

ICOC Meeting of July 12, 2005
Agenda Item 14
Operating Budget

Background

At the May 6, 2005 ICOC meeting, a presentation (attached) was made regarding the financial condition of the California Institute for Regenerative Medicine (CIRM). It contained a spending plan that assessed how long CIRM could operate if funding was limited to the \$3 million loan from the General Fund.

Discussion

An update to the spending plan is attached. The major changes between the presentation on May 6, 2005 and the update are as follows:

- The Dolby Foundation has donated \$5 million to address administrative costs for grants management and general administration costs.
- The Stem Cell financing committee has authorized the issuance of \$200 million in bonds or bond anticipation notes (approximately 5.8% of all proceeds are available for expenses related to general administrations and grants management).

This additional funding has allowed us to develop the attached revision to the 2005-06 spending plan presented at the May 6, 2005 meeting. Major assumptions in this spending plan are:

- Hiring 21 staff at various times during 2005-06 (between 8/05 and 5/06), in addition to the 16 already hired or for whom commitments have been made (in the 5/6/2005 presentation we only assumed that twelve positions would be paid through November 2005 when the \$3 million loan was expected to run out). Twelve of the new hires will be in grants management; eight will be in general administration (communications, legal, information technology and administrative assistants) the remaining hire is for a President. By 6/30/2006, CIRM would have 36 persons employed on a full time basis.
- Contracts and interagency agreements are increased to reflect the payment of deferred costs and the costs for a full year for those contracts and interagency agreements that would be extended for the full year (again, the 5/6/2005 presentation did not contain payment of deferrals or payments to any contractor after November 2005). (NOTE: Edelman is not included because it is still being negotiated.)
- Other expenditures (travel, phones, printing, supplies, etc) were increased to reflect a full year of expenditure for current staff and partial year for the new hires and one time costs to equip new staff.

While this provides a reasonable estimate of expenditures in the coming year, there are factors that could change the projections, including:

- The ICOC will consider and approve a compensation plan that could change the level of Personal Services expenditures.
- Changes in the pace of filling the new 21 positions could increase or decrease the level of Personal Services expenditures.
- The hires made in certain areas (General Counsel, Communications Director Information Technology Director and Temporary Support Services) will likely reduce the level of expenditures for contracting.

We will be assessing the effect of these and other factors in order to develop a final recommendation for the current year budget at the August meeting.