

AGENDA ITEM

142 May

DATE: April 26, 2013

TO: Members, Planning, Program Development and Budget Committee
Members, Board of Trustees

FROM: John Chiappetta, Director of Budget

SUBJECT: Interfund Loans

EXECUTIVE SUMMARY

This item would provide partial financing for the construction of tenant improvements at the 845 South Figueroa building with an interfund loan from the Administration of Justice fund. The proposed loan amount is approximately \$4.3 million; which will be repaid over a ten year period with interest at the proposed annual rate of 4.26%.

This item would also provide partial financing for maintenance and improvement projects at the 180 Howard Street building with an interfund loan from the Legal Specializations fund. The proposed loan amount is approximately \$2.5 million; which will be repaid in three years with interest at the proposed annual rate of 4.26%.

Repayments of both interfund loans will be from other non-mandatory revenue sources.

These loans are reflected in the Adopted 2013-15 Budget, so no budget action is required.

BACKGROUND

Consistent with its *Five-Year Strategic Plan (2012-16)*, the State Bar's adopted budget includes a number of major maintenance and improvement projects at its San Francisco headquarters building as well as tenant improvements to its recently acquired office building in Los Angeles.

These projects are funded primarily with accumulated fund balances earmarked for those purposes. Additional intermediate-term financing will be required, but internal sources of financing are available. This item proposes drawing on those internal resources rather than seeking external financing from a bank or other financial institution.

FISCAL / PERSONNEL IMPACT:

These interfund loans are included in the adopted budget, so no budgetary action is required.

This agenda item would authorize interfund loans as follows:

1. The Legal Specialization Fund will loan \$2,480,000 to the 180 Howard Street Fund. Repayment of the loan plus interest will begin in 2014 and last for 3 years, as specified in resolution A.
2. The Administration of Justice Fund will loan \$4,331,068 to the LA Facilities Fund. Repayment of the loan plus interest will begin in 2014 and last for 10 years, as specified in resolution B.

BOARD BOOK IMPACT:

No impact.

RECOMMENDATION

Staff recommends that the Committee on Planning, Program Development and Budget and the Board of Trustees authorize the interfund loans described above.

PROPOSED BOARD COMMITTEE RESOLUTION:

Should the Planning, Program Development and Budget Committee agree with the above recommendation, the following resolution would be appropriate:

RESOLVED, that the Planning, Program Development and Budget Committee recommends that the Board of Trustees authorize the interfund loans as specified in resolutions “A” and “B.”

PROPOSED BOARD OF TRUSTEES RESOLUTION:

Should the Board concur with the Planning, Program Development and Budget Committee’s recommendation, the following resolutions would be in order:

RESOLVED, that upon the recommendation of the Planning, Program Development and Budget Committee, the Board hereby authorizes the interfund loans as specified in resolutions “A” & “B.”

ATTACHMENT: Resolution A
 Resolution B

Resolution A

A resolution of the Board of Trustees of the State Bar of California approving a loan from the Legal Specialization Fund to the 180 Howard Street Fund in the amount of \$2,480,000

WHEREAS, on February 10, 2012, the Board of Trustees adopted a Five-Year Strategic Plan that included Physical Facilities Initiative to carry out deferred maintenance and to reconfigure existing space at 180 Howard Street; and

WHEREAS, a majority of the cost of the initiative will be paid for by the General Fund, 180 Howard Fund and rental revenue; and

WHEREAS, to cover the remaining costs, it is necessary that \$2,480,000 be loaned from the Legal Specialization Fund, which has sufficient funds available, to the 180 Howard Street Fund; and

WHEREAS, the loaned funds will be used exclusively for the physical facilities improvements at 180 Howard Street.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the State Bar of California that \$2,480,000 will be transferred as a loan from the Legal Specialization Fund and to the 180 Howard Street Fund; and it is

FURTHER RESOLVED, that the amount of the loan will be repaid with interest within 3 years from the date of the loan, at an annual rate of interest of 4.26%.

Resolution B

A resolution of the Board of Trustees of the State Bar of California approving a loan from the Administration of Justice Fund to the LA Facilities Fund in the amount of \$4,331,068

WHEREAS, on September 12, 2012, the Board of Trustees executed a sales purchase agreement to acquire the building at 845 South Figueroa in Los Angeles; and

WHEREAS, the State Bar will need to build out and make tenant improvements prior to the building be ready for occupation; and

WHEREAS, the majority of the cost of these projects will be paid for by the General Fund, Admissions Fund and proceeds from the Building Special Assessment Fund; and

WHEREAS, to cover the remaining costs, it is necessary that \$4,331,068 be loaned from the Administration of Justice Fund, which has sufficient funds available, to the LA Facilities Fund; and

WHEREAS, the loaned funds will be used exclusively for the tenant improvements at 845 South Figueroa.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the State Bar of California that: \$4,331,068 will be transferred as a loan from the Administration of Justice Fund to the LA Facilities Fund; and it is.

FURTHER RESOLVED, that the amount of the loan will be repaid with interest within 10 years from the date of the loan, at an annual rate of interest of 4.26%.