

**ICOC Meeting of May 6, 2005
Agenda Item 15
Report of CIRM Financial Operations**

Background

At the January 6, 2005 meeting, the ICOC approved a delegation of responsibilities to the Chair. One of those responsibilities was to apply for a \$3 million loan from the general fund of the State of California. This temporary start up loan was authorized under Proposition 71 to allow the California Institute for Regenerative Medicine (CIRM) to meet initial administrative and implementation costs.

This loan is to be repaid from bond proceeds.

Discussion

CIRM has been stringent in incurring costs during its implementation phase. For instance:

- Temporary space to house CIRM operations has been acquired for no cost.
- Furniture to equip the space is free as well.
- Hiring of staff has been limited to the fewest number needed to address immediate operations for CIRM and for support of the ICOC and its committees.
- Temporary loan of two persons: one from the State Controller's Office to work financial and administrative matters and one from UCSF to work on Human Resource matters.
- Temporary contracts with experts are being used to assist in setting up the grant programs.
- Certain state agencies and contractors have agreed to defer payment of their costs until the bonds are sold.

With these measures in place, we are projecting that the CIRM can continue current levels of activity through 11/1/2005 and still make the following critical hires (see Attachment A):

- Director, Scientific Programs and Review: Dr Arlene Chiu (effective 5/1/05)
- President, CIRM: To be Determined (estimated 8/1/05)

Financing

The California Stem Cell Research and Cures Finance Committee will have its first meeting on 5/9/2005 to begin the work of issuing bonds called for under Proposition 71. The committee membership is: the State Treasurer, State Controller, Director of Finance, the ICOC chairman and two ICOC members – Dr. Michael Friedman and Dr. Ted Love. At that meeting it will consider an initial offering of \$200 million. A projected budget with that funding level is given in Attachment B.

As you recall, the ICOC Chairman discussed the possibility that of filing a validation action which would be initiated by the Finance Committee. Such an action would address the issues raised in the litigation to allow the bonds to be sold as soon as possible.

Finally, the Institute is working with the Governor, Treasurer, Attorney General and Controller on an interim financing program that does not use state funds. This will also be discussed at the May 9 Finance Committee meeting.