

Statement of Qualifications, Proposals & Priorities

For Position of Treasurer, California State Bar

Michael G. Colantuono

July 2013

My fellow Trustees:

As our rules provide, I write to set forth my qualifications, proposals and priorities for the office of Treasurer of the Bar.

PROPOSALS. I have three proposals for service as Treasurer:

- Be the Board's workhorse on budget and finance issues;
- Fulfill the roles the Board identified for this office; and
- Enhance the Board's ability to govern.

FINANCE WORKHORSE. Until the Governor appoints four public members, we are a 17-member Board of part-time volunteers each of whom has many other commitments, both professional and personal. We meet every other month for two days with, of course, committee and other Bar work between Board meetings. Yet it is our responsibility to govern an organization which spends \$135 million a year, employs about 580, and supports the work of dozens of other boards, commissions and committees with varying degrees of independence from our Board. The only way we can fulfill our responsibilities within the time that can reasonably be expected of us is to share the load. Karen Goodman's leadership of the Regulation, Admissions and Discipline Committee made the entire Board a more effective steward of our discipline system last year. The time and energy I will bring to financial oversight can similarly strengthen our work. I will review the audit reports, budget proposal, and bi-monthly finance reports deeply. I will ask questions of staff in and out of meetings. I will think deeply about our financial management. I will ask those few public questions necessary to assure the public we are doing our job. I will alert you to issues of concern. I will listen carefully to your comments, concerns and insights. I will see that staff hears the Board's perspective on these issues.

DOING THE JOB. Of course, I will do the job. What is the job, anyway? While it may not be “chopped liver,” it is new and we have just defined it. We decided the Treasurer should:

- Chair the Audit Committee;
- Chair or Vice Chair the Planning, Program Development and Budget Committee;
- Consult with Joe Dunn and Peggy Van Horn on budget and internal controls;
- Take responsibility for Board attention to the Bar’s fiscal position, budget, audit reports, and stewardship of Bar assets to ensure public protection; and
- Perform other duties the Board may assign.

I will do these things with the same energy and focus I brought to them as a Trustee over the past year.

ENHANCING GOVERNANCE. The Board is now reviewing our committee structure. As a smaller Board, we need to rethink how we use limited resources of Trustee time and energy. As Peter Drucker put it: “Time is the scarcest resource and unless it is managed nothing else can be managed.” While we cannot neglect our core missions of overseeing discipline, ensuring fiscal integrity, and making the myriad appointments assigned to us; there are other, core aspects of governance to which we can bring more visible attention. Specifically, we can give more visible oversight to:

- Contracting and spending;
- Litigation;
- Board personnel; and
- Budget.

All of us cannot dive deeply into all of these; there are not enough hours in the day. However, if the Board is to be effective, and to protect the Bar from what can happen if we ever find ourselves without the skilled staff leadership we now enjoy, some of us must. To be truthful, we simply cannot study the entire agenda packet for each Board

meeting deeply. Rather than have each of us skim all of it, we would do better to assign responsibility for particular topics so we can deeply review our portion and rely on other Trustees to master others.

We should plainly state who has lead responsibility for the four functions identified above. Budget, contracting and expenditures, of course, belong in PPBD, which a working group of Trustees Luis Rodriguez appointed and on which I serve will recommend be renamed the Policy and Budget Committee. Litigation oversight has been tasked to the Board Operations Committee. It may be that a subcommittee of Board Ops. should be formed to take on routine oversight of all litigation, or that one or two committee members should be tasked to do so. Reviewing only the cases staff thinks merit our attention works well while staff is strong, but invites mischief if it should ever be weak. The task of managing the two employees who directly report to us — the Executive Director and Chief Trial Counsel — are tasked to Board Ops. and to RAD. Again, it may be useful to designate subcommittees or lead Trustees to ensure these relationships are well maintained so we evaluate performance, establish goals, and reward these employees commensurately to their performance and to the labor market.

However we share these burdens, we should do so publicly, so the public can see that we are governing effectively and so we know to whom to look on any given issue so we do not all have to do it all.

Due to our open meeting obligations, I do not yet know your thoughts on these issues. I look forward to hearing your views and working with you to build a committee structure and an understanding as to how to share our oversight load so all of us contribute, but none is overtaxed. Moreover, we need to institutionalize these understandings so future Trustees can govern effectively, too, and can build on our work rather than repeat it.

PRIORITIES. My priorities as your Trustee are those I stated above:

- be a workhorse on budget and finance,
- do the job we have defined for our Treasurer, and
- contribute to collective efforts to enhance our ability to govern.

However, the Bar has important priorities for the coming year, and you will have others, too. As to your priorities, I want to hear them, to have the benefit of your thoughts and to work with you to accomplish them. As to the Bar's, these are some of the priorities we have identified in our Strategic Plan and in the past year's discussions:

- Protect the public;
- Maintain and improve our relationships with the Supreme Court and the Legislature;
- Manage our infrastructure projects wisely, including the IT rebuild, the Los Angeles and San Francisco building projects, and the micro reengineering effort;
- Solve the Client Security Trust Fund's cash-flow problem;
- Maintain and, where possible, enhance funding for no- and low-cost legal services; and
- Establish and maintain a public perception that the Bar is transparent, accountable, well led and regulates the legal profession for the good of all Californians.

QUALIFICATIONS. Finally, to my qualifications. I mention here just three: the work I have done as a Trustee to date, my 24 years' experience in government, and my expertise in the law of government finance.

MY WORK TO DATE. Pat Kelly was kind enough to appoint me, as a first-year Trustee, to the PPBD committee. I have dived deeply into the Bar's finances: studying past audits, reading the current draft and final audits and associated management letters, asking private and public questions of staff and auditors. I participated in the Audit Committee's discussions and contributed what I could to our public dialog about its findings, our concern that our auditors review carefully the acquisition of the new

Los Angeles building, our decision to engage new auditors for the coming year, and our cooperation with the State Auditor's biannual review of the Bar. While much of my work was out of public view; I asked a few questions in public, both to contribute to Board discussion and to foster public perception — as well as the substantive reality — that Trustees actively oversee Bar finances. Some concerns I have discussed with staff included the transition of our “other post-employment benefits” (or OPEB) trust to CalPERS; the terms of our construction contract for the Los Angeles building project; our decision to consent to the regulation of our building plans by the Cities of Los Angeles and San Francisco; and the update of our conflict of interest code. I will bring this same energy, thoughtfulness, and collaborative ethos to service as Treasurer, should you entrust me with the job.

GOVERNMENT EXPERIENCE. I have been City Attorney of several small- and medium-sized cities since 1989. I have represented cities, counties, special districts and regional agencies for 24 years as both General and Special Counsel. I have had the good fortune to work with, and learn from, many talented elected officials and professional managers. I have worked with clients in good times and in bad. I have cleaned up after significant embezzlements, reported misconduct to the FBI, helped right the finances of insolvent governments, and helped contribute to local and regional government for many California communities. I am familiar with much of the law that applies to the Bar (and mindful that the Bar has able counsel to guide us and staff). This knowledge and experience helps me to understand the work of our staff and to recognize the strategic choices we make and the alternatives to those choices. I bring deep respect for our management team as well as experience sufficient to challenge it to do its best work, to engage it in thoughtful dialog, and to work with you to ensure the leadership of the Bar reflects the perspectives of our Board and of the 38 million Californians we serve.

PUBLIC FINANCE EXPERT. I have particular expertise in the law of government finance. I have briefed six cases in the California Supreme Court on these issues, argued five, and have won more than I lost (although the losses are notable and painful!). I understand, perhaps better than all but a few California lawyers, the restrictions Propositions 218 and 26 place on our funding. I chaired the Committees which wrote

what became the Proposition 218 Omnibus Implementation Act of 1997; the League of California Cities' **Proposition 218 Implementation Guide**; and the League's **Proposition 26 Implementation Guide**. I have two cases pending in the California Courts of Appeal on these issues and a handful more in trial courts from San Diego to Redding. I advise public agencies daily on available options and effective strategies to lawfully fund their services. The depth of my knowledge and experience in this area can be an asset to our Board and, as your Treasurer, I would be pleased to make it so.

CONCLUSION. I would be honored to be your Treasurer. Within the constraints of our open meeting rules, I would be happy to discuss these ideas further and to hear yours. Thank you for considering my candidacy and for your collegiality and the warmth of your welcome to my service on the Board. I commit to return that in kind.

Sincerely,

Michael G. Colantuono