



STATE OF CALIFORNIA
FAIR POLITICAL PRACTICES COMMISSION
1102 Q Street • Suite 3050 • Sacramento, CA 95811
(916) 322-5660

To: Chair Silver and Commissioners Brandt, Ortiz, Wilson, and Zettel

From: Dave Bainbridge, General Counsel
Kevin Cornwall, Senior Commission Counsel

Subject: **Opinion Regarding Affiliation Between Stanford Health Care and Stanford University for Purposes of the Act's Conflict of Interest Provisions**

Date: August 21, 2025

Executive Summary

In *Vanni* Advice Letter, No. I-24-102, FPPC Legal Division staff advised the Palo Alto City Attorney, on behalf of Palo Alto City Manager Edward Shikada, that City Manager Shikada had an economic interest in Stanford University as a source of income based on Stanford University's control of Stanford Health Care ("SHC"), his spouse's employer, despite Stanford University and SHC being legally distinct nonprofit organizations. The City Attorney requested that the Commission determine that City Manager Shikada does not have an economic interest in Stanford University, in contrast to the conclusion reached in the *Vanni* Advice Letter. The City Attorney's argument was based, in large part, on changes to SHC bylaws since a similar question was considered by the FPPC in *Lee* Advice Letter, A-83-257, as well as a superior court opinion finding that Stanford University and SHC were distinct entities for purposes of "alter ego" liability.

The Legal Division researched, analyzed, and presented the issue to the Commission at the June 2025 Commission meeting, as well as in the memorandum published for the Commission's review prior to the meeting. The Commission also heard comments from counsel for the City Attorney's Office, as well as City Manager Shikada. After consideration of the issue, the Commission determined that, based on SHC's current bylaws and the degree of control Stanford University continues to have over SHC, the *Vanni* Advice Letter correctly determined that Stanford University constitutes a source of income for City Manager Shikada. In particular, the Commission found persuasive the fact that, as pointed out in the *Vanni* Advice Letter, the Stanford University Board has the authority to appoint and remove members (and fill vacancies) of the SHC Board.

Although SHC bylaws have changed since the *Lee* Advice Letter, such that there is no longer broad overlap between the Stanford University Board and the SHC Board, the level of control that the Stanford University Board continues to exercise over SHC and the SHC Board is still significant enough that the two entities should be considered one and the same for purposes of the Act's conflict provisions. Further, while a superior court rejected application of the "alter

ego” doctrine for purposes of liability in a civil suit, such a finding is based on entirely different legal standards not applicable under the Act.

The Commission’s conclusion is consistent with the purposes of the Act. The Act specifies that it “should be liberally construed to accomplish its purposes.” (Section 81003.) One of the Act’s purposes is that “officials should be disqualified from acting in order that conflicts of interest may be avoided” where “income of public officials . . . may be materially affected by their official actions.” (Section 81002(c).) “The California Political Reform Act aims at freeing government and its officials from the actuality or appearance of corruption.” (*Fair Political Practices Commission v. Superior Court* (1979) 25 Cal.3d 33, 58.)

In light of its conclusion furthering the purposes of the Political Reform Act, the Commission instructed staff to prepare two versions of a Commission Opinion for the Commission’s further consideration. These two versions would opine that, based on Stanford University’s current level of control over SHC, Stanford University constitutes a source of income to City Manager Shikada, but that would not necessarily remain true if the SHC bylaws instead provided that:

- Version 1: Stanford University does not have the authority to remove SHC Board members; or
- Version 2: Stanford University only has the authority to remove SHC Board members for cause.

Staff has drafted a Commission Opinion that incorporates these two conclusions. However, rather than prepare separate versions of the opinion, staff thought it most effective to provide optional language discussing the possible relevance of the factors highlighted in each version. The Commission may choose to include any or all of the optional language. The language acknowledges the possibility that the Commission might have reached a different conclusion if those facts had been present, but also notes that the Commission does not have occasion to make a definitive conclusion on those hypotheticals in the context of a Commission Opinion. The optional language is highlighted and, regardless of its inclusion, the Commission Opinion would conclude that, based on SHC’s bylaws as currently written, Stanford University constitutes a source of income to City Manager Shikada. Once the Commission has decided whether to include the optional language or some version of that language, staff will create a final version incorporating the selected language along with any additional changes the Commission would like to make.

Attachments:

1. Draft Commission Opinion
2. June 2025 Commission Meeting Memorandum