

AGENDA ITEM

115 Oct

DATE: October 9, 2012

TO: Members, Board Committee on Operations
Members, Board of Trustees

FROM: John Chiappetta, Director of Budget

SUBJECT: 845 South Figueroa Purchase Budget

EXECUTIVE SUMMARY

On September 12, 2012, the State Bar executed a purchase and sale agreement (PSA) to acquire the office building at 845 South Figueroa in Los Angeles for \$50 million, and on October 2, 2012, the bar executed a PSA to sell the Olive Street parking lot property for \$29 million. This agenda item would update the State Bar's budget to reflect these transactions and current estimates for related project costs (not including tenant improvements). It also establishes a capital project fund to account for the cost of the 845 South Figueroa project as well as a debt service fund to account for a debt service reserve. Funding for project costs would come from the Building Assessment fund, the General fund, the Admissions fund, the Administration of Justice fund, and from borrowing, while funding for the debt service reserve would be drawn from the Public Protection fund.

BACKGROUND

The State Bar's adopted 2012-14 budget included a "placeholder" amount for the purchase of a building in Los Angeles (in 2013) and did not reflect the potential sale of the Olive Street parking lot. Now that purchase and sale agreements (PSAs) have been executed for both the building purchase and the parking lot sale, it is appropriate to revise the budget accordingly.

FISCAL / PERSONNEL IMPACT:

If approved, this agenda item would amend the adopted 2012-14 budget as follows:

1. Eliminate the "placeholder" budgets for LA facility acquisition and relocation costs.

2. Authorize the establishment of the 845 Figueroa fund, a capital project fund to account for the purchase, tenant improvements, move-in, and related costs of 845 Figueroa project. (The proceeds of the sale of the Olive Street parking lot sale will be deposited in this fund, along with proceeds of all borrowing for the project.)
3. Establish a budget for the 845 Figueroa project as follows:
 - a. Purchase price: \$50 million
 - b. Commissions, fees, and closing costs for both the building purchase and the parking lot sale: \$2 million
 - c. Pre-occupancy debt service: \$2.8 million
 - d. Relocation costs: \$1 million
4. As part of the 845 Figueroa project budget, authorize transfers to the 845 Figueroa fund as follows:
 - a. From the Building Assessment fund: up to \$10.5 million
 - b. From the General fund: up to \$3.5 million
 - c. From the Admissions fund: up to \$3.5 million
 - d. From the Administration of Justice fund: \$2.0 million
5. Authorize the establishment of the LA Facility Debt Service fund, a debt service fund to account for resources set aside for the repayment of debt incurred to finance the 845 Figueroa project.
6. Authorize the transfer of up to \$5.0 million from the Public Protection fund to the LA Facility Debt Service fund to establish a debt service reserve pledged to secure the financing for the 845 Figueroa project.

BOARD BOOK IMPACT:

No impact.

RECOMMENDATION

Staff recommends that the Committee on Board Operations and the Board of Trustees authorize the budget amendments described above.

PROPOSED BOARD COMMITTEE RESOLUTION:

Should the Board Committee on Operations agree with the above recommendation, the following resolution would be appropriate:

RESOLVED, that the Board Committee on Operations, acting on behalf of the Board Committee on Planning, Program Development, and Budget, recommends that the Board of Trustees amend the budget of the State Bar as specified in Attachment "A."

PROPOSED BOARD OF TRUSTEES RESOLUTION:

Should the Board concur with the Board Committee on Operations's recommendation, the following resolutions would be in order:

RESOLVED, that upon the recommendation of the Board Committee on Operations, the Board hereby amends the budget of the State Bar as specified in Attachment "A."

ATTACHMENT: A – Proposed Budget Amendments