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
• **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

<table>
<thead>
<tr>
<th></th>
<th>Present JPA</th>
<th>Proposed next JPA</th>
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<tbody>
<tr>
<td></td>
<td>07/01/15</td>
<td>07/01/16</td>
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<tr>
<td>Full Members</td>
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<td>400,000</td>
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<tr>
<td>Associate Members</td>
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<tr>
<td>Total</td>
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<tr>
<td>Projected funding</td>
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<tr>
<td>staff of 45</td>
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</table>
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