

**Budget Report**  
**11/2/2004 – 6/30/2005**  
**7/1/2005 – 6/30/2006**  
**7/1/2006 – 12/31/2006**

**Background**

The ICOC has approved budgets for the periods 11/2/2004 – 6/30/2005 and 7/1/2005 – 6/30/2006. The purpose of this presentation is to bring you up to date on the progress for those two budgets and to recommend a budget for 7/1/2006 – 12/31/2006 (the first six months of the next fiscal year).

**Available Funding**

The following sources of funds (including the funding available for operational expenses from the \$14 Million BAN sale) have been and are available to cover incurred and expected costs for all three budget periods (11/2/2004 – 12/31/2006):

General Fund Loan	\$ 3,000,000
Dolby Grant + Interest	5,073,716
BAN – Gen. Adm. Funds	420,000
BAN – Grants Adm. Funds	405,280
BAN – Grant Award Funds (Legal)	983,420
Gift – Goldman	<u>350,000</u>
Total	\$10,232,416

In addition, we expect additional funds will be received from gifts that have been promised and from fund raising. With these additional funds we believe that the total available funding will be sufficient funding to cover the following:

- All actual expenditures for the period 11/2/2004 – 6/30/2005 (**Attachment I**)
- All actual and projected expenditures for the period 7/1/2005 – 6/30/2006 (**Attachment II**), if: \$598,000 due to SCO, DOJ and Remcho is deferred.

**Attachment III** contains a comparison for each cost center between the budget approved for this period and the revised projected budget and a list of major reasons for the difference.

- All projected expenditures for the period 7/1/2006 – 12/31/2006 (Scenario 1 in **Attachment IV**), if: \$918,000 (including the \$598,000 for 2005-06) due to SCO, DOJ and Remcho is deferred.

If the remaining \$36 million in BANS is sold prior to 7/1/2006, we will be able to implement Scenario 2 (**Attachment IV**). This is a much preferred alternative because it allows CIRM to:

- Hire additional science personnel, including a Senior Review Officer and a Senior Officer for Facilities.
- Present a Request for Application for Innovation Grants to the ICOC for concept approval at the August 2006 ICOC meeting.
- Meet our obligation for the second year of funding for the training grants.
- Have funds for the first year of Innovation Grants, as approved by the ICOC.
- Work with the Facilities Working Group to develop policies for facilities funding for review and approval by the ICOC.
- Pay deferred obligations.
- Provide additional funding to continue operations past 12/31/2006.
- Hire an assistant to the Chief, Communications to ensure timely and adequate media responses and development of a media plan consistent with the Strategic Plan.

For information on the breakdown on funding from \$36 million in BANS, see **Attachment V**.

### **Recommendation**

Recommend that the Scenario 1 budget be approved.

In addition, recommend that the Scenario 2 budget be approved for implementation as soon as the additional BANS are sold.

Note: If the BANS are sold after 7/1/2006, the benefits outlined above for Scenario 2 will be delayed (i.e. – the concept Request for Proposal for Innovation Grants will not be ready for the August 2006 ICOC meeting).

At the August 2006 ICOC meeting we will present an update on our progress and how it affects our abilities to achieve the benefits discussed above.

**Attachment I**

**Final Budget  
11/2/2004 – 6/30/05  
(thousands)**

The following provides a comparison between the budget approved for this period and the final record of expenditures. While there were some changes in the amounts incurred for some of the cost categories, the Final Budget came in slightly under the total for the Approved Budget.

In addition, Gilbert and Associates conducted an independent financial audit of CIRM's statements for this period. The final report contains an unqualified opinion about CIRM's financial statements and states that its tests allowed them to conclude that our internal controls and use of Dolby funding was appropriate.

<b><u>Cost Category</u></b>	<b><u>Approved Budget</u></b>	<b><u>Final Budget</u></b>
Personal Services/Benefits	\$ 737	\$ 737
Interagency Agreements	375	510
External Contracts	824	868
ICOC Meetings	79	111
Scientific Meetings	-	-
Working Groups	-	13
Travel	43	21
Furniture/Equipment	134	49
Information Technology	21	111
Other OEE	358	149
Total	<u>\$ 2,571</u>	<u>\$ 2,569</u>

**Accomplishments**

- Established CIRM and appointed an initial staff to begin operations
- Established Working Groups
- Appointed Zach Hall as Interim President
- Adopted and implemented COI policies for ICOC members, CIRM staff and work group members
- Secured free temporary headquarters in Emeryville
- In partnership with the Department of General Services, selected permanent headquarters space in San Francisco, including: free space, free parking, free architectural services, \$1.6M in build out services, and other incentives.
- Established policies and procedures for travel and per diem reimbursement, contract procurements and developed an accounting system that tracks operational expenditures.
- Developed and issued an RFA for a program of training grants.

**Attachment II**  
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**Current Budget**  
**7/1/2005 – 6/30/2006**  
**(thousands)**

The following comparison is between the budget approved for this period and an updated projection of what the final expenditures are expected to be. Again, there are some changes in the amounts incurred for some of the cost categories but the final budget total is only expected to slightly exceed the original budget.

However, in order to preserve cash flow during this period, we have requested that Remcho, Johansen and Purcell, the State Controller and the Attorney General defer reimbursement until the next series of BANs are sold.

<u><b>Cost Category</b></u>	<u><b>Approved Budget</b></u>	<u><b>Final Projected</b></u>
Personal Services/Benefits	\$ 2,407	\$ 2,677
Interagency Agreements	527	280
External Contracts	1,260	1,371
ICOC Meetings	196	207
Scientific Meetings	170	154
Working Groups	260	275
Travel	30	41
Furniture/Equipment	167	132
Information Technology	139	139
Other OEE	270	200
Total	<u>\$ 5,426</u>	<u>\$ 5,476*</u>

\* \$598,000 due to SCO, DOJ and Remcho are deferred.

**Accomplishments**

- Issued \$14 million in Bond Anticipation Notes.
- Awarded \$12.1 million in Training Grant to 16 California institutions for the first year of operations.
- Final decision issued in Superior Court upholds the constitutionality of Proposition 71.
- Developed and adopted interim policies for the administration of Training Grants, Research and Training Grants and Intellectual Policy for Non-Profit Organizations.
- Organized and hosted a scientific meeting on stem cells – Stem Cell Research: New Directions for California – that attracted stem cell researchers from all over the world.
- Accepted an invitation to join International Stem Cell Forum.

**Attachment II**  
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- Zach Hall was appointed permanent President of CIRM
- Took occupancy at the new CIRM headquarters in San Francisco
- Initiated process to develop a strategic plan for grant programs
- Initiated planning for an Egg Donor Conference.
- Acquired and will install a new grants management information technology system.
- Completed the independent financial audit of the financial statements of CIRM for the period 11/2/2004 – 6/30/2005. The report contained an unqualified opinion.

**Attachment III**  
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**Budget Comparison By Cost Center**  
**7/1/2005 – 6/30/2006**  
**(Thousands)**

**Science Office**

<b><u>Cost Category</u></b>	<b><u>Original Budget</u></b>	<b><u>Revised Budget 5/10/2006</u></b>
Personal Services/Benefits	\$ 329	\$ 396
External Contracts	150	292
Scientific Meetings	170	154
Working Groups – Grants	72	72
Travel	<u>4</u>	<u>4</u>
Total	\$ 725	\$ 918

**Major Changes**

- Hired Adm. Ass't (Tricia Chavira) and Scientific Program Officer (Pat Olson)
- New External Contracts for Egg Donation Conference and Strategic Plan
- October Scientific Meeting came in under budget

**Office of Administration**

<b><u>Cost Category</u></b>	<b><u>Original Budget</u></b>	<b><u>Revised Budget 5/10/2006</u></b>
Personal Services/Benefits	\$ 285	\$ 314
Interagency Agreements	240	38
External Contracts	168	113
Travel	1	1
Furniture/Equipment	167	132
Other OEE (supplies, etc)	<u>270</u>	<u>200</u>
Total	\$ 1,131	\$ 798

**Major Changes**

- Deferred payments to the SCO
- Reduced costs of audit and salary survey
- Kept furniture/equipment and other purchases to a minimum

**Attachment III**  
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**Office of the President**

<b><u>Cost Category</u></b>	<b><u>Original Budget</u></b>	<b><u>Revised Budget</u></b>
Personal Services/Benefits	\$ 895	\$ 969
Interagency Agreements	287	242
External Contracts	904	919
Working Groups – STDS/Facil.	188	203
Travel	5	6
Information Technology	<u>139</u>	<u>139</u>
Total	\$2,418	\$2,478

**Major Changes**

- Hired Associate Legal Counsel (Scott Tocher)
- Deferred Payments to the Department of Justice
- Deferred Payments to Remcho
- Unanticipated Contracts for Legal Services required by Department of Justice

**Office of the Chair**

<b><u>Cost Category</u></b>	<b><u>Original Budget</u></b>	<b><u>Revised Budget</u></b> <b><u>5/10/2006</u></b>
Personal Services/Benefits	\$ 897	\$ 998
External Contracts	37	47
ICOC Meetings	196	206
Travel	<u>20</u>	<u>30</u>
Total	\$1,151	\$1,281

**Major Changes**

- Hired Ex. Ass't (Jenna Pryne)

**Attachment IV**  
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**Budget**  
**7/1/2006 – 12/31/2006**  
**(thousands)**

Attachment IV provides a comparison between two budgets:

Scenario 1: Under this option, the current level of operations would continue for this period. The projected expenditures can be covered, if:

- \$918,000 (including the \$598,000 deferred from the previous period is deferred) are deferred, and if,
- All anticipated gifts, including those from fund raisers are devoted to anticipated expenditures.

Scenario 2: Under this option, the issuance of \$36 million in BANS would allow the Scenario 1 level of operations to expand as follows:

- Hire a Scientific Program Officer to develop a Request for Proposal for Innovation Grants
- Hire a Sr. Officer of Facilities to work with the Facilities working group to develop guidelines for that program
- Increase Working Group meetings for Grants and Facilities
- Hire an Adm. Assist. for the Chief of Communications to assist with the workload.
- Pay all deferrals (\$738,000 to DOJ/Remcho + \$180,000 to SCO = \$918,000).

<u>Cost Category</u>	<u>Funding Scenario 1*</u>	<u>Funding Scenario 2</u>
Personal Services/Benefits	\$ 1,606	\$ 1,797
Interagency Agreements	4	539
External Contracts	343	727
ICOC Meetings	100	100
Scientific Meetings	182	182
Working Groups	56	138
Travel	37	37
Furniture/Equipment	152	152
Information Technology	54	54
Other OEE	150	150
Total	\$ 2,686	\$ 3,876

\* Scenario 1 assumes that \$918,000 (including \$598,000 for 2005-06) due to SCO, DOJ and Remcho are deferred.



**Attachment IV**  
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Accomplishments Expected – Scenario 1

- Complete work on a Strategic Plan proposal
- Sponsor the Egg Donor Conference
- Hire a Chief of Communications and a Chief Administrative Officer
- Sponsor the participation of California researchers in a conference sponsored by the scientists in the United Kingdom
- Continue current level of program operations

Accomplishments Expected – Scenario 2

- All of the items under Scenario 1
- Development of a concept RFA for Innovation Grants for approval by the ICOC
- Development of policies for the research facilities program
- Adequate and timely response to media inquiries and development of a media plan consistent with the Strategic Plan
- All deferrals are paid
- Funding available for the second year of the Training Grants and the first year of Innovation Grants approved by the ICOC
- Additional funds for operations past 12/31/2006

**Attachment V**

**BAN Proceeds Breakdown  
\$36 Million**

Total Proceeds		\$36,000,000
Less: Estimated Costs of Issuance	\$ 203,246	
General Administration (3% of \$36M)	<u>1,080,000</u>	<u>1,283,846</u>
Balance		\$34,716,154
Less: Grants Administration (3% of \$34,716,154)		<u>1,041,485</u>
Balance		\$33,674,669
Less: Legal Costs		<u>738,000</u>
Balance Available for Grant Awards		\$32,936,669