

**The Virginia Indigent Defense Commission
Budget Committee Meeting
1604 Santa Rosa Road, Suite 109
Richmond, Virginia
May 21, 2012**

Budget Committee Chair, Maria Jankowski, called the meeting to order at 11:05 am. Other Commission members in attendance were Kristen Howard, Judge Alan Rosenblatt (ret.) and Judge Edward Hanson. Administrative staff included Executive Director, David Johnson; Deputy Director, DJ Geiger; and Administrative Assistant, Diane Pearson.

Quorum requirements have been met.

The first item on the agenda is to approve the minutes of the previous Budget Committee meeting.

Judge Hanson moved to waive the reading and approve the June 1, 2011 Budget Committee meeting minutes. Ms. Howard seconded the motion. The motion carried.

The next order of business is an update of the FY2012 budget.

Ms. Geiger said the Governor has the budget but as of this morning has not signed it. We are using what has been proposed and what is in that current budget. The last time the full Commission met we were concerned about our year end projection and on the spreadsheet in the meeting materials you will see that the bottom line number is clearly better than what we thought, considering we are going to prepay some items.

The Department of Planning and Budget (DPB) did what they call a central appropriations adjustment. Based on fringe benefits and a few other items they adjust agencies allotment up or down and actually adjusted ours up \$596,000. This was a very welcome infusion for us.

All of this information is as of April 30, 2012; we do not have the expenditures for the first part of May.

Expenditures through April were \$36,822,906. That leaves us with a balance of \$7.6 million. We have provided the payment for the judicial reversions of \$944,000. The current budget for this fiscal year has an additional judicial reversion in it. We talked with Karl Hade and the Supreme Court and our portion of that \$700,000 would be \$100,000. We have deducted that from our available funds and that leaves us with a balance of \$6,593,721. We have two months remaining in this fiscal year, May and June.

Our estimated remaining funds per month would be \$3.2 million each month. The average expenditures for the last four months has been \$3,421,885. We are going to use the average amount for May, assuming that May is similar to the last several months. In June we only pay one payroll so we are adding up June differently. One payroll costs approximately \$1.5 million. The average of our non payroll expenditures for the last four months has been about \$320,000. In June we have payments that are only due once a year. Those include insurance premiums, workers compensation, fees for our Knowledge Center, and some agency service fees that come only at the end of the year. Those total about \$70,000. Our expenditure estimate for June is going to be \$1.9 million. With the average, that leaves us with about \$1.2 million. That would be our ending balance; however, with what we are proposing for FY2013 and with how tight FY2013 is going to be, we are proposing that we use that money to prepay some of the FY2013 costs.

We have some traditional prepayments; state bar dues, postage, copier maintenance, and a new one, the secure access portal, which is part of the remote access to our email. The last two years we have prepaid more rent than usual. Usually we prepay one month but we have been paying three months in order to head off the next years bills. If we prepay each of these items it will cost about \$860,000 leaving a balance of about \$357,000.

Based on language in the Appropriations Act, we are a mandatory carryforward return agency and the McDonnell administration has been construing that as very literal and has returned all of our carryforward. We expect to get the full \$357,000 or whatever that balance is. That is our best projection as to what we will end up with June 30th.

There was discussion about the carryforward money.

The next order of business is the FY2013 budget.

Ms. Geiger said that for FY2013 we focused on our required expenditures; rent and salaries and the tools to improve the ability for the offices to provide quality representation for their clients to include training, IT, and legal research items.

For FY2013 and 2014 the \$944,000 judicial reversion is no longer in the budget; we will not have to return that money.

There is a vacancy savings chart in the meeting materials. FY2012 is the lowest line on this chart; it is fairly steady but very low. In prior years we have had a lot of turnover and vacancy but when the budget cuts hit we had an artificially inflated turnover and vacancy savings rate because we had frozen positions and instituted a hiring delay. This helped us keep a reserve of vacancy savings.

We have proposed budgeting turnover and vacancy savings at 1.9% which is about \$744,000. We had paid a retention bonus in November and expect that since the retention period will lapse and no additional retention bonuses are anticipated, the vacancy might go up a little.

Line Item 1195 - Vacancy. We budgeted \$744,004 of vacancy savings which is the 1.9%. In the past we have had about \$2 million that was artificially inflated with frozen positions in an effort to generate the judicial reversion amount of \$944,000.

There was discussion regarding the vacancy savings.

Line Item 1535 - Building Rentals - Annually we have escalations in most of our leases in the amount of two to three percent, which translates to approximately \$40,000 to \$50,000 per year. This line item also includes floor space we rent at the Library of Virginia for files we store there.

Line Item 1539 - Building Rentals-Non State Owned Facility - Department of General Services (DGS) administers the rent for us. Our rent is now falling into two line items for \$2.287 million and \$174,000.

Line Item 1224 - Employee Training - Registration and Line Item 1227 - Employee Training – Travel Expenses. Training budgets in the past had been slashed because of budget cuts. We are now attempting to put some of that back. There is an increase in those two line items.

We are looking for the field offices to send their employees to some of the more innovative trainings and then present what they have learned here. We have worked hard to improve our training programs and have been identifying good speakers in the system whom we hope to assist us by having them train at the annual conference and other trainings. At some point, we need to send them outside of our system and Virginia to infuse new ideas and excitement into the training programs. Additionally, the capital offices have had difficulty finding training opportunities in state. They have been serving as speakers for some of the out of state programs so they do not have to pay or they have been paying out of their own pocket. This is a good infusion of resources that will directly impact client representation.

Line Item 2211 – Desktop Computer Equipment – All of the desktops will need to be replaced because they are getting old and the Windows XP operating system is no longer going to be supported. We will need to go to either Windows 10 or another operating system for our software. Software is Line Item 1275 and the amount for that is \$163,000.

Our financial system replacement is encompassed in several different line items and the overall cost will be approximately \$200,000. Line Item 1273 - Information Management Design and Development and Line Item 2218 – Off the Shelf Software capture most of this item.

This is a project that was on our list last year. We delayed in part because the Commonwealth was supposed to be moving to Cardinal, which was going to be free. However, we are not anticipating that Cardinal will be available to us for several years.

Our current financial system, IDSS, is no longer supported in the version we have. The cost to upgrade our version is high. CARS, the state's 30+ year old system is free, however, it does not have many of the capabilities for reporting, etc. The information we have on the proposed system for the \$200,000 actually has an upload capability to CARS, it has reporting, it encompasses a budget module, and also uploads and down loads to the state procurement system (eVA). We cannot stay with what we have, because it is out of service. We have to change to another system. We explored a couple of the systems that VITA provided us, but those were more expensive.

There was discussion regarding the financial systems within the Commonwealth.

We are assuming we can buy a prepackaged financial system and then adjust it to what we need.

Ms. Geiger said that the state has just awarded a new contract for web and systems development and hosting. The company currently hosting our website, court appointed counsel certification system and access portal did not win any portion of the new contract bid. As a result, we will need to move our programs, websites, etc. to the new companies within the next year.

The contracts posted on the VITA website did not have specific costs lists, in order to determine the anticipated costs; we must first create a scope of work and provide it to the contract companies. As a precaution, we added additional funds to the software category.

Line Item 1535 – Building Rentals

Our Newport News office moved to a new building and the rent has gone down slightly. The lease is also all inclusive so we will no longer be paying gas, electric, etc. This is probably a \$20,000 savings.

Leesburg has their main office in Leesburg and a satellite office in Warrenton. We have merged them to one cost code.

The last cost code under the Capital Defenders is the Southwest Capital, Cost Code 604. In 1284 – State Car Travel you will see an increase. The office has obtained a second state vehicle so there is an increase.

Line Item 1285 – Subsistence and Lodging and Line Item 1288 – Meals (overnight travel). The Southwest Capital office had two cases this past year that required a tremendous amount of travel. They are the most geographically widespread office we have. We are keeping these line items higher because we are unsure what will happen with the amount of travel they may need to do.

The budget amount from the Appropriations Act is \$42,960,997. We have proposed expenditures in the amount of \$43,557,914. This is over budget by \$596,917. We are proposing to pay, in FY12, three months of rent, which totals \$606,010. That would leave us with a remaining balance in FY13 of \$9,093.

This is cutting it close with several big projects in IT and the increase in training. We think turnover and vacancy is going to go up. As we track expenditures each month we still have some tools available to us should we perceive a shortfall. We have the ability to institute a thirty day hiring delay. We have the ability to put off replacement of the desktops this year.

There was discussion about options if there are unexpected costs. There was also discussion about the annual conference.

Judge Hanson made a motion to recommend the budget as proposed to the full Commission. Ms. Howard seconded the motion. The motion carried.

There was no further business.

Judge Rosenblatt moved to adjourn the Budget Committee meeting. Judge Hanson seconded the motion. The motion carried.

The meeting adjourned at 12:15 pm.

Respectfully Submitted:

Approved By:

Diane Z. Pearson, Administrative Assistant

David J. Johnson, Executive Director