY, AND HE'S LOCKED IN A RESEARCH INSTITUTE
6 RIGHT NOW AND JUST THRILLED TO DEATH ABOUT
7 PARTICIPATING IN THE PROGRAM.

8 SO I GUESS THOSE ARE MORE COMMENTS, IF YOU
9 WILL, OF BEING ABLE TO ACTUALLY, IN ADDITION TO THE
10 DOLLARS LEVERAGED, SHOW OTHER INDICATORS OF IMPACT.

11 DR. MILLAN: THANK YOU FOR THOSE COMMENTS.
12 JUST TO ADD, IN TERMS OF THE FDA, THERE'S, THROUGH
13 THE 21ST CENTURY CURES ACT, THE CREATION OF AN
14 EXPEDITED PATHWAY THROUGH THE FDA, ACKNOWLEDGING AND
15 RECOGNIZING THE PROMISE OF REGENERATIVE MEDICINE.
16 AND THE DESIGNATION IS CALLED RMAT, REGENERATIVE
17 MEDICINE ADVANCED THERAPY DESIGNATION, WHICH IS A
18 COMBINATION OF KIND OF A BREAKTHROUGH AND WITH AN
19 OPPORTUNITY FOR ACCELERATED APPROVAL. AND CIRM
20 PROGRAMS WERE SOME OF THE FIRST TO OBTAIN THOSE RMAT
21 DESIGNATIONS, AND WE HAVE FIVE PROGRAMS THAT HAVE
22 THAT DESIGNATION.

23 SO ALONG THE WAY IN THE CONVERSATION AND
24 OPTIMIZING AND USING AND REFINING AND BEING IN
25 CONVERSATIONS WITH ALL THE STAKEHOLDERS. WE'RE ALSO

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1 VERY LINKED TO THE STAKEHOLDERS THAT ARE DISCUSSING
2 THE ACCESS ISSUES AND COVERAGE OF THESE FOR OUR
3 PATIENTS BECAUSE WHAT GOOD IS IT IF WE CAN'T GET IT
4 TO PATIENTS. MORE ON THAT. THERE'S DEFINITELY MUCH
5 MORE WORK LEFT TO DO.

6 MR. FISCHER-COLBRIE: I THINK THAT'S GREAT
7 COMMUNICATION POINTS. JUST A COMMENT. SORRY.

8 CONTROLLER YEE: THANK YOU. THANK YOU.
9 OTHER COMMENTS FROM COMMITTEE MEMBERS?

10 MR. LOTT: MADAM CHAIR, I'M ON THE PHONE,
11 BUT I'LL WAIT TILL ALL OF YOU IN THERE TO COMMENT,
12 BUT I DO HAVE A QUESTION AT SOME POINT.

13 CONTROLLER YEE: I DID HAVE ONE QUESTION.
14 AND I DEFINITELY AGREE WITH THIS WHOLE, I GUESS,
15 CONCEPT OF BEING FIRST AND HOW YOU ASCRIBE VALUE TO
16 THAT. IT IS REALLY IMMEASURABLE, AND I HOPE YOU CAN
17 CAPTURE THAT WITH RESPECT TO PROGRESS BEING MADE.

18 WITH RESPECT TO THE READINESS FOR FINAL
19 MARKETING APPROVAL, CAN YOU GIVE US A FLAVOR OF KIND
20 HOW THAT PROCESS UNFOLDS AND KIND OF WHAT YOU THINK
21 SOME OF THE CHALLENGES WILL BE?

22 DR. MILLAN: SO WE HAVE JUST A HANDFUL OF
23 PROGRAMS THAT ARE IN WHAT WE CALL PIVOTAL PHASE NOW.
24 PIVOTAL MEANS THAT THEY ARE CURRENTLY CONDUCTING THE
25 TRIAL, THE DATA WILL BE REVIEWED BY THE FDA; AND

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1 BASED ON THAT, THEY WOULD RECEIVE MARKETING
2 APPROVAL.

3 THE ORCHARD THERAPEUTICS DON KOHN TRIAL
4 FOR IMMUNE DEFICIENCY IS SOMETHING THAT PUBLICLY HAS
5 BEEN DISCLOSED, THAT THAT IS CONTINUAL REVIEW BY THE
6 FDA. AND SO WE EXPECT TO BE GETTING A READ ON THAT
7 IN 2020, I BELIEVE AT LEAST BY MID-2020. THE DATA
8 IS GOING TO BE THE KEY, DATA SAFETY AND EFFICACY AND
9 WHAT THE DATA PACKAGE IS IS GOING TO BE KEY.

10 YOU MAY HAVE HEARD THAT THERE WAS A RECENT
11 APPROVAL, NOT TECHNOLOGY WE DEVELOPED, BUT IT WAS A
12 TECHNOLOGY DEVELOPED BY AVEXIS AND THEN NOVARTIS FOR
13 SPINAL MUSCULAR ATROPHY, WHICH IS A CONDITION
14 LEADING TO PARALYSIS OF BABIES. IT'S A PROGRESSIVE
15 DECLINE. THERE'S SOME THINGS THAT HAPPENED RECENTLY
16 IN TERMS OF THEIR REPORTING SOME OF THE EARLY WORK;
17 BUT, NEVERTHELESS, IT WAS JUST RECENTLY APPROVED BY
18 THE FDA. AND THE INTERESTING THING ABOUT THAT IS
19 THEY APPROVED THAT WHILE IT WAS STILL IN THE MIDST
20 OF THEIR PHASE III CLINICAL TRIAL.

21 SO WHEN THERE IS A STRONG ENOUGH SIGNAL OF
22 BENEFIT, THE FDA IS NOW POSITIONED TO ACCELERATE IT
23 GETTING OUT TO PATIENTS. SO IN TERMS OF CHALLENGES,
24 THERE ARE CHALLENGES IN TERMS OF ACCESS BECAUSE IT
25 IS AN EXPENSIVE THERAPY. SO THAT'S BEING WORKED

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1 OUT. AND SO PATIENTS, OF COURSE, AND THEIR FAMILIES
2 WITH THIS DIAGNOSIS ARE TRYING TO GET THIS ASAP, BUT
3 THERE'S ONLY LIMITED RESOURCES AND COVERAGE, ETC.
4 SO THAT'S BEING WORKED OUT RIGHT NOW. SO THOSE
5 ARE -- I THINK THE CHALLENGES ARE THE SCIENCE THAT
6 THEN LEADS TO AN ACTUAL APPROVAL BECAUSE IT'S SAFE
7 AND EFFECTIVE, AND THEN KIND OF PARTNERING THAT UP
8 WITH CMS, AND WHAT DOES IT CONSIDER, AND THEN, OF
9 COURSE, THE PRIVATE PAYERS, PRIVATE INSURERS. SO
10 THOSE ARE KIND OF WHAT ARE THE DATASETS THAT
11 EVERYBODY IS LOOKING AT.

12 THE KEY FUTURE CHALLENGE IS HOW DO WE
13 CAPITALIZE ON ALL THE MASSIVE DATASETS THAT ARE
14 COMING UP BOTH IN HEALTHCARE COSTS, IN TERMS OF
15 EFFICIENCIES OF HOW YOU MANUFACTURE IT, IN TERMS OF
16 DATASETS THAT COULD HELP ALL THESE DEVELOPERS, THOSE
17 DEVELOPING THE THERAPIES, TO LEARN SO THAT THEY CAN
18 AVOID ISSUES THAT OTHERS HAVE. AND THAT'S AN ACTIVE
19 AREA OF DISCUSSION THAT WE'RE VERY CLOSE TO.

20 CONTROLLER YEE: THANK YOU. MR. THOMAS.

21 CHAIRMAN THOMAS: THANK YOU, MADAM
22 CHAIRPERSON, MEMBERS OF THE COMMITTEE. I AS WELL
23 JOIN. JIM, NICE TO HEAR YOUR VOICE. HOPE THE
24 CONCERT WAS GREAT LAST NIGHT. THIS IS J.T. HERE.

25 SO BEFORE I GET INTO MY COMMENTS, I JUST

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1 WANTED TO REFLECT ON ONE THING YOU SAID ABOUT THE
2 BRIDGES PROGRAM. SO THOSE STUDENTS ARE INCREDIBLY
3 IMPRESSIVE. WE'RE FRESH OFF THE END-OF-SUMMER
4 CONFERENCE FOR THE HIGH SCHOOL PROGRAM. AND ONE OF
5 THESE DAYS, IF THE HIGH SCHOOL PROGRAM HAPPENS TO BE
6 IN AN AREA NEAR YOU, THAT END-OF-YEAR CONFERENCE,
7 YOU SHOULD DROP IN. THESE KIDS GIVE PRESENTATIONS.
8 THESE ARE LARGELY AP BIO STUDENTS WHO HAVE SOME
9 GROUNDING IN STEM CELLS BEFORE THEY GO INTO THIS
10 PROGRAM. AT THE END OF IT, SIX WEEKS, IT'S
11 UNBELIEVABLE WHAT THEY SOUND LIKE. THEY SELECT KIDS
12 TO GIVE PRESENTATIONS ON THEIR WORK. AND WITHOUT
13 FAIL, YOU'LL TURN TO WHOEVER IS SITTING NEXT TO YOU
14 AFTER SOMEONE HAS MADE THEIR PRESENTATION AND YOU
15 WILL SAY, "ARE YOU KIDDING ME?" THEY SOUND LIKE
16 PH.D. STUDENTS.

17 SO THESE KIDS ARE SO ENTHUSIASTIC. THEY
18 ARE THE BEGINNING OF THE PIPELINE OF THE WORKFORCE
19 THAT'S GOING TO INHERIT ALL OF THIS GREAT TECHNOLOGY
20 THAT'S BEING DEVELOPED. AND IT'S JUST ONE OF MANY
21 PROGRAMS THAT WE'VE BEEN FORTUNATE ENOUGH TO FUND,
22 BUT IT AND THE BRIDGES PROGRAM ARE BOTH JEWELS IN
23 TERMS OF DEVELOPMENT OF TALENT FOR THE FIELD.

24 I WANTED JUST TO SAY AS SORT OF A GENERAL
25 OVERVIEW COMMENT FROM THE STANDPOINT OF THE

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1 TAXPAYERS, I THINK THAT, AS WE'RE WINDING DOWN TO
2 THE END OF WHAT WE HOPE IS CIRM PHASE I, I THINK BY
3 ANY METRIC YOU MEASURE, THE PROGRAM HAS BEEN A REAL
4 SUCCESS. WE, BECAUSE OF THE ABILITY TO DEPLOY THE
5 \$3 BILLION, HAVE HAD THE OPPORTUNITY TO FUND
6 BEST-IN-CLASS RESEARCH TO SUCH AN EXTENT THAT IT
7 UNQUESTIONABLY HAS TRANSFORMED CALIFORNIA INTO THE
8 EPICENTER OF STEM CELL RESEARCH IN THE WORLD AND THE
9 ENVY OF THE WORLD. WE JUST HAD THE ANNUAL MEETING
10 OF THE ISSCR, WHICH IS THE INTERNATIONAL SOCIETY OF
11 STEM CELL RESEARCHERS, HAPPENED TO BE IN LOS ANGELES
12 THIS YEAR. IT SORT OF MOVES AROUND THE WORLD EVERY
13 YEAR. WE HAD IT HERE IN LARGE PART BECAUSE WE
14 WANTED TO BRING VISIBILITY TO THE SPACE AS WE HEAD
15 TOWARDS 2020 AND A POTENTIAL NEW INITIATIVE.

16 AND AT THAT MEETING, AS IS THE CASE EVERY
17 YEAR, IN TALKING TO MEMBERS OF THE FIELD FROM AROUND
18 THE WORLD, THEY ALL SAY, WITHOUT FAIL, HOW MUCH THEY
19 ENVY THE FACT THAT CALIFORNIA HAS BEEN ABLE TO
20 IMPLEMENT THIS PROGRAM AND WHAT A TREMENDOUS BOON IT
21 HAS BEEN, NOT JUST FOR THE STATE, BUT THE FIELD IN
22 GENERAL NATIONALLY AND INTERNATIONALLY. SO I THINK
23 WE SHOULD ALL FEEL VERY GOOD ABOUT WHERE WE ARE.
24 THE WORK IS NOT DONE BY ANY MEANS.

25 THE STORIES, DR. MILLAN HIGHLIGHTED A

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1 COUPLE OF EXAMPLES OF WORK THAT'S BEING DONE WITH
2 EVIE AND HUMACYTE. I DARE SAY WE COULD GO ON IN
3 GREAT DETAIL ABOUT ALL OF THE PROJECTS, AND YOU
4 WOULD FIND THEM TO BE MOST INTERESTING AND CUTTING
5 EDGE AND SORT OF WORTHY OF CALIFORNIA AND THE
6 FRONTIER MENTALITY IN TAKING ON CHALLENGES LIKE
7 THIS. BUT A LOT OF THESE THINGS ARE SORT OF STILL
8 IN MIDSTREAM. WE DON'T HAVE A LOT OF PROJECTS THAT
9 ARE AT THE STAGE OF DR. KOHN'S PROJECT, BUT WE'RE
10 GETTING THERE. BUT THE FACT THAT THERE IS A LOT
11 MORE TO BE DONE SUGGESTS THAT IT WOULD BE A GREAT
12 THING IF THERE WERE A CIRM PHASE II.

13 AT OUR LAST MEETING IN 2017, WE TALKED
14 ABOUT A TRANSITION PLAN. WE WEREN'T SURE WHEN WE
15 WERE GOING TO RUN OUT OF MONEY AT THAT STAGE.
16 MENTIONED THAT WE AVERAGE ABOUT 200 PLUS MILLION A
17 YEAR THAT WE PUT OUT OVER TIME. WE WERE IN THE
18 MIDST OF DISCUSSIONS ABOUT POTENTIAL WAYS TO RAISE
19 ADDITIONAL FUNDS FOR THE PROJECTS IF AND WHEN WE RAN
20 OUT OF MONEY. COUPLE THINGS HAVE HAPPENED SINCE
21 THEN.

22 NO. 1, BOB KLEIN, WHO, AS YOU KNOW, IS THE
23 AUTHOR OF PROP 71, WHO HAD BEEN THINKING ABOUT
24 POTENTIALLY BRINGING ANOTHER INITIATIVE TO THE
25 BALLOT, IS NOW PUBLICLY ON RECORD AS SAYING HE

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1 INTENDS TO DO SO ON THE NOVEMBER 20, 2020, BALLOT,
2 THIS ONE FOR \$5.5 BILLION. IF THAT WERE TO PASS,
3 THAT WOULD KEEP CIRM IN BUSINESS FOR MANY YEARS AND
4 WOULD ENABLE THE PROGRESSION OF THE WORK AND TO NOT
5 JUST FUND WHAT TECHNOLOGIES EXIST TODAY IN THE FIELD
6 OF REGENERATIVE MEDICINE, BUT ADVANCES CONTINUE TO
7 OCCUR, NEW TECHNOLOGIES THAT WILL ARISE AFTER THAT
8 POINT. SO THAT'S NO. 1.

9 WHEREAS, THE SCIENCE THAT WE'VE FUNDED IS
10 A PLUS AND BEST IN CLASS, THE FUNDRAISING EFFORT HAS
11 PROVED TO BE VERY PROBLEMATIC TO RAISE ADDITIONAL
12 FUNDS. IT NOW, AS DR. MILLAN HAS POINTED OUT,
13 APPEARS WE ARE GOING TO BE OUT OF MONEY SOMETIME
14 TOWARDS THE END OF THIS YEAR, AND THAT'S GOING TO
15 LEAVE US WITH A GAP BETWEEN NEW RESEARCH DOLLARS PUT
16 OUT AND THE NEXT INITIATIVE IN NOVEMBER.

17 I SHOULD POINT OUT, AS YOU MAY RECALL, OUR
18 PROJECTS ARE UP TO FOUR YEARS IN LENGTH. SO WHEN WE
19 TALK ABOUT THE AGENCY BEING AROUND, EVEN IF NOT
20 RE-FUNDED THROUGH 2023, THAT'S A REFLECTION OF THE
21 FACT THAT WE ARE MAKING OUR LAST NEW AWARDS THIS
22 YEAR, AND THOSE ARE FOUR YEARS IN LENGTH, WHICH IS
23 WHY THAT DATE IS OUT THERE.

24 SO KNOWING THAT WE WERE GOING TO BE
25 RUNNING OUT, WE TRIED VERY DILIGENTLY TO RAISE NEW

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1 FUNDS THROUGH A NUMBER OF DIFFERENT WAYS, CHARITABLE
2 GIFTS, A VARIETY OF LOAN IDEAS. WE'VE NOT BEEN ABLE
3 TO GET ANY REAL TRACTION IN THIS FOR A VARIETY OF
4 REASONS. WE DO HAVE SOME MAJOR EFFORTS ON THE
5 CHARITABLE GIVING STILL ONGOING. DON'T KNOW IF
6 THAT'S GOING TO PAN OUT OR NOT. SO WE HAVE TO
7 ASSUME SORT OF WORST CASE GOING FORWARD FOR THE YEAR
8 LEADING UP TO THE NOVEMBER '20 ELECTION. I THINK
9 CHILA WAS DESCRIBING THE FACT THAT WE HAVE ACTUALLY,
10 I THINK, AT OUR MAXIMUM WE HAD 60 EMPLOYEES.

11 MS. SILVA-MARTIN: SIXTY-TWO

12 CHAIRMAN THOMAS: SO WE'RE DOWN TO 37
13 THROUGH THE EXERCISE OF EFFICIENCIES AND ATTRITION,
14 AND WE'LL CONTINUE TO EXAMINE WHAT POSITIONS IF
15 WE'RE UNSUCCESSFUL IN RAISING ADDITIONAL CHARITABLE
16 GIFTS FOR THE BRIDGE PERIOD, EXAMINE WHAT IS MISSION
17 CRITICAL SO THAT WE WILL HAVE AN APPROPRIATELY SIZED
18 TEAM GOING THROUGH THE NOVEMBER ELECTION AND BEYOND.

19 AND SO I THINK IN TERMS OF THE ELECTION
20 ITSELF, I WANT TO MAKE IT VERY CLEAR, AS A STATE
21 AGENCY, WE CANNOT BE INVOLVED IN THE ELECTION
22 PROCESS. JUST TO LET YOU KNOW SORT OF WHERE BOB
23 STANDS JUST FACTUALLY, WITHOUT ADVOCATING ONE WAY OR
24 ANOTHER, HE'S IN THE PROCESS OF DRAFTING THE NEW
25 INITIATIVE, AND THAT WILL BE TURNED OVER TO THE

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1 ATTORNEY GENERAL 'S OFFICE LATER THIS YEAR. THEN
2 THERE 'S A WHOLE PROCESS THAT THEY GO THROUGH TO
3 DEVELOP A TITLE AND SUMMARY FOR THAT AND ANY OTHER
4 INITIATIVE THAT COMES UP. AT THE END OF THAT
5 PROCESS, THAT TRIGGERS A PERIOD IN WHICH BOB WILL
6 HAVE THE OPPORTUNITY TO SECURE THE ADEQUATE NUMBER
7 OF SIGNATURES TO QUALIFY FOR THE BALLOT. IF HE GETS
8 THROUGH THAT, THEN IT AND OTHER INITIATIVES THAT
9 HAVE QUALIFIED, EITHER THROUGH SIGNATURES OR THROUGH
10 THE LEGISLATURE PUTTING THEM ON THE BALLOT, WILL BE
11 CERTIFIED IN JUNE OF 2020 AND THEN ON THE BALLOT IN
12 NOVEMBER OF '20. SO THAT PROCESS IS IN PLAY. RIGHT
13 NOW THE INITIATIVE ITSELF WAS AND CHANGES MADE TO
14 THE ORIGINAL PROP 71 ARE A REFLECTION OF THE
15 INCREASED SCOPE IN THE FIELD AS THINGS HAVE
16 DEVELOPED SINCE 2004 SCIENTIFICALLY AND ALSO AS A
17 REFLECTION OF A GREAT DEAL OF DISCUSSION WITH ALL
18 RELEVANT STAKEHOLDERS WHO ARE INTERESTED IN THE
19 SUCCESS OF PROP 71 AND ITS FUTURE INITIATIVE AND
20 HAVE INFORMED CHANGES THAT HAVE BEEN PUT INTO THE
21 NEW INITIATIVE AS BOB CONTEMPLATES IT SO THAT IT'S
22 SORT OF UP TO DATE, REAL-TIME REFLECTION OF BOTH THE
23 FIELD AND EVERYBODY'S INPUT AS TO WHAT'S BEST FOR
24 THE PROGRAM GOING FORWARD ABOVE AND BEYOND WHAT
25 CURRENTLY EXISTS IN PROP 71. SO THAT'S KIND OF A

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1 SUMMARY OF THAT.

2 I JUST DO WANT TO SAY THAT, ECHO I THINK
3 YOU GOT FROM DR. MILLAN'S COMMENTS THAT THIS IS A
4 GREAT CALIFORNIA SUCCESS STORY. WHEN THE HISTORY IS
5 WRITTEN OF THE MEDICAL RESEARCH ERA 10 TO 20 YEARS
6 FROM NOW, WE BELIEVE IT DOUBTLESSLY WILL SHOW A
7 NUMBER OF THE PROJECTS THAT CIRM HAS FUNDED HAVING
8 LED TO CURES, THAT CIRM WILL BE PROMINENTLY FEATURED
9 AS THE DRIVER THAT HAS ENABLED TREMENDOUS PROGRESS
10 IN THE ACCELERATION OF MEDICAL SCIENCE IN THE
11 REGENERATIVE MEDICINE SPACE THAT WE CAN ALL BE VERY
12 PROUD.

13 I WANT TO THANK ALL OF YOU FOR YOUR
14 CONTINUED SUPPORT AND OVERSIGHT. IT'S A CRITICAL
15 FUNCTION THAT HELPS GUIDE US AS WE GO ALONG YEAR TO
16 YEAR, BUT I WANT EVERYBODY TO FEEL REALLY PROUD OF
17 WHAT WE'VE DONE HERE BECAUSE I THINK IT'S A GREAT
18 TEAM EFFORT, AND WE SHOULD BE VERY PLEASED. SO OPEN
19 TO ANY QUESTIONS YOU MIGHT HAVE. THANK YOU.

20 CONTROLLER YEE: THANK YOU. MR. LOTT.

21 MR. LOTT: MADAM CHAIR, THANK YOU VERY
22 MUCH. YOU KNOW, TERRIFIC. I AM A HUNDRED PERCENT
23 IN SUPPORT AND THINK IT IS JUST GREAT IF WE GET A
24 CIRM 2.0. WE'RE IN THIS FOR THE LONG GAME. THIS IS
25 NOT A SHORT-TERM EFFORT. IT'S UNFORTUNATE THAT NOT

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1 EVERYONE CAN UNDERSTAND THAT THIS PROCESS AND THESE
2 TRIALS TAKE TIME IN GETTING APPROVAL, TAKE THE TIME
3 THAT THEY DO. THIS IS A CRUCIAL OPERATION THAT'S
4 GOING ON HERE, AND WE NEED TO KEEP IT GOING. SO I'M
5 TOTALLY IN SUPPORT OF A CIRM 2.0.

6 I DO, THOUGH, WANT TO UNDERSCORE AGAIN
7 WHAT OUR FUNDAMENTAL RESPONSIBILITY IS AS OUR
8 COMMITTEE, AND THAT IS THAT WE'VE GOT TO MAKE
9 CERTAIN THAT WE WATCH THE BUDGET AND WE MAKE CERTAIN
10 THAT THE MONEY IS BEING EXPENDED CORRECTLY AND THAT
11 THE PLANNING AND BUDGETING IS DONE CORRECTLY.
12 AGAIN, I WANT TO UNDERSCORE, MADAM CHAIR -- THAT'S
13 MY DOG. I APOLOGIZE. SOMEBODY IS COMING TO THE
14 FRONT DOOR.

15 ANYWAY, I WANT TO UNDERSCORE THE NEED FOR
16 US TO HAVE THE TRANSITION AND BUDGET IN THE EVENT
17 THAT WE DON'T GET A CIRM 2.0. AND SO I THINK THAT'S
18 IMPORTANT THAT WE DO.

19 AND THE LAST THING, AND, MADAM CHAIRMAN, I
20 ASK IF YOU WOULD RULE ON THIS, THE LAST THING I
21 WOULD ASK I JUST SERENDIPITOUSLY RAN ACROSS AN
22 ARTICLE THIS MORNING ABOUT THE DRIVE FOR CIRM 2.0 IN
23 KAISER HEALTHPLAN NEWS. CAN WE ASK OUR
24 COMMUNICATIONS PEOPLE WITHIN CIRM TO SEND US -- KEEP
25 US ADVISED AS TO WHAT'S GOING ON AS IT'S HAPPENING

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1 AS OPPOSED TO WHAT'S GOING ON -- AS OPPOSED TO WHAT
2 WE GET IN THESE QUARTERLY MEETINGS?

3 CONTROLLER YEE: SURE. I THINK JUST
4 ADDING US ONTO ANY DISTRIBUTION.

5 MS. BONNEVILLE: YES. WE HAVE SEVERAL
6 NEWSLETTERS. SO I CAN ADD EVERYONE ON THE COMMITTEE
7 TO THE NEWSLETTERS. SO THEN YOU'LL START GETTING
8 ALL OF OUR CIRM INFORMATION.

9 MR. LOTT: THAT WOULD BE GREAT. I'M GOING
10 TO GO BACK ON MUTE BECAUSE MY DOG IS GOING CRAZY.

11 CONTROLLER YEE: THANK YOU, JIM.

12 I JUST WANT TO UNDERSCORE A COUPLE THINGS.

13 ONE, FIRST OF ALL, I'M HONORED TO BE ABLE
14 TO CHAIR THIS COMMITTEE AND TO HAVE THE OPPORTUNITY
15 TO PROVIDE THIS OVERSIGHT BECAUSE ONE OF THE GREAT
16 BENEFITS IS OBVIOUSLY JUST BEING EXPOSED TO ALL THE
17 TREMENDOUS PROGRESS THAT HAS BEEN MADE, THAT
18 HOPEFULLY WILL CONTINUE TO BE MADE. AND I KNOW THAT
19 SOMETIMES OVERSIGHT IS JUST ABOUT THE NUMBERS, BUT I
20 THINK IT'S MUCH MORE THAN THAT. THERE ARE A LOT OF
21 INTANGIBLES ASSOCIATED WITH THE SUCCESS OF AN
22 ENDEAVOR LIKE THIS. HOW YOU CAPTURE THAT, I THINK,
23 IS A CHALLENGE. I THINK THERE ARE PROBABLY OTHER
24 PARTIES THAT CAN DO THAT MORE APPROPRIATELY.

25 A COUPLE THOUGHTS. I THINK THE TRANSITION

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1 PLAN, AND WE WILL HAVE THAT FRONT AND CENTER WITH
2 RESPECT TO OUR NEXT COMMITTEE MEETING, BUT THANK
3 MARIA FOR OFFERING TO PUT US ON THE LIST FOR ALL OF
4 THE NEWSLETTERS, PARTICULARLY IN THIS IMPORTANT
5 PHASE WHERE THERE WAS AN APPROACH TO THE END OF THE
6 CURRENT FUNDING THAT'S AVAILABLE, BUT I THINK THE
7 TRANSITION PLAN IS ALSO IMPORTANT, WHETHER IT'S CIRM
8 2.0 OR JUST HOPEFULLY WE'RE HERE TO TALK ABOUT THAT
9 IN FUTURE YEARS OR WHETHER IT IS ABOUT REALLY
10 WINDING THIS DOWN WITH RESPECT TO WHAT CIRM OUGHT TO
11 LOOK LIKE SHOULD THE VOTERS NOT BE SUPPORTIVE GOING
12 FORWARD.

13 OBVIOUSLY THAT'S A QUESTION THAT WILL BE
14 LEFT TO THE VOTERS STATEWIDE, BUT I THINK IN TERMS
15 OF, AGAIN, WHERE I STARTED OUT WITH THIS MEETING,
16 THE RETURN ON OUR INVESTMENT. THERE WILL BE
17 SUSTAINING ACTIVITIES BEYOND THE AVAILABILITY OF THE
18 CURRENT AMOUNT OF PROCEEDS. AND I THINK THAT'S ALSO
19 A VERY EXCITING CONVERSATION TO HAVE AND PROBABLY A
20 MORE DIFFICULT ONE RATHER THAN A CONTINUATION OF
21 OBVIOUSLY WHAT'S IN PROGRESS.

22 AND I WILL ALSO EXERCISE THE CAUTION, JON,
23 THAT YOU MADE, AND THAT IS AS A PUBLIC AGENCY, AS A
24 PUBLIC COMMITTEE, OVERSIGHT COMMITTEE, THAT ANY
25 ADVOCACY ON ANY KIND OF BALLOT MEASURE IS

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1 INAPPROPRIATE. SO WE JUST WANT TO EXERCISE OUR
2 CAUTION ABOUT THAT TO CERTAINLY RETAIN OUR
3 INDEPENDENT OVERSIGHT RESPONSIBILITY ON THIS FRONT
4 AS WELL.

5 SO WITH THAT, ANY OTHER QUESTIONS?

6 CHAIRMAN THOMAS: I'D JUST LIKE TO ADD
7 ONE, MADAM CHAIR, ON THE ISSUE OF RETURN ON
8 INVESTMENT. THERE ARE VALUATIONS DONE OF ECONOMIC
9 IMPACT, WHETHER IT'S TAXES OR JOBS OR WHATEVER. THE
10 KEY THING TO REMEMBER FOR EVERYBODY HERE IS THAT THE
11 TRUE ECONOMIC IMPACT WILL BE DOWN THE ROAD IN THE
12 FORM OF DRAMATIC HEALTHCARE SAVINGS, WHICH IS GOING
13 TO BE THE REALLY BIG TICKET PART OF THE WHOLE THING.
14 SO THAT IS A CHAPTER YET TO BE WRITTEN, BUT WILL BE
15 THE, WE BELIEVE, THE REAL PAYOFF TO THIS GRAND
16 EXPERIMENT.

17 CONTROLLER YEE: RIGHT. YES, DR. QUICK.

18 DR. QUICK: CONGRATULATIONS, FIRST OF ALL,
19 TO ALL OF YOU AND YOUR CONTINUED GREAT WORK.

20 I GUESS REGARDLESS OF WHETHER THERE WILL
21 BE A CIRM 2.0 OR THERE IS A WIND-DOWN, I THINK IT'S
22 CRUCIAL TO THE STATE AND THE CITIZENS OF THE STATE
23 TO BE AWARE OF ALL OF THE GREAT WORK THAT HAS BEEN
24 DONE. I THINK THAT'S A SIGNAL CERTAINLY TO FUTURE
25 FUNDING FOR CIRM, BUT FUTURE FUNDING IN THE SCIENCES

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1 AND TECHNOLOGY IN ANY REGARD THAT THIS WILL SERVE AS
2 SORT OF A POSTER CHILD FOR THE GREAT WORK.

3 I CAN REMEMBER WHEN WE VOTED FOR CIRM 1.
4 THERE WAS THAT SENSE OF PRIDE, THERE WAS THAT SENSE
5 OF LEADING, BEING FIRST, AND I THINK ANY FUTURE
6 SCIENCE THAT GETS FUNDED BY THE PUBLIC WILL BENEFIT
7 FROM CIRM 1.0.

8 THAT SAID, I GUESS, TYING IT BACK TO
9 OVERSIGHT AND BUDGET, DO YOU FEEL YOU HAVE ALLOCATED
10 ENOUGH ON THE COMMUNICATIONS SIDE FOR THE COMING
11 YEAR AND FOR FUTURE YEARS TO MAKE SURE THAT THE
12 CITIZENS ARE AWARE, AS FULLY AS THEY CAN BE, OF THE
13 GREAT WORK THAT HAS TAKEN PLACE DURING CIRM 1.0 AND
14 THEN THE GREAT RESULTS THAT HAVE COME FROM THAT? I
15 WANT TO MAKE SURE THAT YOU THOUGHT HARD ABOUT THAT.

16 I KNOW I CAN STAND UP AT A MEETING AND
17 SAY, HERE AT THE UNIVERSITY OF SOUTHERN CALIFORNIA,
18 WE ARE DOING X, AND RIGHT AFTER THE MEETING IS OVER,
19 SOMEBODY RAISES THEIR HAND AND SAYS, WHEN ARE YOU
20 GOING TO DO X? AND YOU DO GET WORRIED THAT NO
21 MATTER HOW YOU COMMUNICATE, YOU CAN'T GET THE WORD
22 OUT.

23 MS. BONNEVILLE: YES.

24 DR. QUICK: ARE YOU SET UP TO GET THE
25 BIGGEST BANG TO LET PEOPLE KNOW OF THE

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1 ACCOMPLISHMENTS OF CIRM GOING FORWARD?

2 DR. MILLAN: I'LL START AND THEN I'D LIKE
3 TO HAVE MARIA BONNEVILLE, WHO ALSO LEADS OUR
4 COMMUNICATIONS AND PR GROUP. ANY TIME WE'RE
5 ANYWHERE PRESENTING AT SCIENTIFIC CONFERENCES,
6 BUSINESS FORUM, PATIENT ADVOCATE EVENTS ORGANIZED BY
7 OUR TEAM, WHAT WE TRY TO DO IS REPORT BACK TO THE
8 PUBLIC APPROPRIATE FOR WHATEVER AUDIENCE IT IS. WE
9 ALSO HAVE OUR TEAM HAS BEEN ENGAGED IN WRITING
10 PAPERS TO KIND OF ENCAPSULATE AND DESCRIBE ITS VALUE
11 PROPOSITION, NOT JUST OUR TEAM, BUT OUR
12 INVESTIGATORS.

13 SO, FOR INSTANCE, *CELL STEM CELL* PUBLISHED
14 ON OUR ALPHA CLINICS NETWORK HOW THAT'S BEEN UNIQUE.
15 OUR HEAD OF REVIEW IS LEADING AN ARTICLE IN TERMS OF
16 DESCRIBING WHAT THIS SYSTEM LOOKS LIKE AND THE
17 RESPONSIBILITIES OF FUNDING AGENCIES, NOT JUST TO
18 HAND OUT THE MONEY, BUT TO MAKE SURE SOMETHING COMES
19 OUT OF IT AND THAT WE ARE PARTNERING WITH OUR
20 PROGRAMS AND THAT CIRM MODEL IN THE CONTEXT OF OTHER
21 PROGRAMS THAT ARE OUT THERE.

22 OUR COMMUNICATIONS TEAM DOES A SPECTACULAR
23 JOB. AND AS YOU SAY, IT IS PERMEATING. IT DOES
24 EVENTUALLY. IT'S ALL REPETITION. IT'S ALL
25 CONTINUED EXPOSURE. BUT OUR COMMUNICATIONS TEAM

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1 DOES A SPECTACULAR JOB WITH THEIR BLOGS IN
2 HIGHLIGHTING OUR PROGRAMS AND THEIR MILESTONES. AND
3 THEN WHAT THEY'VE ALSO DONE, WHICH IS REALLY
4 SPECTACULAR, IS HAVE AN INTERACTIVE WEBSITE. SO
5 FOLKS CAN ACTUALLY LOG IN THERE, AND THINGS I
6 PRESENTED TODAY ARE ALL ACCESSIBLE VIA THE WEBSITE.
7 IT'S NAVIGATABLE, IT'S UP TO DATE IN TERMS OF WHAT
8 PROGRAMS ARE FUNDED, WHAT THEY'RE ABOUT, AND THERE
9 ARE LINKS TO LINKS FOR VIDEOS AND OTHER INFORMATION.
10 IS THERE ENOUGH? WE CAN ALWAYS HAVE MORE.

11 I'M GOING TO TURN IT OVER TO MARIA BECAUSE
12 YOU MIGHT HAVE SOME ADDITIONAL.

13 MS. BONNEVILLE: AS YOU KNOW, JUST IF YOU
14 BUILD IT, THEY DON'T ALWAYS COME TO THE WEBSITE OR
15 TO OTHER AVENUES IN WHICH WE HAVE PROVIDED THE
16 INFORMATION. AND ADVERTISING AND MARKETING
17 CAMPAIGNS CAN BE INCREDIBLY EXPENSIVE. SO WE'VE
18 TRIED TO TAKE MORE OF A GRASS ROOTS APPROACH
19 ALTHOUGH WE DO ADVERTISE ON THE DIFFERENT SOCIAL
20 MEDIA PLATFORMS. WE HAVE FACEBOOK PAGES, WE HAVE A
21 TWITTER, WE HAVE AN INSTAGRAM AND A YOUTUBE CHANNEL.
22 SO WE TRY AND DRIVE PEOPLE TO THOSE AVENUES AS WELL.

23 I THINK WE'VE TAKEN MORE OF A GRASS ROOTS
24 EFFORT WHERE WE GO TO PATIENT ADVOCATE GROUP
25 MEETINGS CONSTANTLY. WE PARTICIPATE IN DIFFERENT

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1 CONFERENCES THROUGHOUT THE STATE, ALSO OUTSIDE OF
2 THE STATE BECAUSE WE WANT TO BRING IN OTHER
3 RESEARCHERS PERHAPS EVEN TO MOVE TO CALIFORNIA TO
4 CONDUCT THEIR RESEARCH HERE, WHICH IS CRITICAL FOR
5 US AND A GREAT OPPORTUNITY FOR THE STATE. SO WE
6 REALLY HAVE TRIED TO GO OUT THAT WAY.

7 THE PRESS, IT'S HARDER. THERE'S NOT AS
8 MANY SCIENCE JOURNALISTS OR THEY DON'T COVER SCIENCE
9 AS MUCH IN THE PAPERS, AS YOU KNOW, OR IN THE MEDIA.
10 EVEN WHEN THEY DO, AS MUCH AS OUR GRANTEES MAY
11 EMPHASIZE THAT THE FUNDING HAS COME FROM CIRM, THEY
12 DON'T WRITE IT INTO THE ARTICLE. YOU'VE PROBABLY
13 READ ABOUT A LOT OF OUR RESEARCH THAT JUST HASN'T
14 BEEN ATTRIBUTED TO FUNDING SOURCE. IT HAPPENS FOR
15 NIH, IT HAPPENS FOR HHMI, HAPPENS FOR EVERYONE.

16 SO I THINK THAT THAT'S BEEN A CHALLENGE
17 BECAUSE WE WILL READ AN ARTICLE ABOUT SOMETHING WE
18 FUNDED AND I'M LIKE, "WHY AREN'T WE LISTED HERE?
19 THIS IS SO IMPORTANT." SO THEN WE TRY AND FOLLOW UP
20 WITH A BLOG THAT REFERENCES THE ARTICLE THAT SAYS
21 THIS WAS SOMETHING THAT CIRM WAS INVOLVED IN AND
22 ISN'T THIS SPECTACULAR? WE DEFINITELY TRIED. AND
23 IT IS REPETITIVE. I DON'T KNOW HOW MANY TIMES WE'VE
24 TALKED ABOUT THIS SAME THING. PART OF ME IS LIKE
25 ARE PEOPLE BORED NOW?

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1 DR. QUICK: TIRED OF SAYING IT TO
2 YOURSELF, BUT NOBODY ELSE HAS HEARD IT.

3 MS. BONNEVILLE: EXACTLY. BUT NOBODY HAS
4 HEARD IT. THERE'S THAT AS WELL. SO THANK YOU.

5 DR. QUICK: JUST MAKE SURE YOU'RE BUDGETED
6 WELL.

7 MS. BONNEVILLE: THANK YOU.

8 CONTROLLER YEE: IT SEEMS TO ME ONE OF THE
9 GREATEST AMBASSADORS OF ALL OF CIRM'S
10 ACCOMPLISHMENTS ARE OBVIOUSLY THE PATIENTS. AND
11 JUST ONE QUESTION WITH RESPECT TO HOW MUCH OF YOUR
12 TIME OR RESOURCES GOES INTO, I GUESS, LARGER PUBLIC
13 POLICY DEVELOPMENT? I MEAN THIS WHOLE ISSUE OF
14 ACCESS IS REALLY GOING TO BE KIND OF THE --

15 DR. MILLAN: THAT WE WOULD -- WE DON'T
16 HAVE A FORMAL BUDGET FOR THAT. WE HAVE FOLKS WITHIN
17 THE ORGANIZATION, THAT'S ONE OF THEIR HATS THEY
18 WEAR. OF COURSE, WE HAVE ART TORRES, OUR VICE
19 CHAIR, WHO HAS BEEN REALLY SPECTACULAR IN TERMS OF
20 KEEPING US LINKED INTO THE VARIOUS STAKEHOLDERS.
21 BOB KLEIN HAS PUBLICLY STATED THAT THEY PLAN, AS
22 PART OF THE INITIATIVE, TO HAVE AN ACTUAL COMPONENT
23 OF IT BE DEDICATED TO THAT TOPIC OF HEALTHCARE
24 ECONOMICS AND ACCESS. SO THAT IS SOMETHING THAT
25 WE'VE BEEN VERY MUCH, AS MUCH AS POSSIBLE, BEING

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1 PART OF THE CONVERSATION, STARTING TO LAY DOWN SOME
2 GROUNDWORK IN TERMS OF CONNECTING THE RIGHT PARTIES,
3 INCORPORATING INTO HOW OUR OWN PORTFOLIO PROGRAMS
4 THINK ABOUT THINGS. BUT IN THE FUTURE THAT WOULD BE
5 AN OPPORTUNITY TO FORMALIZE THAT BECAUSE THERE'S SO
6 MUCH -- THERE'S A TECHNOLOGY PIECE THERE, KIND OF
7 HOW DO YOU GET ALL THE INFORMATION YOU NEED. SO
8 THAT REQUIRES INFRASTRUCTURE, THAT REQUIRES
9 ALLIANCES, IT REQUIRES STRATEGIC PARTNERSHIPS. THEN
10 THERE'S THE POLICY PIECE OF HOW THIS ALIGNS WITH
11 NATIONAL AS WELL AS STATE HEALTHCARE COVERAGE. THEN
12 THERE'S A PATIENT EDUCATION PIECE OF IT. AND
13 BECAUSE THEY ARE, AS YOU SAY, THEY'RE BIGGEST
14 AMBASSADORS, THEY'RE THE END USERS, THEY'RE WHY WE
15 EXIST, AND THEY'RE GOING TO OWN THE DATA.

16 SO ALL OF THESE NEED FURTHER DEVELOPMENT.
17 SO THOSE ARE, I GUESS, THE ADDITIONAL OFFSHOOTS OF
18 THE SUCCESS, THAT WE ACTUALLY HAVE PROGRAMS AND
19 THERAPIES THAT WE'RE GOING -- THESE ARE GOOD
20 PROBLEMS TO HAVE, BUT IT'S A PROBLEM WE DO NEED TO
21 ADDRESS.

22 CONTROLLER YEE: I THINK ABOUT ALL OF THE
23 PULSING CONVERSATIONS AROUND HEALTHCARE GENERALLY,
24 WHETHER IT'S A FOCUS ON AGING, WHETHER IT'S A FOCUS
25 ON CERTAINLY THE NATIONAL CONVERSATION WE'RE HAVING

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1 ON HEALTHCARE. IT SEEMS TO ME THAT
2 IT'S A VERY KIND OF STATIC CONVERSATION WITH NOT A
3 LOT OF ATTENTION FOCUSED ON KIND OF WHAT'S TO
4 COME. AND EVEN THE CONCEPT OF PRECISION MEDICINE,
5 WHICH WE'VE BEEN REALLY DEALING WITH FOR A WHILE
6 NOW, I DON'T THINK THERE'S EVEN REALLY AN ACCORD
7 HOW WE TALK ABOUT COSTS, AND PROBABLY THINK ABOUT
8 BUILDING THAT IN IN TERMS OF A HEALTH OUTCOME
9 GOING FORWARD.

10 I THINK THERE'S A LOT OF WORK TO BE DONE
11 JUST IN TERMS OF CONNECTING THE DOTS ON THE THINGS
12 THAT CERTAINLY ARE IN PROGRESS BECAUSE OF CIRM AND
13 THE LARGER HEALTHCARE DIALOGUE. GOOD.

14 OTHER QUESTIONS OR COMMENTS? ANY
15 MEMBERS OF THE PUBLIC PRESENT WHO WISH TO MAKE A
16 COMMENT? SEEING NONE, MR. LOTT, ANY OTHER FURTHER
17 COMMENT?

18 MR. LOTT: I JUST WANT TO THANK YOU,
19 MADAM CHAIR AND COMMITTEE MEMBERS AND CIRM
20 LEADERS, FOR ALLOWING ME TO PARTICIPATE THIS WAY.
21 MY ONLY NEXT CONFLICT WILL BE THE ELTON JOHN
22 FAREWELL TOUR.

23 CONTROLLER YEE: WE'LL BE SURE TO
24 SCHEDULE ACCORDINGLY. THANK YOU, JIM.

25 ALL RIGHT. WITH THAT, SEEING NO OTHER

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1 FURTHER COMMENT FROM ANY MEMBERS OF THE PUBLIC, THIS
2 COMMITTEE MEETING IS ADJOURNED. THANK YOU VERY
3 MUCH.

4 (THE MEETING WAS THEN CONCLUDED AT 10:52 A.M.)
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REPORTER'S CERTIFICATE

I, BETH C. DRAIN, A CERTIFIED SHORTHAND REPORTER IN AND FOR THE STATE OF CALIFORNIA, HEREBY CERTIFY THAT THE FOREGOING TRANSCRIPT OF THE PROCEEDINGS BEFORE THE CITIZENS FINANCIAL ACCOUNTABILITY OVERSIGHT COMMITTEE IN THE MATTER OF ITS REGULAR MEETING HELD AT THE LOCATION INDICATED BELOW

STATE CONTROLLER'S OFFICE
888 S. FIGUEROA STREET
SUITE 2050
LOS ANGELES, CALIFORNIA
ON
FRIDAY, AUGUST 23, 2019

WAS HELD AS HEREIN APPEARS AND THAT THIS IS THE ORIGINAL TRANSCRIPT THEREOF AND THAT THE STATEMENTS THAT APPEAR IN THIS TRANSCRIPT WERE REPORTED STENOGRAPHICALLY BY ME AND TRANSCRIBED BY ME. I ALSO CERTIFY THAT THIS TRANSCRIPT IS A TRUE AND ACCURATE RECORD OF THE PROCEEDING.

BETH C. DRAIN, CA CSR 7152
133 HENNA COURT
SANDPOINT, IDAHO