

AGENDA ITEM

145 NOV

DATE: November 14, 2013

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

FROM: Peggy Van Horn

SUBJECT: Policy on Unanticipated General Fund Savings and Revenues

EXECUTIVE SUMMARY

This agenda item would establish a formal, ongoing State Bar policy regarding the use of unanticipated resources – savings or revenues – in the General Fund. This policy specifies that an amount equal to two weeks' operating expenditures should be retained in the General Fund for working capital purposes. Amounts over and above this level are allocated to support of the Bar's major capital assets: two-thirds to facilities maintenance and improvement projects and one-third to technology assets. Staff are directed to make these allocations prior to the close of each year and are deemed to have the budgetary authority to do so. The expenditure of these funds on specific projects remains subject to the Board's budgetary approval.

BACKGROUND

As part of its commitment to prudent financial practices, the State Bar budgets conservatively. It avoids "optimistic" revenue estimates and it does not count on savings which may not, in fact, materialize. As a result, when revenues do exceed expectations, or when unbudgeted savings are achieved, additional resources are available to finance major non-recurring projects.

Historically, decisions about how to deploy such resources have been made on a case-by-case basis. Today, however, the State Bar has a long-term strategic plan which maps out major capital investments – in both facilities and its technology – needed over the next several years.

At the same time, legislation authorizing special dues assessments dedicated to these areas (\$10 for technology, \$10 for facilities) has "sunsetted."

To help ensure that the Bar will have the resources to make and maintain its planned capital investments, it seems prudent to define a formal, ongoing policy of allocating unanticipated General Fund savings and revenues to these areas.

For the purposes of working capital, the proposed policy would specify that an amount equal to two weeks' General Fund operating expenditures be retained in the General Fund. This is about 3.8% of annual operating expenditures, or approximately \$2.3 million today.

Any amount above the working capital "floor" would be allocated to facilities projects (two thirds) and technology projects (one third). The proposed policy specifies that money set aside for facilities projects may also be used to pre-pay principal on any debt incurred to finance Bar facilities or secured by such facilities. It also specifies that money set aside for technology may be used for technology training projects.

FISCAL / PERSONNEL IMPACT:

None

BOARD BOOK IMPACT:

None

RECOMMENDATION

Staff recommends that the Committee on Planning, Program Development and Budget and the Board of Trustees adopt the policy regarding unanticipated General Fund savings and revenues as defined in Attachment "A."

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 adopts the policy regarding unanticipated General Fund savings and revenues as defined in Attachment "A."

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 adopts the policy regarding unanticipated General Fund savings and revenues as defined in Attachment "A."