

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

FINANCE COMMITTEE MEETING
OPEN SESSION

Sunday, January 5, 1997

4:17 p.m.

The Legal Services Corporation
750 First Street, N.E., 10th Floor
Washington, D.C. 20002

COMMITTEE MEMBERS PRESENT:

Maria Luisa Mercado, Chair
Alexander D. Forger, President
Thomas F. Smegal, Jr.
John T. Broderick, Jr.
Douglas Eakeley (ex-officio)

STAFF PRESENT:

David L. Richardson, Comptroller and Treasurer
Edouard Quatrevaux, Inspector General
Joan Kennedy
Robert Echols

Diversified Reporting Services, Inc.
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P R O C E E D I N G S

1
2 CHAIR MERCADO: We will go ahead and call the
3 meeting of the Finance Committee of the Legal Services
4 Corporation to order.

5 I want to welcome committee members and other
6 board members as well as the public. I hope everyone
7 is having a good new year this year.

8 At this point I would like to entertain a
9 motion for approval of the agenda.

M O T I O N

10
11 MR. BRODERICK: So moved.

12 CHAIR MERCADO: All in favor?

13 MR. BRODERICK: Aye.

14 CHAIR MERCADO: Motion passes.

15 MR. BRODERICK: If I vote against motions I
16 make, you let me know. That will be a very bad sign.

17 CHAIR MERCADO: Actually, I need to get Mr.
18 Richardson in here.

19 The committee minutes for the September 29th
20 meeting, as presented in the Board book, are there any
21 changes or additions to the minutes?
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M O T I O N

MR. BRODERICK: If not, I will move their acceptance.

CHAIR MERCADO: All those in favor?

MR. BRODERICK: Aye.

CHAIR MERCADO: Opposed?

(No response.)

CHAIR MERCADO: Motion carries.

Staff report on efforts at subletting existing LSC office space.

Mr. Richardson.

MR. RICHARDSON: Let me get Ms. Kennedy. She is going to report on that.

CHAIR MERCADO: Okay.

Yes, if you will please identify yourself for the record. And welcome to our committee meeting.

MS. KENNEDY: Thank you. I am Joan Kennedy, Director of Administration and Human Resources.

CHAIR MERCADO: Ms. Kennedy, you are going to report on the staff's efforts at subletting the LSC office space?

MS. KENNEDY: Approximately ten months ago now

1 we began looking at efforts to reduce our space
2 requirements to accommodate the reductions in staff.
3 We started off with approximately 6200 square feet of
4 space on both the 10th floor and the 11th floor, with
5 approximately 3400 square feet of that space being on
6 the 11th floor, and approximately 2700 square feet of
7 that space being on the 10th floor.

8 The first effort resulted in the negotiation
9 of a sublease with Capital Community Health Plan, which
10 is a consortium of hospitals, of approximately five
11 hospitals in the Washington, D.C. and Baltimore,
12 Maryland, areas that provides health care services to
13 the indigent.

14 We negotiated successfully a sublease for 7663
15 square feet on the 11th floor at approximately \$25 a
16 square foot.

17 Our second efforts at leasing resulted in the
18 successful prime leasing of approximately 11,190 square
19 feet to the National Association of Attorneys General
20 on the 11th floor. That's our largest lease to date.
21 And the construction on that space is going on as we
22 speak.

1 Several things had to be done in order to
2 accommodate the beginning of that construction. As you
3 probably recall, we had Program Operation staff
4 occupying that space as well as the Office of the
5 General Counsel occupied that space.

6 We literally almost played a game of musical
7 chairs in order to be able to get the construction
8 going, and we relocated staff in several areas of the
9 corporation where we could find space. But that
10 construction is scheduled to be complete in
11 approximately two weeks.

12 And as you probably recall from your meeting
13 this morning in the Operations and Regulations
14 Committee, you notice that we now have a new board room
15 on the 11th floor that was reconstructed approximately
16 two weeks ago.

17 MS. BERGMARK: Speaking of which -- excuse me.
18 Is that a move -- I am wondering how long it might take
19 to relocate to the 11th floor because that room is now
20 empty and we have people in the hallway and board
21 members who are sitting around in the room here.

22 THE REPORTER: I would probably need 15 to 20

1 minutes to bring all the mikes up.

2 CHAIR MERCADO: Are the other mikes not up?

3 A PARTICIPANT: No, because the other lady is
4 running --

5 MS. BERGMARK: She has her own setup.

6 CHAIR MERCADO: Oh, I see.

7 (A discussion was held off the record.)

8 CHAIR MERCADO: Back on the record. We just
9 decided to stay here and keep on working.

10 Ms. Kennedy, if you will go ahead. I know you
11 were in the middle of explaining how you have been able
12 to find new tenants for the office space.

13 MS. KENNEDY: The National Association of
14 Attorneys General is a prime lease that we have just
15 entered into this past month, and it is for 11,190
16 square feet on the 11th floor. They are the largest
17 lease that we have entered into to date. They expect
18 to move in mid-February. The construction is nearing
19 completion.

20 In order to accommodate the construction for
21 NAG, as we call them, we relocated the Office of the
22 General Counsel, we inconvenienced the executive office

1 for a substantial amount of time. We have just about
2 completed that project. And as you will recall from
3 this morning, this resulted in a new board room which
4 is much smaller. But I hope it met your needs today.

5 We also relocated the main reception area from
6 the 11th floor to the 10th floor, which you probably
7 saw as you were coming into this area. Relocated all
8 staff.

9 We are now in the process of finalizing a time
10 lease with the Center for Clean Air Policy. They will
11 be taking on in mid-February 3366 square feet, which
12 leaves us, in addition to the approximately 6,000
13 square feet that is now occupied by the executive
14 office and the Office of General Counsel, approximately
15 6,000 square feet of unleased space on the 11th floor.
16 And we are actively working to find a prime tenant for
17 that space on the 11th floor.

18 There were several things that had to be done,
19 in addition to negotiating these leases and the one
20 sublease, to make all of this happen. They included
21 relocating our law library which was once on the 11th
22 floor. It is now on the 10th floor in substantially

1 smaller quarters than what it occupied on the 11th
2 floor.

3 We have made the transition from a primarily
4 hard copy library to primarily an automated library,
5 on-line library, that is a program we have purchased
6 from the West Publishing Company. And it's working
7 out, I believe, fairly successfully. We are undergoing
8 transition strains right now. We are providing some
9 training from West Publishing Company on the use of the
10 on-line library. But it has allowed us to
11 substantially reduce our space.

12 As a matter of fact, the library now occupies
13 an area that's probably about the size of this room,
14 whereas before it was probably three times as large.

15 In addition to relocating the library, we also
16 relocated Archives and Central Files, which is also on
17 the 11th floor, adjacent to the executive office. And
18 it is now on the 10th floor in the area near the
19 library. And we have combined the two so that the
20 staff who were once separate and apart are now cross-
21 training to be able to handle both Archives and Central
22 Files as well as the assistance to staff in the

1 library.

2 We terminated our sublease with the National
3 Association of Police Organizations, which was on this
4 floor, and utilized that place, once we reconstructed
5 it, to relocate Office of Program Operations staff from
6 the 11th floor to the 10th floor. And we have
7 successfully done that with the exception of three
8 remaining staff that we have not been able to find
9 space for yet.

10 We do have one remaining sublease on the 10th
11 floor with the American Psychological Association
12 which, legally, is not scheduled. That lease is not
13 scheduled to enter until mid-March. But we are talking
14 with them as we have been for the past several months
15 and trying in the best way we can to encourage them to
16 relocate the abandoned quarters as soon as possible so
17 that we can get all of our staff, who are now on the
18 11th floor and scheduled to move to the 10th floor,
19 down here.

20 They have suffered some inconveniences, but we
21 are working on that, and we appreciate all of the
22 patience they have shown throughout this process.

1 We constructed, as I said, the new reception
2 area on the 10th floor.

3 We negotiated a lease with the Federal
4 Accounting Advisory Standards Board. And I am not
5 quite certain that I have used the correct name. But
6 our neighbors next door. We acquired an additional 400
7 square feet, approximately, to create two new offices
8 for our Office of Information and Technology staff who
9 were displaced with the move of Program Operations
10 staff from the 11th floor to the 10th floor.

11 We created an additional office for human
12 resources staff from existing space. And we now have
13 that one remaining piece of space on the 11th floor
14 that we have yet to lease out. And, as I said, we are
15 optimistic that we can get that space leased out within
16 this current fiscal year.

17 CHAIR MERCADO: In looking at the office space
18 that exists -- and I am jumping ahead some -- does the
19 space that you currently have, not including the one
20 that hasn't been leased, would it be sufficient to
21 accommodate, if you needed to -- for example, I know in
22 some of the different divisions that there were some

1 positions that were not hired but that you really need
2 to have. I am thinking of some in the OPO Division.
3 Would you have the space to put between five or ten
4 people anywhere?

5 MS. KENNEDY: If we were to lease the
6 remaining space on 11, which, by the way, is not
7 contiguous space anymore since we now have NAG and
8 Capital Community Health Plan, and soon to have the
9 Center for Clean Air Policy. It's not contiguous
10 space.

11 if we were to lease that space, as our plans
12 exist now, we would have no expansion room. There are
13 no extra offices available for any expansion at this
14 time.

15 MR. FORGER: Madam Chair?

16 CHAIR MERCADO: Yes.

17 MR. FORGER: I have a concern about that, a
18 hope and expectation particularly with the program
19 improvement and the discussion earlier on provisions
20 and following up with all the labor-intensive activity
21 that goes into this competition process.

22 I think if funding permitted that we could --

1 in our FY '98 we are anticipating four or five more
2 people in OPO. But I think that we have lost some
3 folks there. But I think that we might very well need
4 some additional space.

5 And if that's all gone, and then we have to
6 scrounge around for space on different floors, it's not
7 going to be very productive.

8 I think having leased out so much of the space
9 here, no one could say we have not been aggressive and
10 prudent in trying to cut our rent burden. I would be
11 inclined to reflect a little bit about reserving a few
12 thousand square feet there.

13 CHAIR MERCADO: And it seems that even the
14 offices that were existent, and I know I have looked
15 into different offices that move around, even some of
16 those are half the size that they were before. There
17 is almost like no room to sit in if you had someone
18 else in your office, other than yourself, in some of
19 those areas.

20 In looking at the competition process, because
21 it is labor-intensive, and all our paperwork and
22 whatever else, part of what I looked at also as I sort

1 of walked around the hallways, is figuring out where is
2 it that you have conference rooms to do that kind of
3 work. I mean, you have this little room right here
4 which -- and then I guess the board room, are basically
5 the only two work areas, if you will, since your
6 library has now been reduced to the size of this room.
7 Where it is that people do that kind of work that needs
8 to be done, that just requires the space for personnel
9 to do the work.

10 And I am assuming that that includes all the
11 space that includes the IG's office as well. I mean,
12 as far as conferences and whatever. You all use the
13 same library; right?

14 MR. QUATREVAUX: Right. Our conference room
15 was taken over by consultants some time ago.

16 MS. KENNEDY: In this transition we have lost
17 a considerable amount of conference or meeting space.
18 We now have the board room which is much smaller than
19 what it was before, and which did allow us to spread
20 out in the way that we have to do during the
21 competition and review processes.

22 We have a small conference area right behind

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1 the reception desk where you, I think, had lunch today,
2 which is a very, very small area, smaller than this as
3 a matter of fact, than this room.

4 CHAIR MERCADO: Right.

5 MS. KENNEDY: And that's all the meeting space
6 that we have at this time.

7 CHAIR MERCADO: So when you have consultants,
8 both for the IG and for management, working either with
9 the audits or working with monitoring the compliance,
10 you really couldn't have a whole lot of people involved
11 in any particular process of review, because you don't
12 have any space to work.

13 So does that mean that we then have to lease
14 space in some hotel or whatever to have meetings to do
15 these kinds of things?

16 MS. KENNEDY: I think that if we were to lease
17 out all of that space, that would certainly have to be
18 an option that we would have to look at. But as Mr.
19 Forger said, while we do have that remaining space, now
20 might be the time we need to stop and reflect whether
21 or not we need to look at handling it a little bit
22 differently.

1 CHAIR MERCADO: Just from a level of prudence,
2 and I guess being a little logical, just with the work
3 that you currently have, with the staff that you
4 currently have, you are already overcrowded as it is.
5 You don't have the space to do the work that you need
6 to do, in reality.

7 Then it would seem that at 2,000 square feet,
8 it's not a whole lot of space that you are talking
9 about. But at least it gives you a flexibility to
10 either have it as a meeting room or have it as a couple
11 of offices that you could take care of some increase or
12 overflow.

13 MR. EAKELEY: Why don't we just ask management
14 and the IG to come back with another look at space
15 needs, projected space needs, for 1997 and 1998 and see
16 whether or not those needs are more or less consistent
17 with current plans or current availability.

18 CHAIR MERCADO: We are already looking at a
19 proposed FY '98 budget in which both the IG's budget
20 and management's budget considers adding a couple of
21 more people on it. And if we are already saying we are
22 to the maximum, that everyone that can possibly have an

1 office has one, although we still have four or five
2 people floating around who we don't have an office for,
3 where are we going to put these people that are
4 supposedly projected through the '98 budget?

5 So that it seems that you need to, maybe, take
6 a little closer look at that.

7 MR. FORGER: Yes, we will do that.

8 MR. BRODERICK: The renovation and fit-up
9 crunch, is that something we are paying as far as --

10 CHAIR MERCADO: Yes.

11 MR. BRODERICK: -- the rent?

12 MS. KENNEDY: Yes.

13 MR. BRODERICK: What's the net here? The
14 space that you have leased, I assume it's been leased
15 at \$25 a square foot, all of it?

16 MS. KENNEDY: No. There have been varying
17 amounts. The CCH, the Capital Community Health Plan
18 sublease, is for \$25 a square foot. The National
19 Association of Attorneys General was leased at -- it
20 was 29, I believe, a square foot. And we are looking
21 at approximately the same floor, the Center for Clean
22 Air Policy. And so there has been some differential

1 that we have had to make up. /

2 In the case of the National Association of
3 Attorneys General, it's approximately \$196,000. In the
4 case of the Center for Clean Air Policy, we expect it
5 to be \$71,000, the rent differential.

6 MR. BRODERICK: That was my next question, in
7 fact.

8 CHAIR MERCADO: And how much was it for the
9 Community Health?

10 MS. KENNEDY: It's a sublease, so we are
11 completely out of the space with the National
12 Association of Attorneys General and the Center for
13 Clean Air Policy. Their lease is with G Place Limited,
14 which is the managing partnership group for this --

15 CHAIR MERCADO: But as far as the billed-out
16 expenses that we had to incur in order to get that
17 leasing space available for them, what has been our
18 outlay on that?

19 MR. RICHARDSON: The CCHP, they paid their own
20 upfitting. But what they required was --

21 MS. KENNEDY: Six months of free rent.

22 MR. RICHARDSON: -- six months of free rent to

1 do that.

2 MS. KENNEDY: So their first rent payment is
3 due the 9th of February of '97.

4 MR. RICHARDSON: One of the reasons we are not
5 talking about rent differential there, the money we
6 have to pay out, such as we had to with the National
7 Association of Attorney Generals and the Clean Air, is
8 both of those are prime leases. So we are completely
9 out from under the liability of the lease.

10 But because we had the free rent the first
11 year, that's what the rent differential is, plus the
12 amount that the community is now subletting the space
13 for. In that particular case we are paying
14 approximately \$30 a square foot, but we have sublet to
15 CCHP for \$25 a square foot. So the difference, that
16 five dollar difference a year, we are absorbing within
17 our budget.

18 CHAIR MERCADO: In as far as the build up of
19 the space that LSC is able to keep, what has been the
20 cost to us on that?

21 MR. RICHARDSON: Approximately \$175,000.

22 CHAIR MERCADO: Does anyone have any comments

1 or questions on this? Are there any questions of Ms.
2 Kennedy?

3 (No response.)

4 CHAIR MERCADO: Thank you. You certainly have
5 done a lot of work in trying to deal with as little
6 space as possible. We can't say we haven't been
7 frugal. And I think we had about 130 or so staff
8 employees a couple years ago, and it went down to
9 around 80, maybe.

10 MR. RICHARDSON: About 85, 86 at this current
11 time.

12 CHAIR MERCADO: So cutting down all that
13 space.

14 The next item on the agenda is to develop and
15 recommend to the Board of directors the FY '97
16 Consolidating Operating Budget.

17 Mr. Richardson.

18 MR. RICHARDSON: Actually, the first thing is
19 review the expenses through November --

20 CHAIR MERCADO: I am sorry, I left that out.
21 Sure did. Item 4 on the budget. Go ahead.

22 MR. EAKELEY: Is there a separate handout for

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1 that?

2 MR. RICHARDSON: There is not. I have just
3 included it in the documents. It's actually on pages 7
4 and 8.

5 MR. EAKELEY: Of the handout?

6 MR. RICHARDSON: Of the handout.

7 Just to review quickly, in Column 1 is the
8 appropriation for '97, the \$283 million. And the
9 budget, for instance, for management and administration
10 is 7.1 million. And the inspector general, 1.5. When
11 I reviewed the expenses for the corporate management
12 administration, you will see that they are reflected in
13 Column 6.

14 What I have done is included our proposed
15 budget and included those for a budget. And I have
16 tried to mark clearly that this presentation of the
17 budget has not been approved by the Board. This is
18 what we are asking you to approve today. So I just did
19 this in the way of trying to cut down paperwork that
20 you had before you.

21 For instance, when you look at 1(a)(1), the
22 basic field, the appropriation was 274 million 400.

1 Through November we had spent \$98,000, and that was
2 actually money from the allocation of carry-over. That
3 was two programs that were not -- the annual award of
4 the contract had not been made by September 30th.

5 Then when you look at 2(a), Management, you
6 see the budget that you had approved September 30th for
7 each of the offices. For instance, the board of
8 directors, 127,400. To date we have only had expenses
9 of approximately \$1,000. And that's net of any
10 adjustments that was made at the end of the year.

11 Executive office, you will see we have a
12 budget of 765,400, and we have actually spent to date
13 118,863.

14 And the general counsel, 484,275. And we have
15 spent to date 40,725.

16 I can read each of these, but as you can see,
17 we are well within budget, comparing 1 to 5. If there
18 is no questions, what I will do is go into how we have
19 developed this recommendation and some of the things
20 that I have tried to do to accommodate both the Board
21 and the president, whoever that might be, when they
22 come into the office.

1 When you look at page 1, what I have tried to
2 do is cross-reference and go into just the materials.
3 This is not intended to be a review of the audit. Mr.
4 Cappilo in the IG's Office would bring in their
5 auditors at the next meeting to review it.

6 But what I have done is to cross-reference,
7 for instance, the deferred revenue, the 32,947 that we
8 had at the end of the year, and the designated and
9 undesignated funds. The designated funds being
10 265,733. And the undesignated, 496,970. Those three
11 amounts are then incorporated into the '97 budget
12 because these are the three figures that make up that
13 carry-over.

14 The only thing that I will mention from page
15 1, further, is that you will notice that we had a
16 deficit, 271,518, in 1995. We have extinguished our
17 debt completely and we actually have a \$500,000
18 positive fund balance.

19 Page 2, I won't make reference to. But that's
20 just how the fund balance changed through the year, and
21 you will see that that checks to the front page also.

22 In regards to the carry-over, I have also

1 included the final budget worksheet and expense
2 comparison for '96. And you will see that in the basic
3 field category we had remaining funds of 159,101 at the
4 end of the year. And when you look at page 3, and if
5 you would just go to page 4 and hold the two there, you
6 will see that the amount of the basic field carry-over
7 does match across there.

8 The delivery is the 159,101. The total. Then
9 the basic field is 126,154. The special emergency
10 funds that we had remaining on hand is 23,834. And
11 then U.S. Court of Veterans Appeal, we had 9,115
12 remaining at the end of the year.

13 When you look at page 4, and also compare that
14 to page 7, the remaining funds in the corporate
15 management administration, this is net of the lease
16 loss. We were talking about the subleasing. The lease
17 loss that we had on the National Association of
18 Attorneys General's lease was \$312,565. We were able
19 to absorb that within our operation, so we do have
20 Corporate Management Administration with total
21 remaining funds of 595,637.

22 And we add the interest that we had not

1 brought into the budget as of that date, which was
2 \$40,912. So we do have \$636,549 that we then bring
3 into the '95 budget.

4 CHAIR MERCADO: '95 or '96?

5 MR. RICHARDSON: I am sorry, '97 budget.

6 When you look at page 6 you will see how we
7 tried to show the total funds that are available. We
8 have got the new appropriation. Again, I cross-
9 referenced the deferred revenue into two amounts. We
10 have got the fund balance with the undesignated and
11 designated.

12 The U.S. Court of Veterans Appeal, we do have
13 \$700,028 for this year. And the AmeriCorps, we have
14 new funds of 758,219.

15 MR. EAKELEY: Four-fifty-eight.

16 MR. RICHARDSON: 458,219.

17 And the other funds available, we have
18 estimated that this date, and I think quite
19 conservatively, that there would be 200,000 or so in
20 interest and my grant recoveries. And we are asking
21 that that be brought into the budget also to help
22 support the management and administration.

1 So the check figures that you have across the
2 bottom for the grant funds, 275,717,348, you will see
3 will go to page 7. And that's the total of Column 4.
4 When you look at the proposed FY '97 budget, the
5 delivery of legal assistance. And then with the
6 Corporate Management Administration, \$7,692,852. And
7 we have a budget for that.

8 And then with the IG, you had appropriation of
9 1.5 with the carry-over of 273,000. So his budget --

10 MR. EAKELEY: Two-forty-three.

11 MR. RICHARDSON: -- will bring it up to
12 1,743,697.

13 So the total budget that we are bringing
14 forward to you is \$285,153,897.

15 What I have endeavored to do is to try to
16 create some funds to help with the presidential search.
17 And you will see on page 7 the allocation for '96
18 carry-over. In particular under 2(a), we have a total
19 of 392,852 for management and administration. Fifteen
20 thousand of that is moving money to additional board
21 expenses that we see are coming.

22 I have made available 75,000 for the

1 presidential search. No additional money is needed
2 this time for the executive office.

3 The general counsel, we have made available an
4 additional \$9,350. We have actually transferred a
5 staff member from the Office of Program Operations to
6 help with the general counsel. And there is also money
7 in it for a new attorney, actually a replacement
8 attorney, that will be starting January 16.

9 Administration is where you will see the
10 largest sum of the money going. You will see that it
11 is 102,000 there. And also the 200,000, the grant and
12 interest. That is to help support the construction and
13 the other ongoing operations of that particular office.

14 CHAIR MERCADO: So that would include that
15 expense we talked about earlier?

16 MR. RICHARDSON: That's correct. The 175,000
17 and the additional rent amount will be included in
18 those two figures. Or, actually, in the total budget.

19 Within my office, I had \$3,000, an amount set
20 aside for some computer programming. And we need an
21 additional \$1400 for operations. So that has also been
22 netted in here.

1 Information systems technology, this is an
2 outstanding contract. We are working on the grants
3 management system. And the money carried forward from
4 last year's budget to accommodate that.

5 Skip Program Operations and come back to that
6 with the additions.

7 The lease loss, this is the amount of money
8 that was showing that we will need to fund the Clean
9 Air Project at this point. And that's \$87,050.

10 And what I have done is endeavored with the
11 changing of the guards, you might say, with a new
12 president coming in, not knowing if there is additional
13 funds needed for staffing or any particular needs that
14 that person would need coming into the office, I have
15 been able to set aside a \$50,000 contingency to help
16 support the president who will be coming to the office.

17 MR. EAKELEY: Sort of a sign-in bonus?

18 MR. RICHARDSON: Maybe. Whatever it is.

19 With the Program Operations, they are the one
20 office that there is a subtraction of a budget. And
21 mainly this is because there was five positions in the
22 budget that has gone unfilled in the first quarter.

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1 And this is simply subtracting out the money that they
2 did not spend on those salaries to help support the
3 other operations of the corporation.

4 MR. EAKELEY: What are those positions that
5 are unfilled?

6 MR. RICHARDSON: Mr. Singsen's position who
7 left the corporation. We have Charlie Moses, another
8 attorney who left. And then there was two support
9 staff who left.

10 A PARTICIPANT: We are filling those
11 positions.

12 MR. RICHARDSON: And the money -- all I have
13 done is taken the money for the first quarter out of
14 the budget. And that money from January 1st forward is
15 still in the budget.

16 So basically, in a nutshell, we are again
17 asking that you approve this budget of \$285,153,897.
18 On page 9 you will see a further breakdown, principally
19 our budget categories: personal benefits to be spent
20 by an office, and in total.

21 And I realize you have not had an opportunity
22 to review this very heavily. Let me just point out the

1 15,000 in the board of directors in the past where we
2 have had regulations posted in the Federal Register,
3 those have been charged to administration. There was
4 an amount of \$15,000 in the administration budget. To
5 support that we have simply moved that to the board of
6 directors' budget.

7 That alone with the rent, the occupancy cost,
8 because of the subleasing and the upfitting, are the
9 main changes here that we have. This is consistent
10 with the budget that you approved September 30.

11 There is one new staff member projected in
12 this, and that position is actually in the information
13 technology office to help move computers, and repair
14 computers, and move them throughout the corporation.

15 CHAIR MERCADO: The consulting one that you
16 have in the information technology, was that for
17 setting up the whole computer system?

18 MR. RICHARDSON: That's the grants management
19 programming that is going on. And there has been a
20 company hired to help with the programming and the
21 administration of that particular program. It's
22 actually going to be in two phases.

1 We are now working with the grants
2 programming, and then there will also be some
3 programming work at administration, and some
4 programming for the executive office to meet their
5 needs later in the year that this company or another
6 company would bid on, that this would fund.

7 MR. EAKELEY: What's the 471,000 for the
8 proposed M&A budget fund for consulting?

9 MR. RICHARDSON: The first 50 is board of
10 directors' attendance fees; 45,000 --

11 MR. EAKELEY: No, no. I am talking about
12 the --

13 MR. RICHARDSON: This adds across.

14 MR. EAKELEY: Oh, oh, okay.

15 MR. RICHARDSON: It's just a subtotal.

16 MR. EAKELEY: All right.

17 MR. RICHARDSON: So basically, management is
18 looking at 471 --

19 MR. EAKELEY: Yes.

20 And of the IG's, do you want to answer this,
21 David, on that consulting line for the Office of the
22 Inspector General, how much of that has already gone or

1 was earmarked for the technology --

2 MR. QUATREVAUX: Seventy thousand dollars.

3 MR. EAKELEY: Seven-o?

4 MR. QUATREVAUX: Seven-zero. The remainder
5 supporting --

6 MR. EAKELEY: The 185, yes.

7 MR. QUATREVAUX: The remainder, 75,000, is
8 associated with our names, Audit Information Management
9 System, and supports the new audit process, if you
10 will. Thirty-thousand is for the corporation's annual
11 financial statement audit, and \$80,000 is tagged
12 against compliance audits. What I mean by that is more
13 of the same sort of thing that we are doing right now.

14 MR. EAKELEY: But using outside consultants,
15 or you are using outside consultants for those
16 compliance --

17 MR. QUATREVAUX: We are using staff, but we
18 are using outside consultants for supplements, yes.

19 CHAIR MERCADO: Would those be expenditures
20 that would be a one-time expense? Or is it a
21 continuing expense? It would seem like the audit
22 information system would be like a one-time expense,

1 and the others would be continuing for compliance?

2 MR. QUATREVAUX: That's right. Well,
3 domestic violence applications, one time. Audit
4 information management systems, one time. LSC
5 corporate audit. The other was planned for FY '98.
6 That is what we know at this time. I wouldn't say it's
7 in either category.

8 CHAIR MERCADO: And I am assuming that in the
9 travel and transportation category, that's all audited
10 out and in compliance. That goes in.

11 MR. QUATREVAUX: More than \$70,000 of it is
12 audit-related.

13 CHAIR MERCADO: Mr. Richardson, on all the
14 build-out and rent differential, and everything that
15 you have had, those costs and expenses have been
16 allocated on the M&A line item, and there's not any
17 percentage that has been allocated to the inspector
18 general, not in this budget?

19 MR. RICHARDSON: There is not.

20 CHAIR MERCADO: Okay. I just want to make
21 sure that any of the numbers reflected any of that.
22 Okay.

1 Does anyone have any other questions? Or if
2 you have any other items that --

3 MR. RICHARDSON: I don't believe there is
4 anything else that at this point I need to call your
5 attention to. But what we do need, of course, is a
6 motion that the budget be accepted.

7 CHAIR MERCADO: As modified.

8 M O T I O N

9 MR. BRODERICK: I would make that motion.

10 CHAIR MERCADO: Is there a second?

11 MR. EAKELEY: I second it, I guess.

12 CHAIR MERCADO: All those in favor?

13 (Chorus of ayes.)

14 CHAIR MERCADO: The motion carried to approve
15 the budget as modified.

16 MR. FORGER: We are now at the '98, David?

17 MR. RICHARDSON: That's correct.

18 MR. FORGER: I think as part of the background
19 on that, as you know, this board adopted a budget mark
20 of 396 million. We conveyed that to the Office of
21 Management and Budget. They responded with a proposed
22 allocation of 305 million. We got the opportunity to

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1 appeal that, and did so. I think you saw the
2 correspondence that went to the director.

3 And while the President's budget has not yet
4 been presented formally, at least we got an indication
5 from OMB that they would revise their 305 to 340. And,
6 as is consistent with our past practice, we don't
7 depart from the administration's recommendation.
8 Therefore, we propose a budget on the basis of 340
9 million.

10 We were asked for a breakdown in that
11 category. And we suggested -- I think the inspector
12 general, as you see, has a budget of 1,007,320.

13 CHAIR MERCADO: What page is it that you
14 are --

15 MR. EAKELEY: Nine, 10 and 11.

16 MR. FORGER: And then management has a
17 proposed budget of 8,198,000. So it's roughly 8.2 and
18 1.7, which produces 9.930 for combined management and
19 inspector general.

20 In addition to the basic field line, and the
21 management line, and the inspector general line, we put
22 in a request for \$12 million for technology as our

1 initial effort with respect to having the capacity to
2 assist the programs.

3 As you know, two years ago we did ask Congress
4 for a separate allocation for technology, and that was
5 rejected. This year we think it certainly is
6 appropriate, again, to revisit that particularly as is
7 the need to do more with less. And certainly the
8 inspector general has focused on the importance of
9 technology. This may be our opportunity to get some
10 additional funds for that purpose.

11 We have made a survey of the field as to its
12 needs and what it would take to get it basically up to
13 a level that we think would be appropriate in order to
14 be much more cost-efficient and effective and to make
15 use of software that now exists as well as to develop
16 additional software to meet our particular needs. So
17 this relates not only to case management and financial
18 management, but also accessing for.

19 That survey looking to what programs currently
20 have, and that which they and others do not have,
21 costed out to about \$9 1/2 million. And we believe the
22 other two-and-a-half could be useful in our developing

1 the software as well as giving counsel to the field.
2 So we think that is an important initiative for us to
3 develop.

4 And in our survey on competition, it became
5 pretty clear that there were numbers of programs that
6 were lacking in technology capacity. And I think that
7 it is a much more persuasive case today in light of the
8 one advance in technology over the last couple of years
9 and the reduction of our funding.

10 So that is our basic recommendation in respect
11 to the two charts before you that David has prepared,
12 pages 10 and 11. The only difference, then, I believe
13 is an allocation of rent as between the inspector
14 general and the balance of the corporation.

15 In the first page, the rent, you will see
16 under Administration, is a million-four-sixty. In the
17 second page it is a million-one-seventy-three under
18 Administration with an allocation of 288 to the
19 inspector general. Needless to say that would increase
20 his line allocation by his share of the rent
21 allocation.

22 David, have I missed anything in this regard?

1 MR. RICHARDSON: (Shakes head.)

2 MR. FORGER: We do have -- in managements we
3 are asking about five or 600,000 more in management
4 over what we are spending for '97. That includes five
5 or six new positions. I guess it's seven new
6 positions. Five in OPO, one in general counsel. And
7 we have also budgeted a 6 percent average increase for
8 all of staff. And I guess those are the principal
9 components of the additional.

10 There is the accrual of vacation, which adds
11 something in the increase on health care. And I guess
12 that's the principal issues.

13 MR. RICHARDSON: Right. The only thing I
14 would add is we appear to have additional money for
15 consulting and travel under the program operations for
16 program input.

17 MR. FORGER: Back to my earlier point. I
18 think that that's essential to having done all of the
19 RFPs and analyzed all of the responses as was mentioned
20 in the Provisions Committee, who really need the
21 opportunity to follow up on that, and to capitalize on
22 the information that we perceived, and give assistance

1 to those programs.

2 CHAIR MERCADO: Were there several FY years in
3 which we did not give an increase to the staff?

4 MR. RICHARDSON: In 1994 salaries were frozen.
5 And in '96 salaries were frozen. However, last year
6 the employees did receive a one-time cash payment of 2
7 percent of their base wage.

8 CHAIR MERCADO: I mean, if they haven't
9 received whatever the normal process cost of living
10 maybe a lot of their agencies may have received.

11 MR. FORGER: The salary, as far as I know, has
12 remained constant for this decade.

13 CHAIR MERCADO: For the decade?

14 MR. FORGER: I think so. Maybe in '92 it was
15 different.

16 MR. RICHARDSON: In '91 and '92 it went up,
17 but it hasn't gone up since.

18 MR. FORGER: So, thank heavens, some things
19 remain constant in this world.

20 MR. QUATREVAUX: Madam Chair.

21 CHAIR MERCADO: Yes.

22 MR. QUATREVAUX: May I ask a question

1 regarding the information technology?

2 I believe you indicated, Alex, that nine or
3 \$9 1/2 million is directed toward the field?

4 MR. FORGER: Yes.

5 MR. QUATREVAUX: And it consists of -- I am
6 not sure I understand -- software, hardware --

7 MR. FORGER: Yes.

8 MR. QUATREVAUX: -- based on a survey as to
9 what grantees actually -- what we believe their
10 situation to be at present?

11 MR. FORGER: I believe so, yes.

12 MR. ECHOLS: Could I just clarify that? Ed,
13 we did survey -- Reggie surveyed the programs to
14 determine what it would cost to bring each of our
15 grantees up to a level equivalent to what the
16 corporation is now at in turn. That is the LSC itself.
17 The quality of hardware we have, networking we have.

18 There are currently grant conditions relating
19 to the level of technology that all applicants and
20 recipients need to meet. But they are much lower.
21 Those are very minimal levels. So the notion was that
22 we would figure out -- and this is based, actually --

1 the origin of it comes from a dialogue between you and
2 Mr. Broderick at the board meeting in August in which
3 you raised the question of how much it would cost to
4 bring all the grantees up to a level that would enable
5 them to function effectively with the software that
6 exists now, case management kind of software, financial
7 management software, access to the Internet, on-line
8 legal research, and that sort of thing.

9 There is also, as I pointed out, tremendous
10 possibilities for development of new software, a
11 demonstration project, and the like. But I don't think
12 that at this point it is accurate to say that we have
13 firmly decided to break down the 12 million proposal
14 between 9.5 million to meet the field's needs and
15 spending the additional for demonstration projects and
16 development of these software because there are some
17 questions that come up as to how the 9.5 would be
18 distributed to the field.

19 So it is something that we are going to be
20 studying and developing in the next month for when we
21 submit the proposal to the Hill.

22 MR. QUATREVAUX: When I was briefly in the

1 technology business, I tried to think through to the
2 end game and ran into a couple roadblocks that I
3 imagine today, not because I don't think grantees need
4 hardware and software, because I certainly do think so,
5 and I don't have any doubts about the survey instrument
6 or its accuracy.

7 But it's this. Two parts, actually. One is
8 the potential criticism. It goes something like, oh,
9 you are giving -- whatever the figure is -- equipment
10 to grantees. Does that mean you are abandoning
11 competition? Or, are you giving equipment to people
12 who you are going to eliminate through competition?
13 It's a very difficult one to analyze. I think everyone
14 should think about it.

15 And from the grantee side, it comes in
16 slightly different forms, the same argument. People
17 who pulled up their socks and tightened their belts and
18 made investments in information technology at the
19 expense of other types of expenditures may very well
20 feel that they are being penalized for having had that
21 foresight, and that what's being awarded are the people
22 with organizations that did not.

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1 So those are the things you may wish to
2 consider.

3 MR. EAKELEY: Where do you come out on that,
4 or how would you address it? How would you address the
5 obvious need that's there that, if met, could provide
6 greater service to more people?

7 MR. QUATREVAUX: I didn't have a solution
8 under the current configuration. It seemed to me that
9 the only way to make that work would be for the
10 corporation itself to have a very substantial
11 information technology capacity and use that capacity
12 to deliver the equipment, which will be on loan, which
13 will be the property of the corporation on loan to the
14 current grantee. That's the way about that.

15 MR. FORGER: Well, I certainly agree that we
16 would not want to reward those who were not farsighted.

17 MR. QUATREVAUX: I am just trying to alert you
18 that some of these are the same ones you give grantees
19 and you don't have to bring them up to capacity.

20 MR. FORGER: Right. And that certainly is
21 very topical at this moment in terms of some of the
22 decisions on competition. But I guess as Bob points

1 out, that there are some nuances here with respect to
2 how you allocate it and the nature of the relationship
3 of LSC to the grants, whether you lease it, whether
4 it's lend-lease, whether it's on a short period, or it
5 depends whether you have a five-year grant versus a
6 one-year grant.

7 But it seems that we are probably in the best
8 position to try to improve that level of quality
9 through a central place however we do it in whatever
10 fair manner we can devise in order to achieve what I
11 guess Congress wants us to do, is to serve more people
12 with limited resources. So we welcome all of those
13 suggestions, and we will take -- if we get the money it
14 will be a thought process to try to determine how best
15 to do this.

16 MR. EAKELEY: But I think the suggestion is we
17 have to think ahead. In order to make the best case
18 for getting the money, you have got to address and
19 anticipate questions like that and come up with answers
20 to those questions.

21 MR. ECHOLS: I would say that the things that
22 Ed has raised are things that are very real questions

1 that we have thought of, too. And as I said, the
2 proposal is still at a very preliminary stage.

3 MR. EAKELEY: Can I ask a question? I am
4 afraid I think I am supposed to know the answer to
5 this, but I don't. We have two competing proposals for
6 interim FY '98 that I believe have only one difference,
7 that is to say, the allocation of rent to the Office of
8 the inspector general.

9 MR. RICHARDSON: That's correct.

10 CHAIR MERCADO: In real dollars all it does is
11 that it moves that money for that occupancy space from
12 management and administration budget line to inspector
13 general budget line. So it's not as if we are taking
14 the 1.7 or whatever from the inspector general and
15 making them pay out of, carve out of that amount of
16 occupancy space. It's an appropriated amount.

17 My concern, in discussing this budget, earlier
18 was whether we had projected in the '98 budget
19 sufficient allocation for expenditures on the build-
20 out. And then if we required additional build-out,
21 assuming that we got the additional staff that we
22 needed to do, and then to do the competition process

1 work that we need to do, consultants, whether we had
2 incorporated into that budget sufficient cost for
3 occupancy or build-up, however you want to call it,
4 capital expenditures, occupancy cost. I don't know
5 where all you would put that.

6 But that was the only thing I was concerned
7 about because we have been paying out, through a lot of
8 carry-over, all of these overruns that we had in build-
9 up.

10 And so do we have projected in our budget
11 enough money to cover that if we pull out this cost?

12 MR. RICHARDSON: There is one addition into
13 the budget as far as for rent. Mr. Caturell is maybe
14 where he would like to have an additional 2,000 square
15 feet of space.

16 MR. QUATREVAUX: If I may rephrase that
17 slightly. We need some additional space. The space
18 that was identified as that size is actually a couple
19 hundred square feet more than we need, but it's there,
20 I presume.

21 So we have got a notional figure for some
22 additional space to what we have now. And whatever

1 space you get you add 15 percent to pay for the common
2 area and that sort of thing. We have got in that
3 287,000 figure \$44,000 for build-up which goes to your
4 question, Madam Chairman.

5 CHAIR MERCADO: What number are you looking
6 at? I am sorry.

7 MR. EAKELEY: The 288, I think.

8 MR. QUATREVAUX: Right, the 288 I think was
9 the number given.

10 MR. RICHARDSON: It should be 287.

11 MR. QUATREVAUX: A hundred and sixty-eight
12 thousand of that is costed -- the current space costed
13 at the corporation's lease rate. The additional space
14 is, say, \$75,000, which is also at that \$35, I think it
15 is, per square foot. And is 44,000 construction to
16 build out should we do that.

17 MR. BRODERICK: Is our occupancy expense for
18 Fiscal Year 1998 of 1.462, if we leave it as it is now,
19 assuming it will not lease or sublease any additional
20 space?

21 MR. RICHARDSON: That's correct. What this
22 does is -- that's what I was referring to. We have

1 6,000 square feet of space on the 11th floor that we
2 are currently trying to sublease. This adds 2,000 on
3 top of that to get it contiguous to the inspector
4 general's space.

5 MR. FORGER: What is the "this"?

6 MR. EAKELEY: Yes, I am confused.

7 MR. QUATREVAUX: The 2,000 reference. The
8 additional space for the OIG.

9 MR. FORGER: We have figures here in the
10 alternate budgets. Does that anticipate that we are
11 using only the current space?

12 CHAIR MERCADO: No.

13 MR. RICHARDSON: Current space plus 2,000.

14 MR. FORGER: Plus the 2,000?

15 MR. RICHARDSON: And I should say not current
16 space we are using, but current space that we are
17 paying rent on.

18 MR. FORGER: Plus. It takes care of the
19 additional 2,000 square feet that Ed is referring to?

20 MR. QUATREVAUX: Not just in my budget.

21 MR. RICHARDSON: No, it's in both sides.

22 MR. FORGER: Okay. So that's subsumed in this

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1 total figure?

2 MR. RICHARDSON: Yes.

3 CHAIR MERCADO: Is it also subsumed in this
4 figure the contingency space that we are talking about,
5 assuming that you get your additional five or six staff
6 members? Does this budget have that cost of building -
7 - that could probably be, I don't know, 2,000 square
8 feet or 1,000 square feet to put that in there. Do you
9 have that?

10 MR. RICHARDSON: There is not. What I have
11 based this on is if we would get the additional seven
12 staff that we are projecting in this, there is 12, 14
13 offices upstairs in the 11th floor where I would say
14 that they would probably go and consider subleasing
15 additional space.

16 If we do get that space subleased -- and I do
17 understand that we are going to go back and take a
18 separate look at that. And if we sublease that, then
19 we would have to sublease additional space here.

20 It's just a matter of will the sublease of the
21 6,000 square feet upstairs in the 11th, if we can
22 relieve ourselves of that responsibility and then

1 sublease additional space on the 10th floor. Until I
2 see how the different arrangements are made,
3 negotiations, I can't tell you if they would subsume
4 that cost or not.

5 CHAIR MERCADO: We would really like you to
6 look at that with this thought in mind. You have
7 already included in this budget the extension to the IG
8 space. But you haven't included in the budget the
9 extension, assuming that we get the additional five or
10 six staff for M&A. If you all could look how you can
11 figure that --

12 MR. QUATREVAUX: I was just thinking, without
13 any knowledge of space, and it's peculiarities, and
14 that sort of thing, if I have heard all these numbers
15 right, and if they are all using the same basis, that
16 is in terms of that 15 percent factor, my understanding
17 is that OIG currently occupies about 4950 square feet.
18 We are seeking in the neighborhood of 1500, and these
19 are real numbers, actual space, which is about 6500.

20 I thought I heard that there is 6500 square
21 feet up there that's not been leased on the 11th floor.
22 And that OPO on the 10th floor has a need for some

1 expansion, plus a need for some meeting rooms and that
2 sort of thing.

3 CHAIR MERCADO: So you are thinking of
4 switching?

5 MR. QUATREVAUX: Well, I have no idea. I
6 have --

7 CHAIR MERCADO: I mean, well, that's sort of
8 what we would like now to look at.

9 MR. QUATREVAUX: There might be a way to -- I
10 hate to see the corporation commit itself to additional
11 space, using additional space after all the wrenching
12 it has been through to reduce its space, even if it is
13 a much smaller amount.

14 MR. EAKELEY: I think my proposal was for
15 management and the OIG to look at both 1997 and 1998 --

16 CHAIR MERCADO: Yes.

17 MR. EAKELEY: -- occupancy needs on different
18 budget scenarios to just deal with precisely that, just
19 see what the different possibilities are.

20 CHAIR MERCADO: The IG's occupancy extension
21 in he '98 revised budget, that's included in there.
22 What isn't included is M&A. So, however it is that it

1 is configured physically in there, we need to look at
2 it, I guess, and recommend feasible space knowing that
3 everybody has been reduced, downsized. We don't have
4 enough meeting space or anything like that. But try
5 and work on it.

6 MR. QUATREVAUX: I want to make it clear, I am
7 not eager to move particularly, I guess, this next
8 couple of weeks.

9 MR. FORGER: I guess, David, if we had another
10 3,000 square feet, that's \$90,000, Joan, that we
11 would -- so we would modify the FY '98 in some way
12 or --

13 MR. RICHARDSON: Yes.

14 MR. FORGER: -- increase the M&A budget?

15 MR. EAKELEY: We would have to look at how we
16 have distributed the money here and see if we would
17 have to cut, we would have to keep within the 8.2
18 budget.

19 MR. FORGER: So we need do only a revised
20 budget, I assume, at this point?

21 MR. RICHARDSON: At this point what we -- we
22 have done the revised mark that you were asking that we

1 go from 396 to 340.

2 MR. EAKELEY: We haven't done that --

3 MR. RICHARDSON: Did not.

4 MR. EAKELEY: We have to do that.

5 MR. RICHARDSON: The allocation that we are
6 looking for is the 318,070,000 to basic field, 12
7 million to the technology initiative, and then
8 9,930,000 split between the inspector general and the
9 management.

10 MR. EAKELEY: So moved.

11 MR. FORGER: Where does the increased rent fit
12 in?

13 MR. RICHARDSON: I don't think we need to do
14 that at this point. We can do that --

15 CHAIR MERCADO: We don't need to do the
16 specific detailed budget to OMB at this point.

17 MR. EAKELEY: But Alex is saying should we --

18 MR. FORGER: Come out of salaries?

19 MR. EAKELEY: Where do you take the 90,000 out
20 of the M&A if that's the M&A --

21 MR. FORGER: Consulting fees, something like
22 that.

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1 CHAIR MERCADO: That's usually where it comes
2 out of.

3 MR. RICHARDSON: It's usually a matter of
4 attrition, really. Just like this year we were able to
5 get 100,000 out of OPO because of empty positions.

6 CHAIR MERCADO: That you didn't fill?

7 MR. RICHARDSON: Right.

8 MR. FORGER: So your advice is you don't have
9 to alter this if there will be some way, ultimately, of
10 fitting this into the figures?

11 MR. RICHARDSON: Yes. We will get an
12 opportunity to revisit this, of course, when we pass a
13 temporary budget next September for operations in '98
14 based on whatever appropriations that would be, and
15 then again in the annual meeting, passing the annual
16 budget for the corporation, and both times we will have
17 an opportunity to revisit this and make a revised
18 recommendation to you.

19 CHAIR MERCADO: And I think that probably the
20 main issue here for the Finance Committee and
21 ultimately the board is whether in discussions in the
22 final budget we submit to OMB, whether we want to

1 submit a budget that does a line item for OIG, an
2 occupancy cost, and M&A and their occupancy cost. And
3 the numbers are the same except that it's taken from
4 M&A to OIG occupancy cost. So that reflects more
5 accurately what cost and expenses of that particular
6 office is.

7 MR. RICHARDSON: For instance, when you look
8 at page 10/11, the total, the 9.93 of management and
9 IG, that's what we normally would report to the
10 Congress in their appropriation or budget request. And
11 it would be an element of making sure of the Board's
12 wish to move the occupancy cost into the IG's budget
13 that we documented within our budget request, and make
14 it clear that we are looking at not a 1.732 for the IG,
15 but we are looking at a 2,019,000 for the IG.

16 MR. QUATREVAUX: Madam Chair, I would request
17 just the opportunity to participate in the drafting of
18 the language that deals with that aspect.

19 CHAIR MERCADO: And that's what we are asking
20 management and IG to do.

21 MR. EAKELEY: I mean, it seems listing in the
22 thousand-dollar occupancy cost for the OIG doesn't

1 really represent the costs of the office. And it seems
2 to me that that's the way we ought to go assuming that
3 it's properly worded and presented. I think that
4 that's what we ought to do.

5 CHAIR MERCADO: And, of course -- and Mr.
6 Richardson will probably shoot me for this. But in the
7 past we had talked about -- because you are really not
8 itemizing the office, I guess, in the sense of the
9 expenditures it has because part of what we had
10 discussed before is that a lot of, for example, the
11 printing and reproduction and other costs don't go
12 specifically to that office. They are handled under
13 the management and administration line.

14 So it's not accurate to say that by doing the
15 budget in that way, which the occupancy costs are
16 allocated to the IG, that it would more accurately
17 reflect the cost of renting that office.

18 MR. EAKELEY: Less than accurate.

19 CHAIR MERCADO: Right, okay. So whether
20 that's an issue you might cover at some future point, I
21 don't know.

22 MR. QUATREVAUX: I would suspect it's 99

1 percent accurate with the exception of the occupancy
2 cost.

3 CHAIR MERCADO: Any other comment?

4 MR. EAKELEY: You are smiling because you are
5 thinking of his technology report.

6 MR. RICHARDSON: No.

7 MR. EAKELEY: Obtaining that printing and
8 reproduction money.

9 MR. RICHARDSON: No. I am actually thinking
10 of we charge 6 cents per call. And I would hate to
11 start charging that per telephone.

12 MR. QUATREVAUX: There comes a point at which
13 you have to weigh the relative merits of the precise
14 reporting against administrative costs. By the way,
15 the technology of the report has been done both
16 commercially and in-house.

17 CHAIR MERCADO: Okay. Are there any other
18 comments or questions on the proposed revised budget
19 mark for 1998?

20 MR. BRODERICK: There was a motion --

21 M O T I O N

22 MR. EAKELEY: I think first thing we have to

1 do is move that the corporation adopt a revised budget
2 mark for Fiscal Year 1998 of \$340 million.

3 MR. BRODERICK: And you move that?

4 MR. EAKELEY: Yes.

5 MR. BRODERICK: And I second that

6 CHAIR MERCADO: All in favor?

7 (Chorus of ayes.)

8 CHAIR MERCADO: Opposed?

9 (No response.)

10 MR. EAKELEY: Then I would propose, if that's
11 the mark, that we --

12 MR. SMEGAL: Where you get that 340 from?

13 MR. EAKELEY: OMB.

14 (Simultaneous conversations.)

15 CHAIR MERCADO: The motion carried.

16 M O T I O N

17 MR. EAKELEY: Then I would move that the
18 committee adopt as its proposed initial fiscal year
19 1998 budget proposal the revised rent calculation and
20 total M&A budget that is listed on page 11 of the
21 handout showing an occupancy cost allocated to the
22 Office of inspector general of \$288,000.

1 MR. SMEGAL: Second.

2 CHAIR MERCADO: Along with the -- even though
3 you don't have it before you, David did outline --

4 MR. EAKELEY: Then I will build that up.
5 Let's do this in three pieces. The second piece is the
6 M&A line with the occupancy cost separately allocated
7 because I think one of the points was just making the
8 proper steps along the way.

9 MR. QUATREVAUX: I am sorry. I believe the
10 motion was seconded by Mr. Broderick.

11 MR. EAKELEY: No. The first motion, Mr.
12 Broderick seconded. Mr. Smegal seconded the second
13 motion.

14 MR. BRODERICK: We are ready for a vote on the
15 second motion?

16 MR. EAKELEY: Yes.

17 CHAIR MERCADO: All in favor?

18 (Chorus of ayes.)

19 CHAIR MERCADO: Opposed?

20 A PARTICIPANT: Abstention.

21 M O T I O N

22 MR. EAKELEY: The third motion I think is that

1 the committee approve a recommendation to the Board an
2 FY 1998 budget consistent with the budget mark
3 allocated as follows:

4 MR. RICHARDSON: \$318,070,000 to basic field;
5 \$12 million allocated to information technology
6 initiative.

7 MR. EAKELEY: And nine million-nine-thirty
8 allocated --

9 MR. RICHARDSON: To management and
10 administration.

11 M O T I O N

12 MR. BRODERICK: I will make a motion that we
13 accept that.

14 MR. EAKELEY: I second that.

15 CHAIR MERCADO: All those in favor?

16 PARTICIPANTS: Aye.

17 CHAIR MERCADO: Opposed?

18 (No response.)

19 CHAIR MERCADO: Motion carried.

20 I think we have done all our items.

21 Is there any other business before this
22 committee?

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(No response.)

CHAIR MERCADO: Are there any comments from the public on any of the items that we have covered on the agenda?

(No response.)

CHAIR MERCADO: Hearing none, I would entertain a motion to adjourn.

M O T I O N

MR. EAKELEY: So moved.

MR. BRODERICK: Seconded.

CHAIR MERCADO: All those in favor?

(Chorus of ayes.)

CHAIR MERCADO: Thank you.

(Whereupon, at 5:35 p.m., the meeting was adjourned.)

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