

# AGENDA ITEM

**NOVEMBER 142**  
Information Technology Project  
Budgets – Adoption of

**DATE:** October 31, 2008

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

**FROM:** Office of Finance

**SUBJECT:** Adoption of Information Technology Project Budgets

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## **EXECUTIVE SUMMARY**

In 2007, the legislature granted the State Bar the statutory authority to levy a special purpose assessment of \$10 per active member per year from 2008 to 2010 to finance the refurbishment and enhancement of the Bar's information technology infrastructure. This special assessment is expected to raise approximately \$1.5 to \$1.6 million per year. Finance has worked with IT staff to identify specific project budgets for these funds. This agenda item appropriates funds for these projects, amending the 2008 and 2009 annual budgets accordingly. In addition, it authorizes these projects as continuing (or "non-lapsing") appropriations, the unspent balance of which may be carried forward from year to year until the projects are completed. Finally, it authorizes similar treatment for three IT projects previously carried forward from 2007.

## **BACKGROUND:**

### **Technology Investment Roadmap Projects**

Earlier in the year, Gary Clarke, the State Bar's Chief Information Officer, presented to the Board of Governors the Bar's "Technology Investment Roadmap 2008-12." The first step in that road map, identified as Phase 1a, is to "refresh and stabilize the Bar's operating environment." This will involve retiring and replacing a variety of now outdated hardware and software to ensure that the Bar's fundamental technology infrastructure is sound, reliable, and in line with current industry standards.

This agenda item would establish budgets for six projects that make up Phase 1a, as follows:

1. **PC Upgrades:** replacement of desktop and laptop computers, typically four years old or older, with current generation equipment. This will entail replacing approximately 600 desktop and 100 laptop computers, along with engineering and deployment costs.

2008 Budget:           \$696,500

2. Desktop Software Upgrades: upgrades to Microsoft Office 2007 and other desktop software (such as Microsoft Project, Visio, and Acrobat).

2008 Budget:           \$372,461

3. Server Upgrades: replacement of current servers with forty blade servers; acquisition of 10-terabyte storage area networks (SANs) for Los Angeles and San Francisco offices; related professional services and software purchases. By consolidating current server workloads on fewer separate “boxes,” this project is expected to reduce power consumption and increase long-term maintainability and manageability.

2008 Budget:           \$211,200

2009 Budget:           \$388,800

4. Printer Upgrades: replacement of approximately one hundred printers Bar-wide: 30 high-volume black-and-white printers, 40 mid-volume black-and-white printers, twenty high-volume color printers and 10 low-to-mid-volume color printers.

2008 Budget:           \$205,500

5. Network Infrastructure Upgrade: upgrade network components to improve bandwidth, manageability, performance and availability.

2008 Budget:           \$100,000

2009 Budget:           \$1 million

6. Telecommunications Upgrade: upgrade and standardize the Bar’s telecommunications system; implement Voice-Over-IP (VOIP) to leverage the Bar’s network investments.

2008 Budget:           n/a

2009 Budget:           \$200,000

2010 Budget:           \$800,000<sup>1</sup>

If approved, these projects’ expenditures will be budgeted in the Bar’s Technology Improvements Fund (Fund 19). In addition, corresponding amounts will be budgeted as transfers from the IT Special Assessment Fund (Fund 31) – which accounts for the proceeds of the \$10 special assessment – into the Technology Improvements Fund. As the projects proceed, staff will make quarterly transfers from the IT Special Assessment Fund to the Technology Improvements Fund to cover the actual expenses incurred. Any unexpended amounts will remain in the IT Special Assessment Fund.

Because the IT special assessment is a mandatory dues component, certain Bar activities – which are not allowed to benefit from mandatory dues – will be charged for their proportionate share of the project costs. The proportionate shares will be determined on the same basis as the allocation of IT costs generally in the Bar’s indirect cost allocation methodology. Costs charged to these departments will, of course, be deducted from the costs charged to the IT Special Assessment Fund.

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<sup>1</sup> The 2010 amount is not included in this agenda item, but is shown here to provide a complete view of the estimated project cost.

The following table summarizes the proposed project budgets and the anticipated sources of financing:

|                                | 2008             | 2009             |
|--------------------------------|------------------|------------------|
| PC Upgrades                    | 696,500          |                  |
| Desktop Software Upgrades      | 372,461          |                  |
| Server Upgrades                | 211,200          | 388,800          |
| Printer Upgrades               | 205,500          |                  |
| Network Infrastructure Upgrade | 100,000          | 1,000,000        |
| Telecommunications Upgrade     | -                | 200,000          |
| <b>Total Uses</b>              | <b>1,585,661</b> | <b>1,588,800</b> |
| IT Special Assessment Fund     | 1,496,864        | 1,499,827        |
| Sections                       | 57,084           | 57,197           |
| Legislative Affairs            | 15,857           | 15,888           |
| Elimination of Bias            | 15,857           | 15,888           |
| <b>Total Sources</b>           | <b>1,585,661</b> | <b>1,588,800</b> |

### Previously Authorized Carry-Forward Projects

In March of this year, the Board of Governors authorized the re-appropriation of funds previously budgeted for four information technology projects, specifying that these projects be budgeted in the Bar's Administration and Support Fund (Fund 23). For improved consistency and manageability, staff recommends that these projects be budgeted in the Technology Improvements Fund instead. This will establish the Technology Improvements Fund as the "single point of reference" for all of the Bar's major technology improvement projects.

Two of the carry-forward projects ("Microsoft Office 2003 licenses" and "WordPerfect conversion") have been superceded by the "Desktop Software Upgrades" and "PC Upgrades" projects referenced above. Staff recommends that the superceded project be dropped from the 2008 budget.

The remaining projects, to be budgeted in the Technology Improvements Fund, are:

- PeopleSoft service support (\$500,000)
- State Teale Data Center Transition (\$275,000)

These projects will be financed with a transfer from the Administration and Support Fund; these costs will be allocated to the Bar's other funds in accordance with the Bar's indirect cost plan. This represents no net change from the financing mechanism outlined in the original March agenda item.

## **Continuing Appropriations**

Operating appropriations typically lapse at the end of each fiscal year. However, when budgeting for major, multi-year projects, organizations often find it useful to employ continuing appropriations – i.e. appropriations which do not lapse each year, but which remain available until used or until the project is completed (whichever comes first). Continuing appropriations allow organizations to plan for the full life cycle of the project, and obviate the need to formally amend the annual budget to carry forward unexpended amounts from prior years.

Staff is recommending that the projects referenced in this agenda item be budgeted as continuing appropriations, and that staff be authorized to carry forward unexpended amounts from year to year until the projects are complete.

### **FISCAL AND PERSONNEL IMPACT:**

As outlined above, approval of this agenda item would commit approximately \$1.5 million per year from the IT Special Assessment Fund as well as lesser amounts from Sections, the Legislative Activities Fund and the Elimination of Bias Fund.

The elimination of the superceded carry-forward project will reduce budgeted expenditures in the Administration and Support Fund by \$275,000; resulting savings will be allocated to the State Bar's other funds via the indirect cost plan.

Adding the remaining carry-forward projects to the Technology Improvements Fund will increase that fund's budget by \$775,000, though this reflects only an accounting change, not an increase in the Bar's overall expenditures.

### **BOARD BOOK IMPACT:**

None.

### **RULE AMENDMENT IMPACT:**

None.

### **PROPOSED BOARD COMMITTEE RECOMMENDATION:**

#### **Committee Resolution**

**RESOLVED** that the Board Planning, Program Development and Budget Committee recommends that the Board of Governors hereby adopt the following supplemental appropriations to the 2008 and 2009 State Bar budget whereby:

- 1) An amount of \$1,585, 661 is added to the 2008 Technology Improvements Fund budget for the completion of information technology projects to refresh and stabilize the Bar's operating environment, which amount shall not lapse at the end of the fiscal year, but may be carried forward from year to year until such projects are complete;

- 2) An amount of \$1,496,864 is added to the 2008 Information Technology Special Assessment budget for the costs of projects incurred in the Technology Improvements Fund and not chargeable to other financing sources, which amount shall not lapse at the end of the fiscal year, but may be carried forward from year to year until such projects are complete;
- 3) An amount of \$57,084 is added to the 2008 Sections Fund budget for the proportionate share of the costs of projects incurred in the Technology Improvements Fund attributable to Sections in accordance with the Bar's indirect cost allocation plan;
- 4) An amount of \$15,856 is added to the 2008 Legislative Affairs Fund budget for the proportionate share of the costs of projects incurred in the Technology Improvements Fund attributable to Legislative Affairs in accordance with the Bar's indirect cost allocation plan;
- 5) An amount of \$15,856 is added to the 2008 Elimination of Bias Fund budget for the proportionate share of the costs of projects incurred in the Technology Improvements Fund attributable to Elimination of Bias in accordance with the Bar's indirect cost allocation plan;
- 6) An amount of \$1,588,800 is added to the 2009 Technology Improvements Fund budget for the completion of information technology projects to refresh and stabilize the Bar's operating environment, which amount shall not lapse at the end of the fiscal year, but may be carried forward from year to year until such projects are complete;
- 7) An amount of \$1,499,827 is added to the 2009 Information Technology Special Assessment budget for the costs of projects incurred in the Technology Improvements Fund and not chargeable to other financing sources, which amount shall not lapse at the end of the fiscal year, but may be carried forward from year to year until such projects are complete;
- 8) An amount of \$57,197 is added to the 2009 Sections Fund budget for the proportionate share of the costs of projects incurred in the Technology Improvements Fund attributable to Sections in accordance with the Bar's indirect cost allocation plan;
- 9) An amount of \$15,888 is added to the 2009 Legislative Affairs Fund budget for the proportionate share of the costs of projects incurred in the Technology Improvements Fund attributable to Legislative Affairs in accordance with the Bar's indirect cost allocation plan;
- 10) An amount of \$15,888 is added to the 2009 Elimination of Bias Fund budget for the proportionate share of the costs of projects incurred in the Technology Improvements Fund attributable to Elimination of Bias in accordance with the Bar's indirect cost allocation plan;
- 11) An amount of \$775,000 is added to the 2008 Technology Improvements Fund budget for projects previously identified as carry-forward projects originally approved in the 2007 budget, which amount shall not lapse at the end of the fiscal year, but may be carried forward from year to year until such projects are complete; these

costs will be allocated to the State Bar's other funds through the Administration and Support Fund as indirect costs.

**PROPOSED BOARD RECOMMENDATION:**

**RESOLVED** upon the recommendation of the Board Planning, Program Development and Budget Committee that the Board of Governors hereby adopts the following supplemental appropriations to the 2008 and 2009 State Bar budget whereby:

- 1) An amount of \$1,585, 661 is added to the 2008 Technology Improvements Fund budget for the completion of information technology projects to refresh and stabilize the Bar's operating environment, which amount shall not lapse at the end of the fiscal year, but may be carried forward from year to year until such projects are complete;
- 2) An amount of \$1,496,864 is added to the 2008 Information Technology Special Assessment budget for the costs of projects incurred in the Technology Improvements Fund and not chargeable to other financing sources, which amount shall not lapse at the end of the fiscal year, but may be carried forward from year to year until such projects are complete;
- 3) An amount of \$57,084 is added to the 2008 Sections Fund budget for the proportionate share of the costs of projects incurred in the Technology Improvements Fund attributable to Sections in accordance with the Bar's indirect cost allocation plan;
- 4) An amount of \$15,856 is added to the 2008 Legislative Affairs Fund budget for the proportionate share of the costs of projects incurred in the Technology Improvements Fund attributable to Legislative Affairs in accordance with the Bar's indirect cost allocation plan;
- 5) An amount of \$15,856 is added to the 2008 Elimination of Bias Fund budget for the proportionate share of the costs of projects incurred in the Technology Improvements Fund attributable to Elimination of Bias in accordance with the Bar's indirect cost allocation plan;
- 6) An amount of \$1,588,800 is added to the 2009 Technology Improvements Fund budget for the completion of information technology projects to refresh and stabilize the Bar's operating environment, which amount shall not lapse at the end of the fiscal year, but may be carried forward from year to year until such projects are complete;
- 7) An amount of \$1,499,827 is added to the 2009 Information Technology Special Assessment budget for the costs of projects incurred in the Technology Improvements Fund and not chargeable to other financing sources, which amount shall not lapse at the end of the fiscal year, but may be carried forward from year to year until such projects are complete;
- 8) An amount of \$57,197 is added to the 2009 Sections Fund budget for the proportionate share of the costs of projects incurred in the Technology Improvements Fund attributable to Sections in accordance with the Bar's indirect cost allocation plan;

- 9) An amount of \$15,888 is added to the 2009 Legislative Affairs Fund budget for the proportionate share of the costs of projects incurred in the Technology Improvements Fund attributable to Legislative Affairs in accordance with the Bar's indirect cost allocation plan;
- 10) An amount of \$15,888 is added to the 2009 Elimination of Bias Fund budget for the proportionate share of the costs of projects incurred in the Technology Improvements Fund attributable to Elimination of Bias in accordance with the Bar's indirect cost allocation plan;
- 11) An amount of \$775,000 is added to the 2008 Technology Improvements Fund budget for projects previously identified as carry-forward projects originally approved in the 2007 budget, which amount shall not lapse at the end of the fiscal year, but may be carried forward from year to year until such projects are complete; these costs will be allocated to the State Bar's other funds through the Administration and Support Fund as indirect costs.