

FUNDING MODEL COMMITTEE REPORT



Presentation to the SCCWRP Commission

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BACKGROUND

- **At last year's Strategic Planning meeting, the Commission discussed organizational finance issues**
 - Formed the Funding Model Committee to address them
- **The Committee has met five times**
 - Three times in person
 - Twice by phone
- **They have arrived at a series of recommendations**
 - Those recommendations need Commission endorsement
 - They also represent the first step towards development of the next Joint Powers Agreement for the agency

THIS IS PLANNING

(NOT A FINANCIAL EMERGENCY)

- **Our current finances look great**
 - We are a \$10M/year organization
- **We have \$3.5M in cash, \$2.7M in accounts receivables and <\$0.3M in accounts payables**
- **We have a contract backlog of \$9M, with another \$6M in proposals we consider likely**
- **We have not had an audit exception in more than a decade**

WHAT ARE THE ISSUES?

- **How dependent should the organization become on external revenue?**
 - How well are we meeting the research needs of member agencies versus the needs of funders?
- **What is an acceptable ratio of funding from regulators relative to regulated?**
 - At the time of the strategic planning meeting, regulators accounted for 77% of our funding
 - Concern expressed that this creates a perception problem
- **What is the right size for SCCWRP?**
 - A function of base:external funding ratio and Member Agency dues

COMMITTEE RECOMMENDATIONS

- **Change the operating guidelines regarding base:external funds to 4:1**
 - Current guidance is 3:1, but we are getting good value at a 4:1 match
 - Committee felt that the new CTAG planning process helps ensure that member agency needs are still driving the research
 - However, they felt that it would become unacceptable at a ratio above 4:1
- **Encourage (but not require) more project funding from the regulated member organizations**
 - New CTAG interactions has helped that happen
 - Have added a verbal report on how new contracts affect funding ratio among member agencies as part of contract approvals
- **Target SCCWRP at a size of 45 people (our current size)**
 - Increase member dues beginning in 2017 to accommodate this size

RIGHT-SIZING SCCWRP

- **Member agency dues have been flat for the last six years**
 - Inflation has been covered by increasing external revenue, but we are now at the 4:1 ratio
 - That means either raising dues or shrinking staff size
- **Committee concluded that 45 people is the appropriate size for the organization**
 - Any smaller would provide an inadequate overhead base for the facility
 - Any larger would require too much membership dues
- **Committee determined the membership dues needed to support that size organization**
 - Then developed an allocation strategy among members

SUGGESTED 9TH JPA MEMBER FUNDING

	Present JPA		Proposed next JPA			
	07/01/15	07/01/16	07/01/17	07/01/18	07/01/19	07/01/20
Full Members	400,000	400,000	425,000	450,000	475,000	500,000
Associate Members	100,000	100,000	125,000	125,000	125,000	125,000
Total	2,000,000	2,000,000	2,200,000	2,300,000	2,400,000	2,500,000
Projected funding necessary for a staff of 45	2,148,813	2,213,277	2,279,675	2,348,066	2,418,508	2,491,063

NEXT STEPS

- **You need to let the Committee know if you agree with their recommendations**
 - If not, you need to provide them a renewed charge
- **If you agree, these recommendations become operational guidance for me**
- **The recommendations will also serve as the starting point for the next Joint Powers Agreement (July 2017)**
 - We typically aim to have a Commission-endorsed JPA ready for signature 18 months before expiration of the present agreement
 - We will bring you a draft JPA for review at your next meeting
 - New JPA should be endorsed no later than December 2015