

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
FINANCE COMMITTEE

OPEN SESSION

Sunday, September 30, 2012

1:16 p.m.

Hilton Durham Hotel
3800 Hillsborough Road
Durham, North Carolina 27705

COMMITTEE MEMBERS PRESENT:

Robert J. Grey Jr., Chairperson
Sharon L. Browne (by telephone)
Martha L. Minow
Father Pius Pietrzyk, O.P.
Allan J. Tanenbaum (Non-Director member)
John G. Levi, ex officio

OTHER BOARD MEMBERS PRESENT:

Charles N.W. Keckler
Victor B. Maddox
Julie A. Reiskin

STAFF AND PUBLIC PRESENT:

James J. Sandman, President
 Rebecca Fertig, Special Assistant to the President
 Victor M. Fortuno, Vice President for Legal Affairs,
 General Counsel, and Corporate Secretary
 Mark Freedman, Senior Assistant General Counsel,
 Office
 of Legal Affairs
 Lynn Jennings, Vice President for Grants Management
 David L. Richardson, Comptroller and Treasurer,
 Office
 of Financial and Administrative Services
 Jeffrey E. Schanz, Inspector General
 Laurie Tarantowicz, Assistant Inspector General and
 Legal Counsel, Office of the Inspector General
 David Maddox, Assistant Inspector General for
 Management and Evaluation, Office of the
 Inspector General
 Ronald "Dutch" Merryman, Assistant Inspector General
 for Audit, Office of the Inspector General
 Carol Bergman, Director, Office of Government
 Relations
 and Public Affairs
 Carl Rauscher, Director of Media Relations, Office
 of
 Government Relations and Public Affairs
 Marcos Navarro, Office of Government Relations and
 Public Affairs
 Janet LaBella, Director, Office of Program
 Performance
 Bernie Brady, LSC Travel Coordinator
 Herbert S. Garten, Non-Director Member,
 Institutional
 Advancement Committee
 Frank B. Strickland, Non-Director Member,
 Institutional
 Advancement Committee

Chuck Greenfield, National Legal Aid and Defender
 Association (NLADA)
 Don Saunders, National Legal Aid and Defenders
 Association (NLADA)
 Terry Brooks, American Bar Association

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(1:16 p.m.)

CHAIRMAN GREY: Ladies and gentlemen, we are going to open the line and turn on the mikes and start the Finance Committee meeting as soon as I get the green light from the tech guy and his supervisor.

Okay. Let it be known that we have a quorum, and that the first -- as soon as I find the Committee agenda -- I got it. I would ask for a motion to approve the agenda, please.

M O T I O N

DEAN MINOW: I so move.

MR. LEVI: Second.

CHAIRMAN GREY: It has been moved and seconded. All in favor say aye.

(A chorus of ayes.)

CHAIRMAN GREY: The agenda's approved.

We need approval of the minutes of three prior meetings.

M O T I O N

MR. LEVI: So moved.

1 DEAN MINOW: Second.

2 CHAIRMAN GREY: Let me say this -- for July
3 17th, July 27th, and August 20th.

4 All in favor say aye.

5 (A chorus of ayes.)

6 CHAIRMAN GREY: All opposed?

7 (No response.)

8 CHAIRMAN GREY: They are approved.

9 I would also like to -- Bob Henley, are you
10 on the phone?

11 (No response.)

12 CHAIRMAN GREY: I would like to acknowledge
13 Allan Tanenbaum, who is a non-board-member member of
14 the Committee, is present.

15 And with that, I'd like to turn over the
16 presentation of LSC's financial reports for the ten-
17 month period ending July 31, 2012 to our Treasurer,
18 David Richardson.

19 MR. RICHARDSON: Thank you, sir. I will be
20 referring to pages been on 29 of your board book.
21 And this is the July reporting.

22 For the ten-month period, we have operating

1 --

2 MS. REISKIN: Excuse me. This is the memo
3 that you're talking about?

4 MR. RICHARDSON: Yes. We're operating well
5 within budget. Within the basic field component, we
6 have a budget of \$324 million. We have actual
7 expenditures to date of \$323,200,000 -- I will round
8 the numbers as we talk -- and there's \$850,000
9 remaining. And that's funds to support four
10 different areas.

11 We still do not have a provider in American
12 Samoa. We have some money remaining from
13 Mississippi because of a grantee withdrawing from a
14 grant. We have money from Wyoming, again from a
15 situation where we had a period of an interim
16 grantee, and once they were up and running, there
17 was money left for that program.

18 And so as not to create a fund balance
19 issue, we split the amount of money that was
20 withhold for a bit of a time over a two-year period
21 so that they would not have a fund balance issue
22 when it comes to reviewing their financial

1 statements. And we'll provide that money in this
2 year also.

3 The next line is the U.S. Court of
4 Veterans' Appeals. And of course, this is a pass-
5 through grant for us. We received \$2.7 million this
6 year from the court, we made a grant of 2.7, and we
7 actually have \$30,000 for administrative cost.

8 What we do with the administrative cost is
9 we accumulate them during the year, the people who
10 administer the grant; and then their salary, any
11 cabs going back and forth to meetings, and any
12 administrative costs is then charged to the grant.
13 And basically it's then credited to the areas or to
14 the two cost centers that are overseeing the grant.
15 So this money, the \$30,000, a good bit of it, will
16 be expensed in the month of September.

17 Within the grants from other funds
18 available, this is the money that of course we get
19 from grant recoveries and fund balance issues, where
20 the money comes back to the Corporation. This
21 year's budget was \$725,000. We've made a couple of
22 grants out of that, \$250,000. So there's still

1 \$470,000 that could support additional one-time or
2 emergency grants.

3 The next category is the technology. If
4 you'll recall, we did withhold last year's grants
5 until October and November before they were
6 provided. You've probably seen some press releases
7 that there are some in the works for this year; we
8 hope to get all the grants from the technology
9 initiative awarded so that they will not be a part
10 of our carryover, that they will be expensed in
11 2012. And we're working toward that end.

12 This year we have received -- we provided
13 37 grants, \$3.6 million, and we did have
14 cancellation of \$90,000 worth of grants, which is a
15 little higher than normal, and we were cleaning up
16 some of the older grants. So the net expense is 3.5
17 million. So the 3,670,000 will go to support the
18 grants that have just been awarded.

19 The first section we always present on an
20 annual basis.

21 CHAIRMAN GREY: Question. For the record,
22 Father Pius has joined us, and welcome, Father.

1 Julie, you had a question?

2 MS. REISKIN: Yes. It was on the veterans.
3 Is that one grant or is it a number of grants that
4 we give them?

5 MR. RICHARDSON: It's only one grant to the
6 National Veterans Consortium.

7 MS. REISKIN: Why is it costing 30,000 in
8 administration?

9 MR. RICHARDSON: It may not cost that much.
10 It's just that's the amount of money that we set
11 aside for any additional administrative costs. Last
12 year they were in the neighborhood of 22,000. I
13 think there was a review of the program last year.
14 I don't think there was this year. So I don't
15 expect that full amount to be spent.

16 MS. REISKIN: So then will that go back to
17 the veterans?

18 MR. RICHARDSON: That stays in the line,
19 just like our carryover. It would then go to
20 support next year's grant and administrative cost.
21 It remains as character, and will be kept in the
22 line.

1 DEAN MINOW: But I take it, Julie, you're
2 asking will that stay in the veterans line, and the
3 answer is yes.

4 MR. RICHARDSON: It will stay in that line,
5 yes.

6 MS. REISKIN: And if we don't use it for --
7 well, yes, I understand that. But if we don't use
8 it all for admin, if they have less admin, can it go
9 for services?

10 DEAN MINOW: And the answer is yes.

11 MS. REISKIN: Where I live, 30,000 is a
12 paralegal.

13 DEAN MINOW: Sure. And the answer is yes.

14 MR. RICHARDSON: They can. This amount of
15 administrative cost is something that is worked out
16 with the count, with the consortium, so everybody's
17 in agreement when it's set aside up front.

18 DEAN MINOW: I had a question, as long as
19 we've interrupted you. To the degree that we have
20 some savings because we have not yet spent what we
21 set aside to implement the Fiscal Oversight Task
22 Force recommendations, we now hope that we will be

1 spending that. And how did we estimate that amount,
2 and how will we know if it's the right amount going
3 forward?

4 MR. RICHARDSON: There has been some money,
5 of course, set aside for that in the next budget.
6 You're going to find that there is four fiscal
7 oversight analysts, as I've called them because we
8 haven't got a title, that will be hired during the
9 year; at least, they're planned to be brought in
10 during the year.

11 Part of the task force was also bring in
12 the Vice President for Grants and Administration,
13 and that has now been done. Lynn has joined us.

14 So there has been money budgeted along for
15 that. We also have got somebody, a consulting firm,
16 looking at the competition initiative. We also have
17 another consulting group who is looking at risk
18 assessment, how we determine who we're going to
19 audit, and providing us some insights as to how to
20 set up the risk assessment program and how to
21 implement it.

22 DEAN MINOW: I just wanted to flag that

1 since Lynn is now here, we might want to revisit
2 what we have estimated those costs to be.

3 MR. RICHARDSON: Absolutely.

4 CHAIRMAN GREY: Jim?

5 PRESIDENT SANDMAN: For the record, this is
6 Jim Sandman. I agree completely that the people
7 that David just referred to are a minimum that we
8 anticipate. I think we might well need more to
9 implement the recommendations.

10 We are budgeting a substantial contingency
11 amount for next year, and that's where I believe we
12 would look to fund the hiring of additional people.
13 But Lynn needs to get into things to figure out what
14 the best way to staff that operation will be.

15 DEAN MINOW: Well, that's very helpful
16 because I just thought -- since it's our duty to
17 look at what expected costs are going to be, I
18 expect it to be higher than we estimated.

19 And we should have some ballpark figure of
20 that, at least in our minds, and not be surprised
21 why is it so much more because we didn't have on
22 board the person to drill down to what it was going

1 to cost, and it was a bare bones, as I understand
2 it.

3 MR. TANENBAUM: This is Allan Tanenbaum.
4 Jim, do you expect that once the programmatic parts
5 of the implementation are developed, that you'll
6 then develop a supporting budget for it? And would
7 that then come to the Finance Committee for comment,
8 or is it just -- your office can just expend the
9 money as long as it's within some line item that's
10 already been put in the budget?

11 PRESIDENT SANDMAN: I'll let David have a
12 crack at it first, and then I'll supplement his
13 response.

14 MR. RICHARDSON: Okay. We have already
15 budgeted what I have mentioned previously. Jim can
16 make changes in the budget up to \$75,000. Any
17 changes over that has to come to the Board to
18 report, to the Finance Committee.

19 It has been our custom, the way that we do
20 it, is any time that there is a change that's over
21 \$5,000, we report that change to the Finance
22 Committee and the Board.

1 MR. TANENBAUM: But as the Dean said, if
2 it's contemplated that it's going to be more, then
3 the Finance Committee would expect to get it before
4 it went to the Board?

5 MR. RICHARDSON: That's correct.

6 PRESIDENT SANDMAN: I'd add one thing.
7 There is a recommendation outstanding from the GAO
8 for the Corporation to formulate a strategic human
9 capital plan. And that has to be linked to our
10 strategic plan.

11 If the Board approves the strategic plan, a
12 component of that is acting on the recommendations
13 of the Fiscal Oversight Task Force, and I would
14 anticipate that Lynn, working with Traci Higgins,
15 our director of Human Resources, would pay special
16 attention to the fiscal component of a strategic
17 human capital plan. We would bring that back to the
18 Committee and then to the Board.

19 DEAN MINOW: Great. Thank you.

20 CHAIRMAN GREY: We are going to put the
21 meeting on pause for a second.

22 (Pause to resolve a telephone issue.)

1 CHAIRMAN GREY: Okay. Mr. Treasurer, you
2 may continue.

3 MR. RICHARDSON: I was just going to say
4 that we've broken this into two boxes, and one is
5 the delivery of legal assistance, and we do report
6 that on an annual budget to you, on an annual basis,
7 because our grants are given on an annual basis.

8 When we look at the management and grants
9 oversight, we do an allocation. So as you look at
10 the budget and you look at the variance, it is only
11 a ten-month budget.

12 Currently, the management and grants
13 oversight is well under budget. As a matter of
14 fact, on page 34, you'll see that the variance is 3
15 million in the operating budget and 1.8, basically,
16 in the contingency. So there's a \$4.8 million
17 variance there, and that money will go into
18 carryover.

19 When we look at that in the next section,
20 when we look at the 2013 budget, I've estimated
21 carryover of 5.15 million. I actually think it will
22 be a little higher than that. My goal is always to

1 come back to you and say, look what money I've
2 found, instead of, look and see what money I need.
3 So it's a basis of sort of over-estimating expenses
4 just to make sure that we have enough money for
5 operating this year, and then have a little found
6 money for next year.

7 The same thing is with the Inspector
8 General. Their budget, they are currently 700,000
9 under budget in their operating. They have a
10 917,000 contingency. And their budget is \$1.6
11 million under budget, and they have estimated 1.8
12 for their total annual carryover.

13 The one thing that I'll point out is in the
14 memo, just to say that we've got three areas of
15 major expenditures that we're under. The biggest
16 one, of course, is the personnel compensation and
17 benefits because of the open positions.

18 Along with that comes the consulting
19 budget, which we've spent less money this year on
20 consulting than we had planned, mainly in your Board
21 of Directors. There's a few of the consulting items
22 that we had going that we still have open.

1 The Executive Office, we had \$100,000 for a
2 union negotiator that we're not going to be using
3 because we have found somebody to do that for us.
4 And the outside counsel is much less than it has
5 been in the past. So those are the main items that
6 make that up.

7 And then, of course, if you don't have
8 people, you don't have people traveling. The third
9 item of the largest expenses is travel, and without
10 the staff, we just don't have enough people out on
11 the road traveling.

12 The IG has also broken up theirs for us on
13 page 5 of the memo. They certainly have consulting
14 money of \$305,000 as far as the variance; 207 of it
15 they've got in a contract. And travel and
16 transplantation, 144,000, and they also have 22,000
17 in contracts there also.

18 I'd be glad to answer any questions you may
19 have at this point.

20 CHAIRMAN GREY: Julie?

21 MS. REISKIN: The same question
22 particularly with the consulting. Could we put that

1 into a grant somewhere and do something with that?
2 There's so much need out there. Again, \$100,000 is
3 a lot of money.

4 MR. RICHARDSON: We have a line item
5 budget, so it has to be used in the MGO budget, or
6 the IG budget for their carryover. We can't be
7 making grants to the field of the MGO budget line.

8 CHAIRMAN GREY: Okay. Could --

9 PRESIDENT SANDMAN: Yes. My understanding
10 is that we would have to go to Congress for
11 permission to do that. That's not something -- yes,
12 that is not something that we --

13 MR. LEVI: So that's not within either of
14 you -- okay.

15 PRESIDENT SANDMAN: Congress prescribes our
16 budget on particular lines, and we cannot move
17 budgeted funds from one line to another without
18 Congress's approval.

19 MR. LEVI: So if you're saying consulting
20 in the executive --

21 PRESIDENT SANDMAN: This is OIG.

22 MR. LEVI: Oh, OIG. No, I'm talking about

1 in ours.

2 MR. RICHARDSON: It's my understanding that
3 we could give a contract to do some research. The
4 problem that we've got this year with the CR is
5 we're not supposed to be starting new initiatives
6 with MGO funds.

7 CHAIRMAN GREY: Okay. We are fortunate to
8 have Carol Bergman with us to give us a report on
9 the status of the 2013 appropriations process.

10 The floor is yours.

11 MS. BROWNE: Robert, this Sharon Browne. I
12 just wanted to let you know that I am on the line.

13 CHAIRMAN GREY: Sharon, we're delighted
14 that you're on the line, and hope that you are
15 recovering rapidly.

16 MS. BROWNE: I wish that were the case.
17 It's going to be slow, but we'll get there.

18 CHAIRMAN GREY: Well, you've got our best
19 wishes and our fingers crossed.

20 MS. BROWNE: Thank you.

21 DEAN MINOW: Sharon, you're wonderful to
22 call in. It's Martha. And we will just take any

1 and all of you that we can get.

2 MS. BROWNE: I appreciate it.

3 CHAIRMAN GREY: Carol?

4 MS. BERGMAN: Thank you. Carol Bergman,
5 for the record, director of Government Relations and
6 Public Affairs.

7 So the bad news, as I assume most of you
8 know, is that Congress did not pass any
9 appropriations bills for fiscal year 2013, which
10 starts tomorrow. The good news is that they did
11 come to an agreement on a continuing resolution that
12 will continue funding the government for the next
13 six months. It's actually October 1st through March
14 27th.

15 And unlike in most situations, where it's
16 usually a continuation of the prior year's funding,
17 this is actually slightly higher than the FY '12
18 funding level. And that's because of the decision
19 to use the funding cap that were determined in the
20 Budget Control Act that passed in August of 2011.

21 So that cap is \$1.047 trillion, which ends
22 up being \$8 billion more than FY '12. So what that

1 actually translates into is a 0.612 percent increase
2 across the board to all federal agencies. LSC is
3 included in that. Keep in mind, this is only for
4 six months, and it's obviously on an annualized
5 basis.

6 So what it means is that LSC's funding
7 level was at 348 million for FY '12. The increase
8 for LSC ends up being \$2,129,760, for a grand total
9 of \$350,129,760, again on an annualized basis.

10 Okay? So what that means for the field is the
11 increase ends up being \$1.9 million more, again, of
12 course, on an annualized basis to the field.

13 So we have a six-month CR, and as we talked
14 about, there was no opportunity to discuss any kind
15 of policy initiatives other than the most critical
16 items in the CR. So obviously, the issue of census
17 data was not included. Therefore, we are continuing
18 with the census figures that have been used all
19 along and used up through FY '12.

20 I am happy to report that we've had
21 conversations with both the House and the Senate
22 staff on both sides of the aisle, and there is

1 general agreement that this will be addressed.

2 However, FY '13 is completed, if there's another CR,
3 obviously.

4 It won't happen if there is an actual FY
5 '13 appropriations bill in the new Congress; then
6 that would be the opportunity to address the issue
7 of census data, and it would be phased in. There
8 would be a two-year or three-year phase-in period
9 from whenever it is actually initiated.

10 And if, in fact, what we're looking at is
11 just a CR that continues through the fiscal year
12 2013, then we will look at it in FY '14. So this
13 will not die; it will happen. It just cannot --
14 it's not possible to implement it at this point.

15 I'd be happy to answer any questions.

16 CHAIRMAN GREY: Thank you.

17 Questions? Martha?

18 DEAN MINOW: I know it's only for the
19 duration of the CR. But using the formula that
20 currently exists, could this mild increase get out
21 to the field?

22 MS. BERGMAN: Yes. That's what I was

1 saying.

2 DEAN MINOW: It will?

3 MS. BERGMAN: The basic field funding,
4 absolutely it will for the first six months. And
5 the field operates on a calendar year rather than a
6 fiscal year, so as I've explained to many of the
7 folks in the field, this will affect their first six
8 months' worth of payments, is the way to think about
9 it for the field. So there will be that 0.612
10 percent increase on their base funding, yes.

11 MR. TANENBAUM: If the budget gets finally
12 passed and is reduced, is there a give-back --

13 MS. BERGMAN: No.

14 MR. TANENBAUM: -- or do they get a credit?
15 They're debited for what they got, or --

16 MS. BERGMAN: Well, the answer is I can be
17 almost certain. Okay? It's designed to not be
18 retroactive, so that this is the funding for the
19 first six months. Assuming that the next six months
20 is not legislated until the end of that six-month
21 period and is prospective moving forward from there.
22 It will only affect the funding level of the

1 following six months.

2 So in other words, either there's a CR at a
3 reduced level or at a greater level or an
4 appropriations bill. It's only for the next six
5 months. So if, for example, they wanted to cut it
6 dramatically, it would cut the following six months.

7 So everybody's on notice that during this
8 first six months, you don't want to make
9 expenditures or make promises, as Dave was
10 articulating, that you may not be able to fulfill in
11 the following six months.

12 The one caveat to this is that even though
13 we're all saying it's six months, it is possible for
14 a new Congress to come in and decide that they want
15 to change it sooner than that six months is up.
16 That is theoretically possible, to come in and
17 create a new appropriations bill in January. But
18 it's unlikely, given the fact that it was set up for
19 six months.

20 MR. TANENBAUM: But the net effect to a
21 grantee in the second six months who may find that
22 six months cut, so that the total amount for the 12

1 months will be less --

2 MS. BERGMAN: Yes.

3 MR. TANENBAUM: -- on an annualized basis
4 than what they received in the first six months,
5 should we be providing very specific guidance that
6 you shouldn't spend the extra money because at the
7 end it will have an impact on your second six months
8 and you'll be in the hole?

9 MR. LEVI: No. We can't do that, Allan,
10 because hopefully the flip will occur. And so you
11 can't make that prediction. They've been in this a
12 long time, so they know these ups and downs. And we
13 really, I think, are giving the admonition that
14 Carol spoke of --

15 MR. TANENBAUM: To be careful.

16 MR. LEVI: -- to in a general way be
17 careful. But otherwise, we're reaching too far
18 across, in my view, and it would be too big for --

19 MR. TANENBAUM: I'm just concerned that, as
20 we found out, a lot of the grantees' financial
21 consultants or financial acumen, in some cases they
22 just don't have the folks there to help them as much

1 as they need to. And I'm just concerned whether or
2 not we're giving them at least enough information
3 for them to be careful.

4 MS. BERGMAN: Well, I feel like all of our
5 communication to the field has been to stress that
6 this is for six months only, and that there of
7 course are no guarantees, and that the next six
8 months is going to be determined by the new
9 Congress, and to repeat the caveats that because we
10 can't in any way tell you what that funding is going
11 to look like in the next six months.

12 But the answer is that it's not retroactive
13 in the sense that nobody's going to be required to
14 give back funding. But I certainly think the
15 concern is valid. It goes to, how do we think about
16 spending in this kind of a very charged political
17 climate?

18 CHAIRMAN GREY: Martha?

19 DEAN MINOW: I wonder what if any capacity
20 there is for everyone in Washington to give some
21 guidance, like don't undertake new initiatives, like
22 this is not a time to make commitments, contractual

1 commitments, that extend beyond six months to people
2 who weren't already on staff, or whatever, without
3 saying we know what's going to happen.

4 Precisely because of the lack of fiscal
5 acumen that was discovered in the field, to be able
6 to -- whether it's to have a set of guideposts or
7 even a hotline might be helpful.

8 MR. LEVI: Well, I want to just make a
9 contrary statement to this. If we're worrying about
10 election seasons, I think we need to worry less
11 about election seasons about more about how we
12 advocate on behalf of what's necessary to properly
13 fund an important value of the country.

14 DEAN MINOW: I wasn't worried about
15 elections.

16 MR. LEVI: And so what I don't want is to
17 have a self-fulfilling -- I know what you're saying,
18 Martha, but I don't --

19 DEAN MINOW: I'm just worried about fiscal
20 messes. I just don't want there to be a fiscal mess
21 in the next couple months.

22 MR. LEVI: Okay. I understand that. But I

1 don't want --

2 DEAN MINOW: Yes.

3 PRESIDENT SANDMAN: I would be reluctant to
4 do that, Martha, because I think that might be read
5 in the field as a signal suggesting panic, or that
6 something is very different this time from prior
7 CRs.

8 DEAN MINOW: I see.

9 MR. LEVI: That's what I'm worried about.

10 PRESIDENT SANDMAN: But we've had CRs for
11 many years, and people know from recent experience
12 that after a CR expires, Congress might take action
13 that dramatically affects what their funding is.
14 That happened last year.

15 DEAN MINOW: Okay. I take the point.

16 PRESIDENT SANDMAN: So I think there might
17 be an overreaction to it.

18 DEAN MINOW: Withdraw my suggestion.

19 CHAIRMAN GREY: Another point to the
20 conversation that I think is different for many of
21 the grantees is that they rarely rely totally on us,
22 and are therefore thinking about alternative funding

1 sources and ways in which to manage the budget based
2 on short-term, intermediate, and long-term costs.

3 So they're more sophisticated than
4 sometimes I think we give them credit for. Unlike
5 us -- we're totally dependent, and so we are
6 absolutely confined to the budget that we are given,
7 unlike the grantees. But I think all of those
8 comments are well-meaning and -taken, and it is that
9 kind of oversight that I think this Board ought to
10 be talking about. So that's good.

11 Carol, thank you. Are there any more
12 questions?

13 (No response.)

14 CHAIRMAN GREY: Mr. Treasurer?

15 MR. RICHARDSON: The breakdown that Carol
16 was talking about is on page 50 of your board book.
17 And what I've laid out is the amount of funding in
18 each of our appropriation lines. You'll see it adds
19 up to the total of the 350,129,760 that Carol was
20 talking about. So that tells you how much is in the
21 basic field, in the technology, and grants
22 administration, and so forth.

1 In addition, column 2 of that provides you
2 with projected carryover. And the projected
3 carryover, you see that the basic field, there's
4 money there, of course, for the American Samoa that
5 we were talking about, Wyoming, and the Mississippi
6 money, which it looks like we'll have a new grantee
7 for that particular area, or it will go to the basic
8 field.

9 I've also been told it looks like we do
10 have a grantee that has stepped forward or somebody
11 for the American Samoa funds. So we'll be working
12 with that and see if it's a viable application and
13 see if we can make the award there.

14 You see the U.S. Court of Veterans'
15 Appeals, the 30. I put a thousand in there. Like I
16 said, I hope it's not that much. So again, my plan
17 is to hopefully be able to come back to you and say
18 there's \$5,000 there, so additional money, found
19 money, to help support the next year.

20 The technology initiatives, looks like all
21 of that money except about 100,000, and understand
22 that there's a few additional grantees that we are

1 trying to -- we're working with to cancel some of
2 the older technology grants that have not been
3 fulfilled. So this line may actually increase a
4 little also.

5 We've got the loan repayment money there.
6 We have looked at the allowance for this year.
7 We've made the appropriate adjustments at this
8 point. So this money will help support the second
9 payment of 2012, which we anticipate getting some
10 time in October or November.

11 Then we'll follow up with the second grants
12 for the 2011 class -- or, actually, the third
13 payment for the 2011 class in 2013, the second for
14 2012, and then the first year of the grants for the
15 new class of 2013.

16 Normally you see that there's a thousand
17 dollars there for the appropriation -- actually, a
18 little more than that. But what we normally do is
19 give about 375,000 for the awardees. Some will drop
20 out, and through attrition, it looks like that we do
21 come back pretty close to the \$100,000 mark as far
22 as the awards that we give. We give enough,

1 hopefully, that we can then give a full three years
2 to the new class.

3 You see the MGO, what we have budgeted
4 there. We have the operations carryover. The
5 contingency is just money that has not been
6 allocated at this point that we can allocate for
7 additional Fiscal Oversight Task Force costs or
8 different initiatives, or help with future year
9 spending. It's however we determine to use that.
10 The same thing with the Inspector General. The 1.8
11 is their total carryover, with a budget of \$6
12 million.

13 So basically, this budget that is on column
14 4 is for \$362,889,022. What I have done in the memo
15 is laid out the key areas. I'll be glad to go
16 through that if you'd like, but time permitting, you
17 may not want to.

18 But basically, the key areas are the board
19 meetings, the staffing, the travel, consulting.
20 I've tried to lay out to give you as much detail as
21 possible so that you can review that. If you have
22 any questions -- hopefully you've already reviewed

1 it, and if you've got any questions, I'll be able to
2 answer them for you.

3 CHAIRMAN GREY: David, we always review
4 what you send us. And thank you for the advance
5 work that you do do.

6 Any questions?

7 FATHER PIUS: David, do you think it would
8 be prudent to do a budget assuming only half of the
9 increase from last year? Do you understand what I
10 mean?

11 MR. RICHARDSON: I do. Last year and
12 prior years, because of the number of meetings --
13 like last year we had six CRs. If we had budgeted,
14 we would have had to have six additional meetings to
15 approve budgets.

16 What this does in the resolution is it puts
17 forth the opportunity to adjust the budget after
18 discussions with Chairman Grey and Chairman Levi.
19 And then, of course, any changes that need to occur,
20 we then come back to the full Committee and Board to
21 review with them.

22 We provide 134 grants currently. Hopefully

1 that will go to 136. We give the grants for the
2 year based on continued appropriations. So we write
3 into a means so that we can only do the contract one
4 time and adjust as we need it. It just helps with
5 the administration of it and helps us not to
6 duplicate efforts during the year.

7 But any changes, up or down -- I mean, last
8 year we started out with 400 million and we ended up
9 with 348, as far as an appropriation. So we came
10 back to you, reported that, and adjusted our
11 spending as we went forward.

12 As Carol said, this budget or this CR goes
13 through March 27th. So we would have to schedule a
14 meeting end of March to be able, then, to budget for
15 future years if we did it based on the CR. So it's
16 just more prudent for us to do it this way.

17 CHAIRMAN GREY: Father, that was too
18 logical a question.

19 MR. LEVI: Do you need a motion to approve
20 it?

21 CHAIRMAN GREY: Mr. Chairman, are you --

22 MR. LEVI: Do you need a motion? Is that

1 what you're saying?

2 CHAIRMAN GREY: I do need a motion.

3 M O T I O N

4 MR. LEVI: I'll move it.

5 CHAIRMAN GREY: Motion to approve the
6 resolution.

7 FATHER PIUS: Seconded.

8 CHAIRMAN GREY: All in favor say aye.

9 (A chorus of ayes.)

10 CHAIRMAN GREY: Opposed, no.

11 (No response.)

12 CHAIRMAN GREY: The resolution is passed.

13 Thank you, Mr. Richardson.

14 A briefing on the lease for 3333 K Street.

15 Mr. President?

16 PRESIDENT SANDMAN: The Corporation's
17 current lease for its space at 3333 K Street expires
18 next May 31st. Our landlord has been under some
19 pressure from its lender to conclude negotiations
20 for a renewed lease sooner rather than later. The
21 lender wants to know that our landlord has a signed
22 lease in hand for an extended period before they

1 renew financing on the building.

2 I briefed Robert and John on this a couple
3 of weeks ago. On Friday, we signed a ten-year
4 extension of our lease for our current quarters, the
5 same amount of space at exactly the same rent per
6 square foot, which will take us until March 31,
7 2023. What this means is that we will have had
8 fixed rent, no increases of any kind, from 2003
9 through 2023. I think that's a pretty good deal.

10 The rental rate is \$38 a square foot. But
11 that, I believe, actually overstates what the
12 effective rent is because the lease provides that
13 the space that we rent be measured by a method that
14 is actually more tenant-friendly than the prevailing
15 method of measuring commercial office space in
16 Washington.

17 It operates in our favor to the tune of
18 about 13.2 percent. That means we pay rent on 13.2
19 percent fewer square feet than we would be paying
20 rent on were the space measured according to the
21 prevailing market method.

22 You can translate that difference into rent

1 per square foot is you choose to, and that brings
2 the rent down to about \$33 a square foot. We have
3 information about the market in D.C.; that's a very
4 favorable rent.

5 There are two economic changes in the lease
6 going forward. The first is an increase in the
7 amount we pay for parking spaces in the building to
8 bring the rate up to market, which is \$215 per space
9 per month. We are currently paying that for a
10 minority of the spaces that we occupy in the
11 building; but the majority of them, about 50 spaces,
12 we are currently paying only \$100 a month for. The
13 market information clearly justifies \$215 per space.
14 The annual effect of that is an additional \$71,760.

15 The second change is that under the new
16 lease, for the first time, LSC will be responsible
17 for its pro rata share of increases in building
18 operating expenses compared to the base year of
19 2012. We currently don't pay anything for building
20 operating expenses -- utilities, taxes, security,
21 things of that nature.

22 Going forward, we will only pay an amount

1 reflecting the percentage of the building that we
2 occupy for the increase in future years over the
3 base year of 2012. Our current estimate is in the
4 first full year of the lease, the new lease, in 2014
5 that will cost us an additional \$30,065.

6 So those two changes together come out to
7 about \$102,000 a year. That's about 5.9 percent of
8 the total payment that we have been making under the
9 lease. To have that modest an increase over a 20-
10 year period, I think, is quite exceptional.

11 Of course, we do have the prospect of
12 owning the building at some point in the future. We
13 have no contractual right to that currently. But
14 Friends of the Legal Services Corporation has
15 indicated that their eventual plan is to allow us to
16 purchase the building at a favorable price. The
17 building appraises at a very good value currently.

18 So I think this is a very good deal for us
19 going forward, and has provided a lot of stability
20 in our occupancy costs over a very long period of
21 time.

22 CHAIRMAN GREY: Questions?

1 DEAN MINOW: It's a good deal. I do have a
2 question about -- is the parking paid for by
3 individuals or by the Corporation?

4 MR. RICHARDSON: It's paid for by the
5 Corporation. We have a transportation benefit.
6 Those who ride the Metro get up to \$130 for Metro,
7 and parking they can get up to 230. And it's 215,
8 is what we're charged.

9 CHAIRMAN GREY: Additional questions?

10 MR. MADDOX: I just have a question. Is
11 that a typical benefit in Washington?

12 MR. RICHARDSON: Yes, sir. It is.

13 MR. MADDOX: It is?

14 MR. RICHARDSON: Yes, sir.

15 MR. MADDOX: Is that then reflected in some
16 sort of IRS form that shows that as additional
17 income?

18 MR. RICHARDSON: It is not additional
19 income under the IRS. It's a de minimis benefit.
20 And there's an exception for that with the
21 transportation as long as it's within a
22 transportation benefit allowance program.

1 PRESIDENT SANDMAN: Those amounts
2 correlate. The amounts that they cited correlate to
3 what the IRS permits not to be taxed as income.

4 MR. MADDOX: Thank you.

5 CHAIRMAN GREY: Julie?

6 MS. REISKIN: Why do transit users get
7 less?

8 PRESIDENT SANDMAN: That's the IRS policy.

9 MS. REISKIN: Really?

10 PRESIDENT SANDMAN: Yes.

11 MS. REISKIN: Bad policy.

12 CHAIRMAN GREY: Any other questions?

13 (No response.)

14 CHAIRMAN GREY: Thank you. And
15 congratulations.

16 DEAN MINOW: That's great. Would you like
17 to negotiate some things for me?

18 (Laughter.)

19 CHAIRMAN GREY: The floor is open to public
20 comment, if there is --

21 MR. TANENBAUM: Robert, before you open it
22 up, can I ask just a question? The resolution that

1 we just passed that was on the temporary operating
2 budget, technically was our resolution to -- the
3 Finance Committee to recommend the adoption of it --

4 CHAIRMAN GREY: Yes.

5 MR. TANENBAUM: -- to the Board?

6 CHAIRMAN GREY: Yes.

7 MR. TANENBAUM: Because we don't have the
8 authority to adopt it?

9 CHAIRMAN GREY: That's correct. When we
10 adopt it, it's adopting the recommendation to make
11 to the Board.

12 MR. TANENBAUM: That was what was intended
13 in the movant, to move the resolution?

14 CHAIRMAN GREY: Yes. Thank you, Allan.
15 Yes. Thank you. That's exactly right. That's a
16 good clarification.

17 The floor is open to public comment.

18 (No response.)

19 CHAIRMAN GREY: Any other business?

20 (No response.)

21 CHAIRMAN GREY: I'd entertain a motion to
22 adjourn.

1 M O T I O N

2 FATHER PIUS: So moved.

3 DEAN MINOW: Second.

4 CHAIRMAN GREY: All in favor say aye.

5 (A chorus of ayes.)

6 CHAIRMAN GREY: The motion is adopted. The
7 meeting is adjourned.

8 (Whereupon, at 2:02 p.m., the Committee was
9 adjourned.)

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