

NATIONAL CENTER FOR ATMOSPHERIC RESEARCH
BOULDER, COLORADO

13 June 1963

Dr. Horace R. Byers
Office of the Chairman
University Corporation for
Atmospheric Research
5727 University Avenue
Chicago 37, Illinois

Dear Horace:

Dan asked me to prepare a recommendation on the level of the Management Fee for FY-64. Within the context of his discussions with Scherer and you, the figure I come up with is \$75,000.

Mike has given me the total of expenditures from the Fund for the period July 1, 1962, to date - approximately \$44,000. Taking the balance as of the beginning of the fiscal year (from your letter to Scherer of November 9, 1962), we have the following picture:

Fund Balance 7-1-62	\$85,582.00
Plus Management Fee FY-63	<u>89,500.00</u>
TOTAL	\$175,082.00
Less expenses FY-63	<u>43,909.00</u>
DIFFERENCE	\$131,173.00
Less commitment to Venture Fund	<u>20,000.00</u>
ESTIMATED BALANCE 6-30-63	\$111,173.00

Mike's books will show a fiscal year-end balance of more like \$88,000. That is a reflection of the payment to HAO for working-capital purposes of \$43,000 (which will probably be repaid in July) plus the \$20,000 Venture Fund, which is still held in Pennsylvania. ($111 + 20 - 43$). He reported a balance of \$80,488 to the Trustees in April.

For FY-64, I have made a rough estimate of expenditures of \$60,000 (breakdown below). Beginning with the June 30, 1963, balance of approximately \$110,000:

Estimated Balance 6-30-63	\$110,000.00
Less estimated expenditures FY-64	<u>60,000.00</u>
DIFFERENCE	\$ 50,000.00
Plus proposed Management Fee FY-64	<u>75,000.00</u>
ESTIMATED BALANCE 6-30-64	\$125,000.00

The AMS has accepted Walter's proposal on the use of the Venture Fund. Therefore, we can assume that that money is committed. But it may be possible to charge the cost back against the contract. If so, the Management Fund would total \$145,000.00 at the end of next year. In the meantime, Walter has a "for instance" use of Management Funds in mind for next year, an Inter-American working conference on the feasibility and economic factors

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involved in the development of research and engineering programs in air pollution and/or water resources. This would involve perhaps \$25,000 and could, if we go ahead with such a conference and if it develops that the Venture Fund expenditure cannot be charged against the contract, bring the June 30, 1964, balance of the Management Fee down to around \$100,000. This might provide justification for requesting a larger FY-64 fee. Whether the Inter-American conference would be chargeable against the contract I don't know. My guess is that the Venture Fund use comes closer to being an appropriate contract expense than the conference.

Walt has just been in Mexico City and was struck by the extreme seriousness of the air pollution problem there. Apparently it appears in aggravated form elsewhere in Latin America (Santiago in particular). There is also a great need for work in water-resource development. The kinds of questions Walter thinks of asking are whether one needs to initiate research programs on these subjects in Latin American countries or whether society can be better served by launching immediately into application of the present technology. If the latter, how is this to be done? As I say, these are just "for instance" projects. Walt wants to talk this over with you and others before going ahead any further. But it might be helpful for you to be armed with his thinking on this in your discussions with Scherer.

The actual expenditures reported by Mike for FY-63 (through the middle of June) and my estimates for FY-64 are presented below:

<u>Cost Category</u>	<u>Actual FY-63</u>	<u>Estimated FY-64</u>
Travel	\$26,045.71	\$28,000.00
Planning studies and schematics for Conference Center		8,000.00
Secretarial services	330.00	500.00
Legal expense	4,714.68	5,000.00
Telephone and Telegraph	167.63	200.00
Meeting expenses	1,490.51	2,500.00
Auditing	2,280.00	1,500.00
Rental guarantees		2,000.00
Reimbursement of Director's Discretionary Fund	1,426.27	2,000.00
Miscellaneous	547.67	800.00
Conference expenses	4,372.51	5,000.00
Insurance	1,701.40	2,000.00
Rent and water	1,433.04	1,500.00
Scientific reviews	400.00	1,000.00
TOTAL	\$43,909.02	\$60,000.00

My personal opinion on the use in the calculation of expenditures of a figure for indirect costs is that, while such costs clearly exist, it would

be better not to quantify them. The figure of 20% for such indirect costs used last year would be hard to defend on any objective ground, and we could give the impression that we are straining a little too hard to show the maximum total of expenditures so that the biggest possible fee can be justified. It might be better to point out that such indirect costs exist and represent a real contribution of the member institutions to the operation of UCAR, but there is no way of attaching members to these costs. Given the present thinking in Washington, as reported to me by Dan, perhaps the best way to justify larger fees is to increase the actual expenditure for the imaginative "far-out" scientific undertakings that you mentioned in your letter of last November.

I believe that the sentiment among the Trustees runs in the contrary direction, but I question whether we can seriously consider building up a reserve fund in the Management Allowance to underpin the financial stability of the UCAR-NCAR operation. The reason is that any such fund, if it is to serve its intended purpose realistically, would be impossibly large, and we would never get Congress to do it. If we visualize a steady-state budget leveling off at around \$16 or \$17 million and assume that one would need at least six months of operating money to provide the kind of cushion that would be meaningful, then we would require a stand-by fund existing at the level of millions of dollars. That seems far out of reach.

I hope this proves helpful. Let me know if I can do anything further. Best wishes.

Cordially yours,

Robert J. Low

RJL:ws

cc: M. A. Farrell
A. Richard Kassander
Daniel F. Rex
Walter Orr Roberts

P.S. two comments by way of postscript:

1. Mike did not have the FY-63 interest income figure readily at hand when I called. This will not throw off the estimated 6-30-63 balance very far, however. It is consistent with the balance Mike reported to the Trustees in April, which includes interest through that date. We might end up with

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\$113,000 or \$114,000 on June 30th. I used \$110,000 to stay on the conservative side.

2. The estimate of \$2,000 for rental guarantees for FY-64 is simply pulled out of the air. Our commitment to Mr. Phillips is \$35,000 for three years, but of course we hope to fill the apartment space reserved for us and thus incur no rental-guarantee expense at all.