CALIFORNIA ASSOCIATION OF REALTORS®

HIGHLIGHTS: C.A.R. 2012 BUDGET PROPOSAL

Budget Summary

The 2012 budget proposal provides enhanced member benefits and political readiness appropriate to the market and policy challenges facing California REALTORS® in the coming year. Free e-Signatures and document storage (zipVault™) continue as member benefits and there are seven new member-oriented programs recommended as augmentations to the core budget. Many existing programs have been enhanced with additional member-centered activities. The proposed 2012 budget will keep C.A.R.'s basic dues at $115, unchanged since 2002. In addition, 2012 marks the second year for the REALTOR® Action Assessment (RAA), which is set at $39 for 2012, a drop of $10. The assessment was recommended to fund support of political activities with remaining dollars to be allocated to CREPAC/CREIEC. However, members can request that their assessment go to C.A.R.'s general fund for political purposes if they so desire. Additionally, as in past years, each member will be assessed $10 for the Political Activities Fund and $10 for the Issues Action Fund, bringing the total membership payment to $174.

The 2012 membership forecast is for 154,000 members, 4.9 percent below the 2011 year-end projection of 162,000 and 27 percent below the most recent peak of 211,254 in 2006. Based on this forecast, it is anticipated that dues revenue in 2012 will be $16,804,400. In 2012, membership dues are projected to be 45 percent of the combined 2012 revenue from C.A.R. and its subsidiaries of $37,662,600. By comparison, dues represented 48 percent of combined revenue in 2011.

The 2012 budgeted operating revenue is $27,320,800 compared to $25,908,100 projected for 2011. The increase in revenue reflects additional funding from PAF and RAA to support political activities. The 2012 budgeted cost is $26,798,200 compared to $25,879,500 in 2011. The increase in operating expenses is due to the proposed program augmentations and enhanced involvement in the political arena. The proposed capital budget is $226,100 compared to $850,100 in 2011 and $557,900 in 2010.

It is anticipated that C.A.R.'s Real Estate Business Subsidiary (REBS) will provide the Association with an allocation of $2,000,000 in 2012, the same as in 2011. R.E.B.S. is subject to a separate budget, development, review, and approval process but is ultimately responsible to the C.A.R. Board of Directors for the performance of its programs.

Based on budgeted operating expenses, the Association's year-end 2012 liquid reserves will be $41.1 million representing approximately 18.9 months of operations.

New Programs for 2012

CREPAC: Local Candidate Field Program -- This program will assist local AORs with the political development of local level candidates and activities, and establish a process for development of future state legislative candidates. It manages the activities of three field staff that will work with the local Associations to recruit local REALTORS® interested in public office and generally assists in involving members in local campaigns and elections. This program is funded 100% from the RAA (REALTOR® Action Assessment) and reflects the purpose and spirit of the fund to increase REALTOR® effectiveness in the political arena at all levels of government.
(Cost: $372,100 - funded from RAA)

NAR Variable Dues Formula -- This program will educate local associations in California on the NAR dues formula policy and provide the local AORs with tools for compliance. The disparity between the number of REALTOR® members and agent counts is significant throughout the state. In part this is likely a reflection of a misreading of the NAR's By-Laws as well as a reluctance to force compliance in an environment where enforcement efforts vary by local AOR. In an effort to promote a full understanding of the Dues Formula and ensure consistent application of its

requirements, this program will work closely with the 113 local AOR's in California to both educate the members and enforce this long-standing structure. An additional staff person will be hired to manage this effort which is projected to result in an increase of 2,000 members. **(Net Revenue: $272,800)**

REALTOR® Rating Pilot Program -- This augmentation continues the initiative and pilot program that asks clients to rate their REALTOR® through the MLS interface. In Northern California the pilot is a partnership between C.A.R., MLS Listings Inc., and Quality Service Certified (QSC). This augmentation provides funding to continue the program through the end of 2012, providing additional time for implementation and adoption. It also expands the pilot to include other MLSs and/or regional brokerages to ensure critical mass in terms of participants and returned surveys. For more information on this initiative go to www.car.org/members/realtorratings. **(Cost: $78,220)**

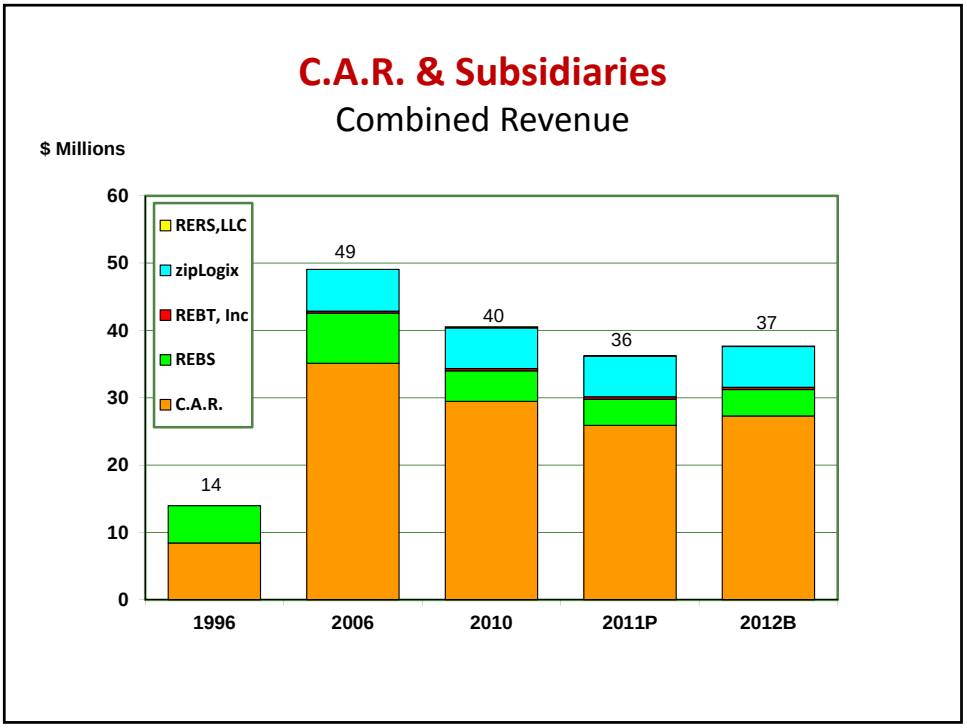
Political Activities Fund: Member Mobilization -- This program devotes resources to Key Contact/Federal Coordinator Programs, the Broker Involvement Program, Member Mobilization, and Local Advocacy/ Training. It augments the existing Political Activities Fund: Member Mobilization program with additional funding for a key contact mentoring program, two in-depth research reports on critical policy issues as well as enhancements to the Broker Involvement Program. Program will provide mentoring, training materials, and additional resources for use in these activities. **(Cost: $54,800 – funded by PAF)**

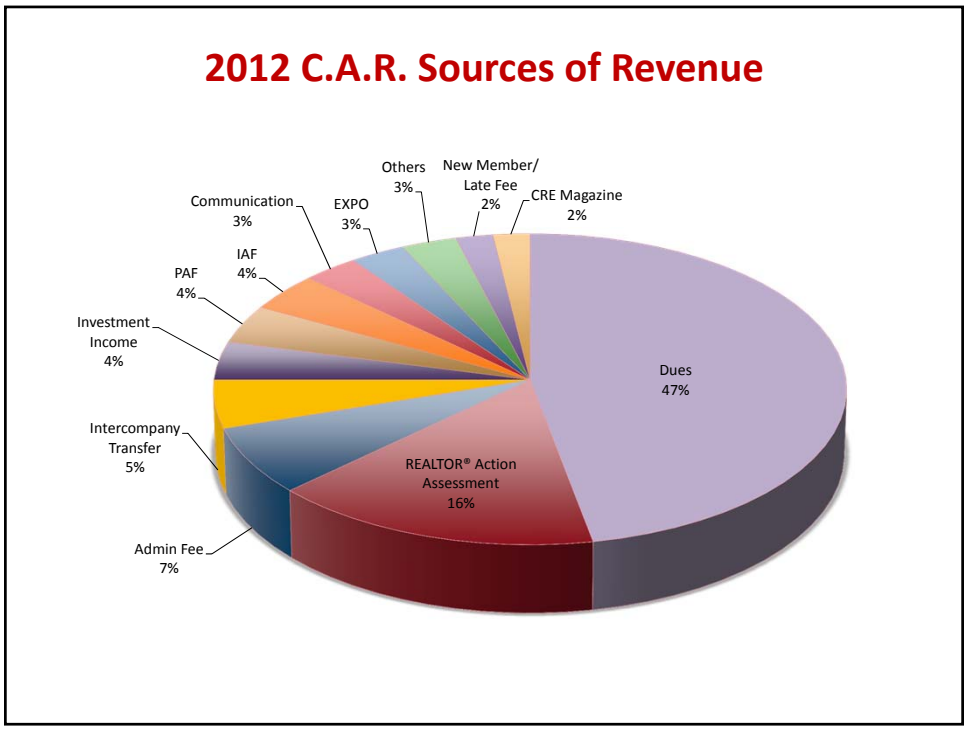
Local Forms -- Working with local associations and local standard forms/risk management committees, this pilot program provides funding to digitize local forms for inclusion in zipForms®. At least one market area will be selected from the north and one from the south with the goal of obtaining existing, or creating new forms that comply with local laws and disclosure requirements and put these forms into the zipForms® library. This pilot program will enable C.A.R. to determine the scalability of the effort as well as measure support for expanding the program beyond the initial pilot. The program also allows for ongoing monitoring of local activity to ensure the forms stay current. **(Cost: $35,600)**

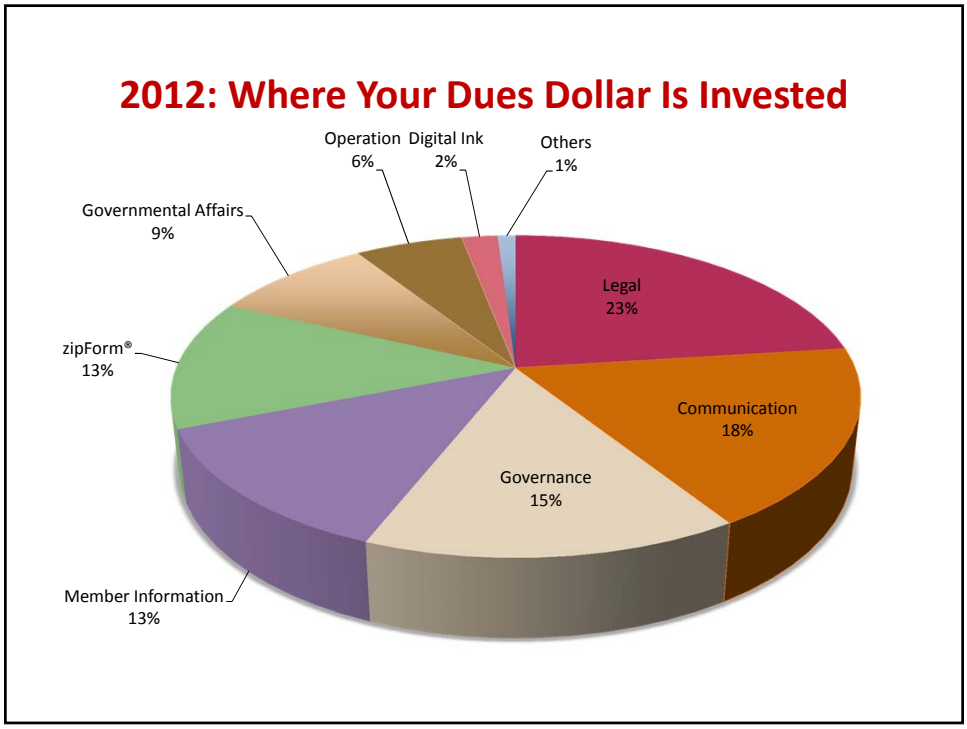
C.A.R. Electoral Services -- This program will research electoral services needed to support C.A.R.'s voter and member contact programs in the areas of research, printing, mailing, media and voter contact services. Focus will be on developing in-house staff resources to provide polling, research and communications in-house with the out-sourcing of mail, print and communications media. Creating C.A.R. Electoral Services with in-house capabilities and external contractors will provide C.A.R. an opportunity to save consulting costs and create a potential new source of revenue from communications, media, and other electoral services as well as contracting to provide services for others. **(Cost: $39,700 - funded from RAA)**

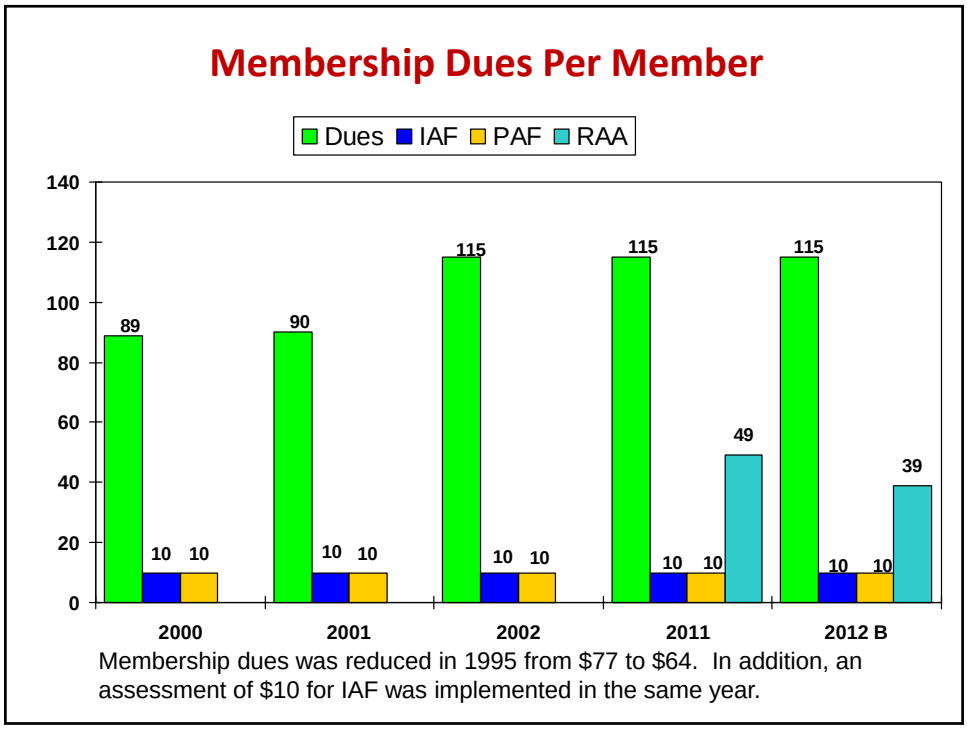
REALTOR® Rating 360 -- This program provides for a voluntary peer-to-peer rating system to be made available to California REALTORS® through car.org. It will also permit members to rate ancillary service providers. Utilizing an "off the shelf" rating template (www.rating-system.com), this program will enable members to rate other REALTORS® and service providers involved in a transaction after the close of escrow. Participants would be rated on five categories: helpfulness; knowledge; speed of communications; professionalism and an overall rating. This system will provide valuable feedback to brokers and agents alike. Participation is voluntary and ratings will not be displayed until directed by the member. **(Cost: $15,400)**

Financial and Membership Update






2012: Where Your Dues Dollar Is Invested
Operation 6%
Digital Ink 2%
Others 1%
Governmental Affairs 9%
Legal 23%
zipForm® 13%
Communication 18%
Governance 15%
Member Information 13%


Membership Dues Per Member
Dues
IAF
PAF
RAA
140
120
100
80
60
40
20
0
89
10
10
90
10
10
115
10
10
115
10
10
49
115
10
10
39
2000
2001
2002
2011
2012 B
Membership dues was reduced in 1995 from $77 to $64. In addition, an assessment of $10 for IAF was implemented in the same year.

CALIFORNIA ASSOCIATION OF REALTORS®

SUMMARY OF 2012 PROGRAM BUDGET PROPOSAL AS RECOMMENDED BY EXECUTIVE COMMITTEE

		A REVENUE	B DIRECT EXPENSES	C VARIABLE OVERHEAD	D FIXED OVERHEAD	E TOTAL COST	F NET	
	COMMUNICATIONS							
1	California Real Estate Magazine	$ 576,000	$ 1,021,200	$ 23,500	$ 115,300	$ 1,160,000	$ (584,000)	1
2	California REALTOR® EXPO	1,069,800	1,212,600	38,800	190,400	1,441,800	(372,000)	2
3	California REALTOR® Showcase	66,800	59,600	1,000	4,900	65,500	1,300	3
4	C.A.R. Member Advantage	393,000	34,000	1,100	5,400	40,500	352,500	4
5	Communications	565,300	1,036,400	31,600	155,100	1,223,100	(657,800)	5
6	Consumer Electronic Newsletter	8,700	105,600	3,500	17,200	126,300	(117,600)	6
7	Media Relations	-	321,400	10,700	52,400	384,500	(384,500)	7
8	REALTOR® Advertising	-	2,026,700	-	-	2,026,700	(2,026,700)	8
9	Estimated Federal Income Tax		50,000			50,000	(50,000)	9
10	TOTAL COMMUNICATIONS	2,679,600	5,867,500	110,200	540,700	6,518,400	(3,838,800)	10
	GOVERNMENTAL AFFAIRS							
11	Governmental Relations	-	1,564,200	43,900	215,600	1,823,700	(1,823,700)	11
12	LGR/LC	33,600	145,600	4,800	23,600	174,000	(140,400)	12
13	Member Mobilization	461,200	424,400	5,900	30,900	461,200	-	13
14	Field Representative	652,900	598,600	8,700	45,600	652,900	-	14
15	Local Candidate Field Program	372,100	340,600	5,000	26,500	372,100	-	15
16	REALTOR® Action Fund Fundraising	760,300	704,100	9,000	47,200	760,300	-	16
17	C.A.R. Electoral Services	39,700	33,500	1,000	5,200	39,700	-	17
18	TOTAL GOVERNMENTAL AFFAIRS	2,319,800	3,811,000	78,300	394,600	4,283,900	(1,964,100)	18
	LEGAL							
19	Corporate Legal Services	29,700	1,079,000	35,500	174,200	1,288,700	(1,259,000)	19
20	Legal Action	-	287,600	9,500	46,600	343,700	(343,700)	20
21	Member Legal Services	-	2,468,800	81,900	402,000	2,952,700	(2,952,700)	21
22	Strategic Defense	3,500	197,000	6,500	32,000	235,500	(232,000)	22
23	TOTAL LEGAL	33,200	4,032,400	133,400	654,800	4,820,600	(4,787,400)	23
	MEMBER INFORMATION							
24	Federal Governmental Relations	25,100	356,800	11,800	57,800	426,400	(401,300)	24
25	Housing Affordability Fund	75,000	152,800	2,500	12,200	167,500	(92,500)	25
26	Association Executive Institute	54,000	54,000	1,800	8,700	64,500	(10,500)	26
27	Information Center	-	93,900	3,000	15,000	111,900	(111,900)	27
28	Local Association Services	-	432,700	14,400	70,500	517,600	(517,600)	28
29	Membership Development	-	526,100	10,500	51,400	588,000	(588,000)	29
30	Young Professionals Network (YPN)	23,400	54,500	1,800	8,900	65,200	(41,800)	30
31	Membership Development-Commercial	30,300	52,500	900	4,300	57,700	(27,400)	31
32	Research and Economics	24,200	818,700	27,000	132,600	978,300	(954,100)	32
33	REALTOR® Rating Pilot/Rating Pilot 360	-	93,600			93,600	(93,600)	33
34	TOTAL MEMBER INFORMATION	232,000	2,635,600	73,700	361,400	3,070,700	(2,838,700)	34
	GOVERNANCE							
35	Strategic Planning and Finance	-	337,200	11,100	54,600	402,900	(402,900)	35
36	Board of Directors	120,000	1,179,100	34,900	171,500	1,385,500	(1,265,500)	36
37	Leadership Team	-	395,900	13,200	64,700	473,800	(473,800)	37
38	NAR Directors' Travel	-	445,700	-	-	445,700	(445,700)	38
39	NAR Liaison	-	395,100	13,200	64,600	472,900	(472,900)	39
40	NAR Presidential Campaign	-	29,800	-	-	29,800	(29,800)	40
41	TOTAL GOVERNANCE	120,000	2,782,800	72,400	355,400	3,210,600	(3,090,600)	41
	OPERATIONS							
42	C.A.R. Scholarship/C.A.R Education Foundation	11,600	18,400	-	-	18,400	(6,800)	42
43	Customer Contact Center	-	349,900	11,600	57,200	418,700	(418,700)	43
44	Internet Development	-	515,800	17,200	84,300	617,300	(617,300)	44
45	Membership	-	352,300	11,700	57,600	421,600	(421,600)	45
46	NAR Variable Dues Formula	368,000	86,700	1,400	7,100	95,200	272,800	46
47	TOTAL OPERATIONS	$ 379,600	$ 1,323,100	$ 41,900	$ 206,200	$ 1,571,200	$ (1,191,600)	47
	OTHER PROGRAMS							
48	AORNT Touch	-	15,600			15,600	(15,600)	48
49	Smart Phone Application	35,000	35,000			35,000	-	49
50	TOTAL OTHER PROGRAMS	35,000	50,600	-	-	50,600	(15,600)	50
	zipForm®							
51	zipForm®	-	2,696,100	-	-	2,696,100	(2,696,100)	51
52	Zip Vault	-	130,400			130,400	(130,400)	52
53	eSignature	-	445,700			445,700	(445,700)	53
54	TOTAL ZIPFORM® PROGRAMS	-	3,272,200	-	-	3,272,200	(3,272,200)	54
55	**DUES ($115)**	16,804,400					16,804,400	55
56	**Administrative Fee**	222,200					222,200	56
57	**Intercompany Transfer**	2,000,000					2,000,000	57
58	**Investment Income**	1,600,000					1,600,000	58
59	**Interest/Dividend**	175,000				-	175,000	59
60	**New Member/Late Renewal Fees**	720,000				-	720,000	60
61	**TOTAL C.A.R. OPERATION**	$ 27,320,800	$ 23,775,200	$ 509,900	$ 2,513,100	$ 26,798,200	$ 522,600	61
	ISSUES ACTION FUND ($10)							
62	CREPAC/LCRC/CREPAC/FEDERAL		464,400	6,500	34,500	505,400	(505,400)	62
63	IMPAC		239,300	4,500	23,800	267,600	(267,600)	63
64	**Dues IAF**	1,461,300				-	1,461,300	64
65	TOTAL IAF	$ 1,461,300	$ 703,700	$ 11,000	$ 58,300	$ 773,000	$ 688,300	65
66	**BALANCE TRANSFER TO IMPAC**						$ 688,300	66
	POLITICAL ACTIVITIES FUND ($10)							
67	**Dues PAF**	1,461,300	1,717,800			1,717,800	(256,500)	67
68	**BALANCE FORWARD**	1,180,000				-	1,180,000	68
69	TOTAL PAF	$ 2,641,300	$ 1,717,800	$ -	$ -	$ 1,717,800	$ 923,500	69
	REALTOR® ACTION ASSESSMENT ($39)							
70	RAA	5,698,000	1,384,700			1,384,700	4,313,300	70
71	TOTAL RAA	$ 5,698,000	$ 1,384,700	$ -	$ -	$ 1,384,700	$ 4,313,300	71

The budgeted membership is 154,000 members.

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