



CALIFORNIA ASSOCIATION OF REALTORS®

## HIGHLIGHTS: C.A.R. 2010 BUDGET PROPOSAL

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### I. Budget Summary

The 2010 budget proposal maintains the current overall package of member benefits provided by the Association to California REALTORS® at the same \$135 dues level that has been in effect since 2002. As explained below, four new member-oriented programs are recommended while some existing programs have been enhanced with additional member-centered components activities. Despite the projected decline in membership, with C.A.R.'s ample reserve position the proposed 2010 budget will keep C.A.R. dues at \$115, unchanged from the last eight years. In addition, each member will be assessed \$10 for the Political Activities Fund and \$10 for the Issues Action Fund, bringing the total payment to \$135.

The 2010 membership forecast is 162,000, a decrease of 6 percent from the 2009 year-end projection of 172,000. The 2010 membership forecast is 23 percent below the most recent peak of 211,254 in 2006. It is anticipated that dues revenue in 2010 will be \$17,190,000, \$1.4 million below 2009 because of declining membership. Membership dues are 47 percent of the total budgeted 2010 revenue (from C.A.R. and its subsidiaries) compared to 49 percent in 2009, 51 percent in 2008, 49 percent in 2007, 46 percent in 2006 and 44 percent in 2005.

The 2010 budgeted operating revenue is \$26,038,400 compared to \$27,463,800 projected for 2009. The 2010 budgeted cost is \$25,949,400 compared to \$26,338,700 in 2009. The proposed capital budget is \$461,800 compared to \$311,800 in 2009 and \$171,400 in 2008.

It is anticipated that C.A.R.'s Real Estate Business Subsidiary (REBS) will provide the Association with an allocation of \$3,500,000 in 2010, the same as in 2009. Prior allocations were \$2,000,000 in 2008, \$1,800,000 in 2007, \$1,500,000 in 2006, and \$1,000,000 in 2005. 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. Note that WINForms® was included in the dues beginning in 2002.

Based on budgeted operating expenses, the Association's year-end 2010 liquid reserves will be \$26.9 million and approximately 12.8 months.

### II. Augmentations for 2010 (Please note that page numbers refer to the detailed program objectives found in the Summary of 2010 Program Budgets)

**Communications: Enhanced Marketing Initiative (pg. 1)** -- This augmentation provides for an additional staff position to meet anticipated high levels of marketing, and provides enhancements for various marketing initiatives. The need to increase communications resources has become apparent, as the Communications program has sought to better serve new and existing programs that require increasing levels of marketing support, and to implement new marketing initiatives to continually communicate C.A.R.'s value to members. The creation of new programs throughout the Association in recent years -- increasingly within the Communication arena -- has challenged staff capacity. Programs such as the Homebuyer's Fair (launched 2008), Green Initiatives (launched 2008/ongoing), video programming (launched 2009), Market Response (launched 2009/ongoing), two newsletters (*Market Matters* and *Your Membership, Your Way*, launched 2008 and 2009 respectively), and the new C.A.R. member value campaign (launched mid-2009) represent newer Communication initiatives. Additionally, C.A.R. programs, such as calREDD™ (launched 2008/ongoing) and the Mortgage Protection Program (launched 2009/ongoing), require significant marketing services. **(Cost: \$84,500)**

**Internet Development: sucasa.net Web site Re-engineering (pg. 1)** -- This augmentation provides the funds to hire resources necessary to enhance the sucasa.net web site. The Internet Development Program is responsible for the development and maintenance of SuCasa.net, a web site that serves as the Spanish language counterpart to the California Living Network (CLN), a consumer-facing web site. The sucasa.net web site provides listings and information for Spanish-speaking home buyers and sellers throughout California, and represents a joint effort between C.A.R. and Move, Inc.

The sucasa.net URL currently is directed to the Spanish-language consumer site developed for the consumer advertising campaign, and as such provides information on the home buying and selling process, on working with a REALTOR®, and market data by neighborhood. Until recently, challenges with language translation capabilities, made it impractical to implement a viable Spanish-language listings site. However, given technological improvements with translation capabilities and somewhat different requirements today, a robust in-language Web site for consumers now is feasible. The ability to execute this vision, however, is dependent on existing agreements with Move, Inc., and will need to be considered as implementation progresses. **(Cost: \$56,000)**

**Consumer Home Buyer's Fair: Northern California Fair (pg. 2)** -- This program provides the funds to create a Northern California Homebuyer Fair presence for C.A.R. by partnering with an existing event. C.A.R. held its first Home Buyer Fair at the LA Convention Center in 2008. It was repeated as a two-day event at the same venue in April 2009, and was put on in partnership with the Los Angeles Times. Over 7,000 attendees took advantage of the seminars, speakers and tradeshow. A similar event in Southern California is included in the core program array for 2010. In an effort to expand the reach of this event in Northern California, explore the feasibility of partnering with an existing consumer home fair produced by an external entity, or with a home buyer's fair that is currently being produced by a local association. Depending on the requirements of the partnership agreement, develop a booth/exhibit presence and collateral materials to distribute at the event to consumers. Engage in cross-promotion of event as warranted. **(Cost: \$50,000)**

**Strategic Planning and Finance: Customer Experience Ratings for REALTORS® (pg. 2)** -- This augmentation provides funds for the technical programming and promotion of a voluntary client satisfaction ratings program. In recent years the Strategic Finance and Planning Committee has monitored the growing power of the consumer in the economy and the ubiquitous opportunities for consumers to weigh in on their experiences in the global marketplace. They are relentless in using their clout and experiences to demand higher value and transparency in the products and companies they chose. From discounters to high-end brands, consumers pick companies that consistently deliver exactly what they are looking for. Many companies and trade organizations have responded to this challenge by adopting quality service delivery standards and monitoring the outcome through rigorous customer satisfaction metrics. In every facet of business, from doctors to lawyers, from Epinions to Yelp, and from Rate a REALTOR® to QSC (Quality Service Certified), consumers are making their opinions known loud and clear.

The absence of customer satisfaction programs from REALTORS® themselves raises concerns for a number of reasons:

- More and more frequently consumers are “Googling” their agent as part of their agent search process and conducting extensive online research long before contacting an agent.
- Other industries have already adopted consumer ratings systems, realizing its link to profitability.
- Other REALTOR® associations, such as the Houston Association of REALTORS® have successfully implemented a program for their members.
- Consumers are demanding it.

In 2006, the Board of Directors approved a pilot program with Quality Service Certified (QSC). This program included a one-day certification course and the delivery, tabulation and posting of consumer rating score on the agent's website with the cost subsidized by C.A.R. The response to this program was disappointing with fewer than 2,000 agents participating. However, the SPF Committee, for the reasons noted above, still feels it is important and voted to keep this issue in front of the Board of Directors. This augmentation provides a significantly scaled down version of the prior pilot program. It is a voluntary, free program to members modeled after the successful Houston AOR Client Satisfaction program. For C.A.R. members that choose to enroll, a short survey will be sent to clients at the close of escrow and all survey results will be kept private or posted on car.org at the direction of the agent. There is no training or certification component. **(Cost: \$35,000)**

### III. Other Changes of Special Note for 2010

**REALTOR® S.W.A.T.: Market Opportunity Conferences** -- The theme of the 2010 S.W.A.T. Conference will be “Working Successfully with First-time Buyers.” The three hour program will include; latest local market update, first time homebuyer survey highlights, practitioner tips on working with these more delicate transactions, legal advice on avoiding possible pitfalls in these transactions, tips on social networking, and helping clients avoiding scams. First held in 2008, these conferences allow C.A.R. to demonstrate its value to the membership by providing members with tools and information that will help them navigate the ongoing challenges in today’s market. In direct response to member demand for relevant education and training, 20 S.W.A.T. conferences and webinars will be held throughout the state in 2010.

The 2010 conferences will provide a mix of venues and multiple communication mediums. Two large venues (400 attendees) will be scheduled prior to each of the two Homebuyers Fairs being held next year. This will provide an opportunity to further promote the fairs and increase involvement from the local REALTOR® community. Medium sized venues (200 attendees) will be utilized for an additional six conferences, and 12 smaller venue (100 attendees) conferences will be provided at local associations. Finally, six specialized webinars will be produced for each of the six key geographic areas in the state: Southern California, Bay Area, Central Valley, Northern California, Inland Empire and Resort Areas. This program will touch 3,200 members through the live lecture format and 1,800 additional members through the six webinars. **(Cost: \$259,100)**

**ePUBS™ for ZipForm®** -- C.A.R., through REBS, has been selling ePUBS™ for ZipForm® for over one year. The reaction to the product is positive for the following reasons. Members can now make a **green** statement when they choose to use ePUBS™ for ZipForm® to deliver mandated and consumer disclosure material to clients quickly. In addition, they may use ePUBS™ for ZipForm® as the next step towards a paperless transaction. Effective January 1, 2010, ePUBS™ for ZipForm® will become a member benefit. REBS will continue to support the green initiative to increase adoption of the ZipForm 6 and ePUBS™ for ZipForm®. **(Cost: \$125,000)**

**Web & Video Conferencing/Collaboration for Local Associations** -- Effective, dynamic and impactful communications is a perennial goal for the Association. This program enhances the association’s conferencing tools with video by extending the capabilities directly to the local associations and providing the resources necessary to add telephony to C.A.R.’s existing WebEx license agreement. It will allow participants to use either the VOIP (Voice Over Internet Protocol) or a toll free teleconference number. The purpose of this program is to:

- Provide leverage for our outreach staff to connect with local associations and members by employing real-time video delivered over the internet.
- Provide instruction to the staff at local associations so that they can initiate video web conferences and seminars to their members.

This program will enable the staff to increase its reach across the entire state -- over and above in-person meetings, events and seminars -- while enabling C.A.R. to better manage direct and indirect costs associated with travel.

C.A.R. has licensed host accounts at a bulk rate price, which have been assigned to the local associations and select C.A.R. staff. **(Cost: \$99,500)**

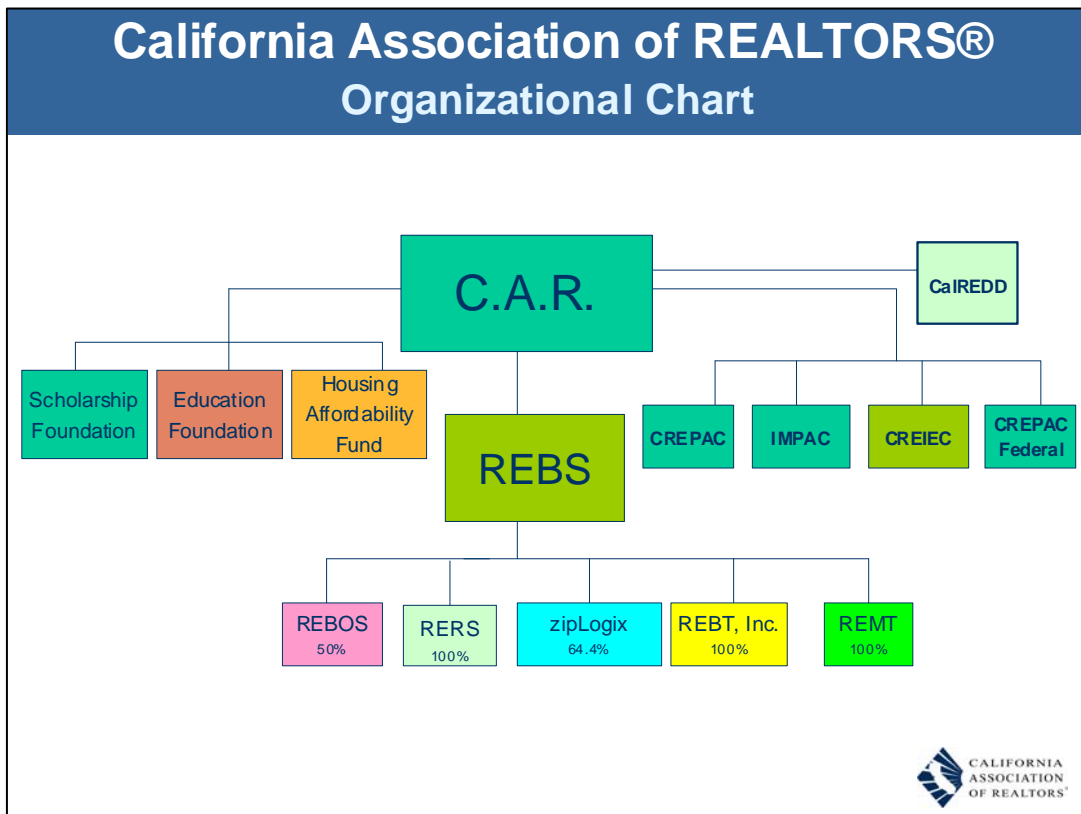
**Additional Hotline Attorney** -- This augmentation provides funds to hire an additional attorney for the C.A.R. Legal Hotline. It will enable a reduction in “hold” times for members waiting on the phone to speak to a Hotline Attorney from an average of 19 minutes to less than 10 minutes and reduce “call back” times for members waiting for a return call from the Hotline from an average of 14 hours to less than 10 hours. **(Cost: \$89,800)**

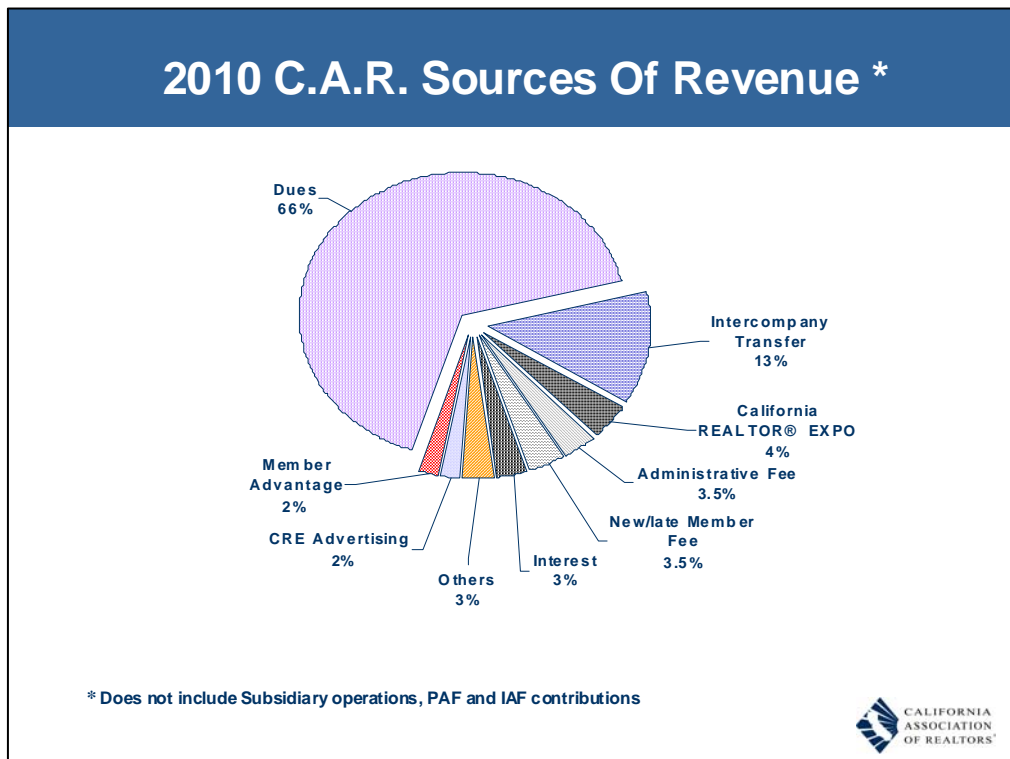
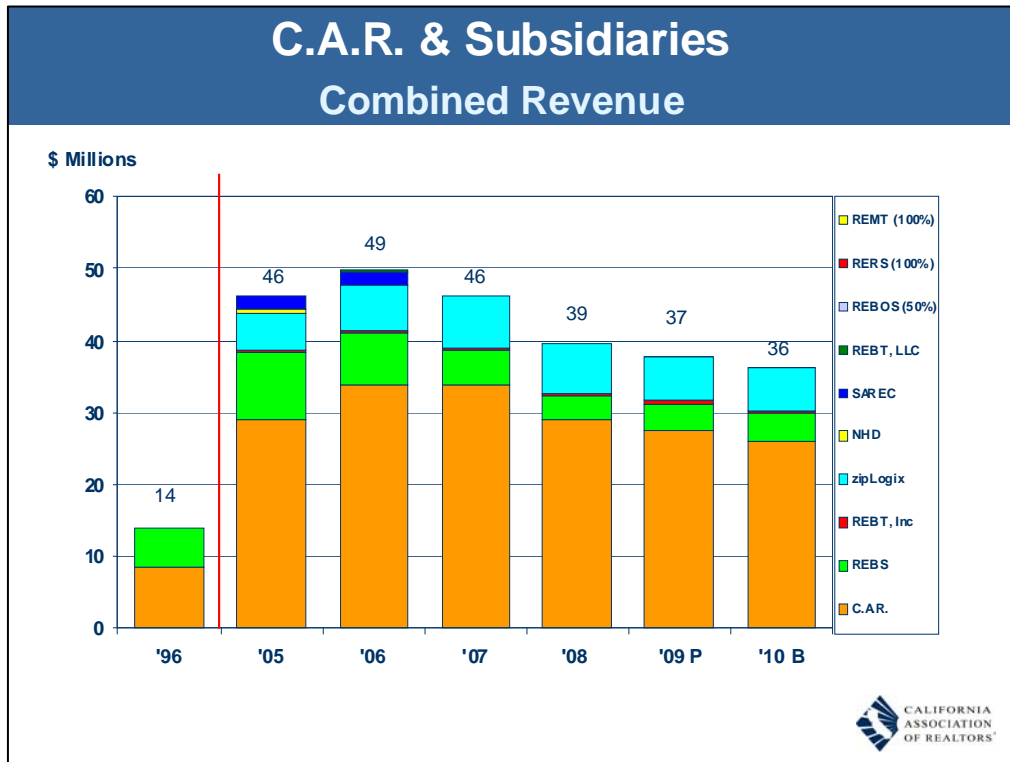
**Association Executive Institute** -- This program provides the resources to offer the Association Executive Institute (AE Institute) as a three day conference (1 full day, 2 half days) in March 2010. It is a valuable, educational opportunity for Association Executives, providing timely information and training in the areas of professional development and association management, NAR policies/procedures and the requirements that need to be met in order to maintain the

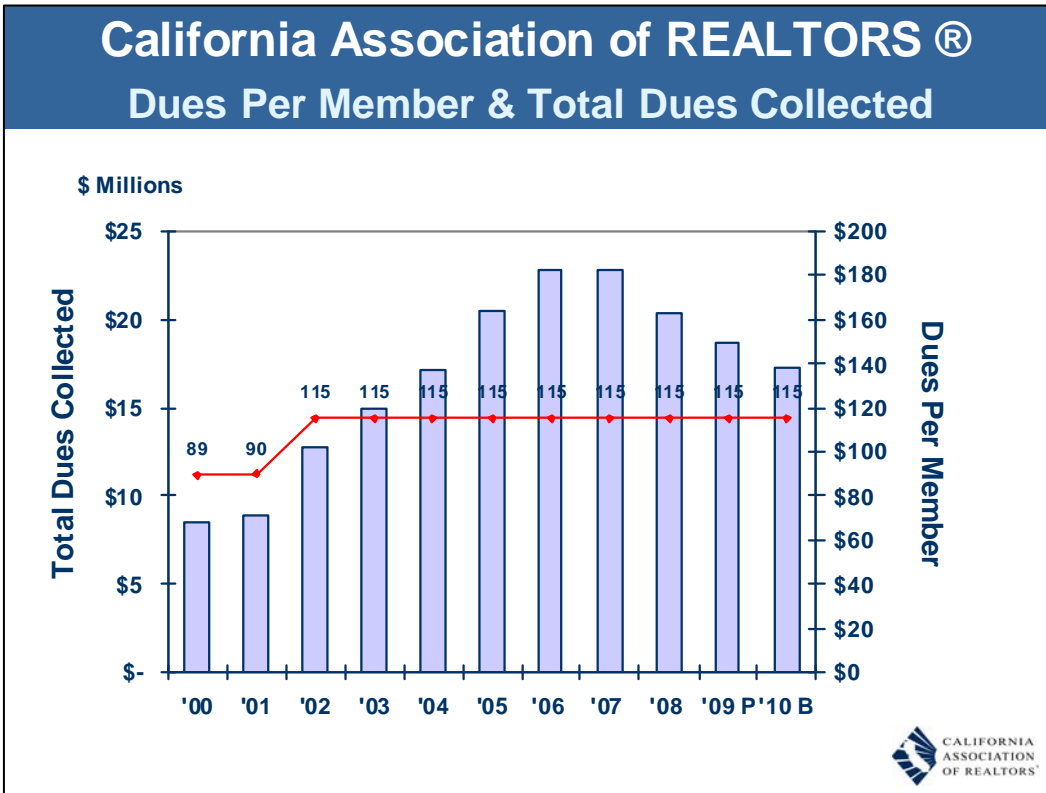
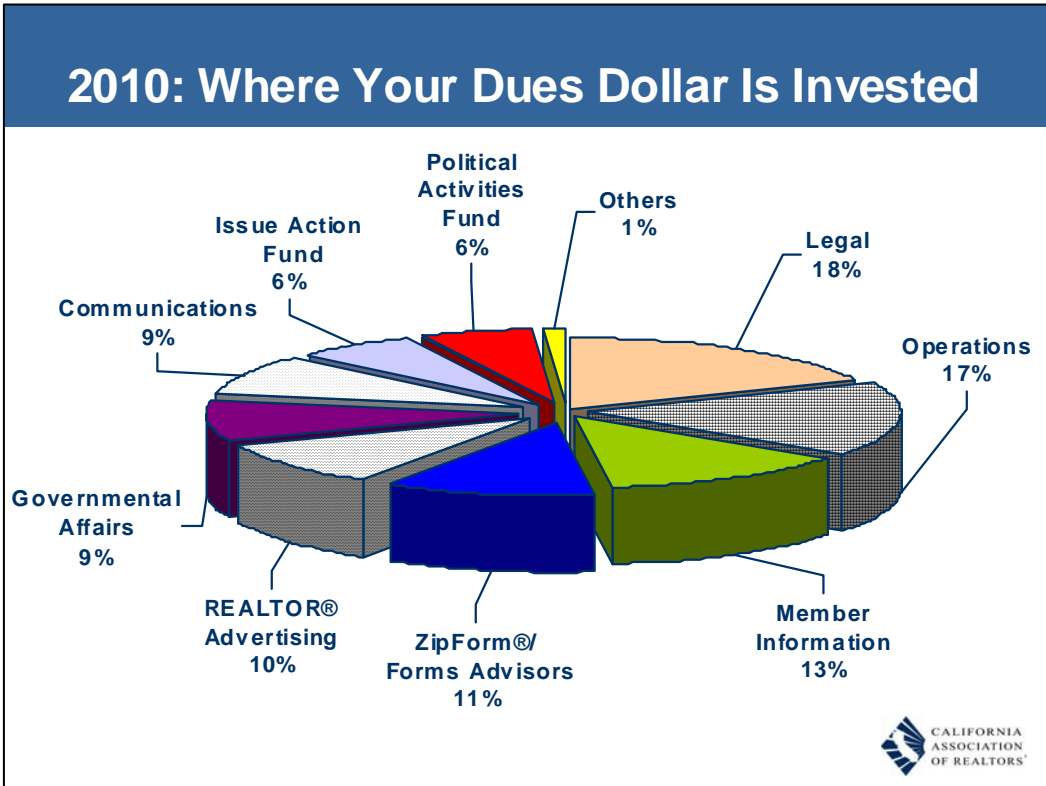
association’s viability. The high level of turnover with AEs across local associations is expected to continue into the foreseeable future. Most of the new Association Executives are with medium to small associations, which make up the majority of the local associations. Because of their smaller size, these associations are also the least able to send their AE to the NAR AE Institute. The AE Institute will provide much needed professional development training and networking opportunities to AEs in California. **(Cost: \$25,000)**

**Green Initiatives** --The objectives contained in the Green Initiatives program over the last two years have been absorbed by other programs, resulting in the discontinuation of this standalone program.

**IV. Financial and Membership Update**









## PROPOSED 2010 CAPITAL BUDGET

		Original				
		Program	Objective	Quantity	Unit	Total
				Approved	Price	Budget Cost
ITEM DESCRIPTION	DETAIL					
	<b>Hardware/Software</b>					
	<b>Infrastructure</b>					
Replace aging APC units in IT server room	Replace all aging APC units in the IT server room and expand to fulfill our current needs of power. An analysis will be done by APC.	7700	4	1	\$ 7,000	\$ 7,000
Sacramento router replacement - L3	Our networking consultants will replace the router in Sacramento with a new one.	7700	15	1	\$ 22,000	\$ 22,000
LA- Cisco PIX firewall replacement - L3	The Los Angeles IT department will have the malfunctioning and aging Cisco PIX firewall replaced.	7700	16	1	\$ 20,000	\$ 20,000
Virtual Server By L3	Enter into a cost efficient and more green server room by having a virtual server put in place. This one server can virtualize several hardware servers and make emergency recoveries a snap.	7700	9	1	\$37,000	\$37,000
IT staff netbooks	Shared Netbooks - 9 @ \$450.00 each + shipping + tax	7700	20	9	\$450	\$4,050
Trackit Helpdesk Ticketing Software Upgrade	Purchase the new version of our helpdesk Trackit ticketing software, The support agreement is also included.	7600	8	1	\$8,000	\$8,000
Phone Switch	New phone system	7700		1	\$275,000	\$275,000
Misc Software				1	\$35,000	\$35,000
	<b>Total Hardware/Software</b>					<b>\$408,050</b>
	<b>Furniture</b>					
Chairs	15 ergonomic desk chairs (replacements for approximately 10% of existing staff)			15	\$ 650	\$ 9,750
Video Studio	conference table and 4 guest chairs for video studio			1	\$ 2,000	\$ 2,000
	<b>Total Furniture</b>					<b>\$ 11,750</b>
	<b>Contingency/Augmentations</b>					
	Contingency			1	\$ 25,000	\$ 25,000
	Augmentations:					
Additional Staff	\$3,000 each (computer, furniture, telephone, etc.)			1	\$ 3,000	\$ 3,000
	<b>Total Contingency/Augmentations</b>					<b>\$ 28,000</b>
	<b>Total Capital Budget</b>					<b>\$447,800</b>

**CALIFORNIA ASSOCIATION OF REALTORS®**  
**SUMMARY OF 2010 PROGRAM BUDGET PROPOSAL AS RECOMMENDED BY Executive Committee**

	A REVENUE	B DIRECT EXPENSES	C VARIABLE OVERHEAD	D FIXED OVERHEAD	E TOTAL COST	F NET		
<b>COMMUNICATIONS</b>								
1	California Real Estate Magazine	454,500	1,059,400	22,900	124,600	1,206,900	(752,400)	1
2	California REALTOR® EXPO	826,100	1,137,600	33,400	182,200	1,353,200	(527,100)	2
3	California REALTOR® Showcase	45,800	59,400	900	5,000	65,300	(19,500)	3
4	Consumer Home Buyer's Fair	127,000	374,400	2,900	15,900	393,200	(266,200)	4
5	C.A.R. Member Advantage	499,000	123,500	3,800	20,800	148,100	350,900	5
6	Communications	244,000	785,900	21,500	117,300	924,700	(680,700)	6
7	Consumer Electronic Newsletter	65,500	118,900	3,700	20,200	142,800	(77,300)	7
8	Media Relations	-	277,000	8,600	46,900	332,500	(332,500)	8
9	REALTOR® Advertising	-	2,610,600	-	-	2,610,600	(2,610,600)	9
10	Estimated Federal Income Tax	-	50,000	-	-	50,000	(50,000)	10
11	<b>TOTAL COMMUNICATIONS</b>	<b>2,261,900</b>	<b>6,596,700</b>	<b>97,700</b>	<b>532,900</b>	<b>7,227,300</b>	<b>(4,965,400)</b>	<b>11</b>
<b>GOVERNMENTAL AFFAIRS</b>								
12	Governmental Relations	-	1,626,000	43,400	236,300	1,905,700	\$(1,905,700)	12
13	LGR/LC	61,200	196,700	6,100	33,300	236,100	(174,900)	13
14	Member Mobilization	165,000	340,800	5,300	28,900	375,000	(210,000)	14
15	Field Representative	444,900	421,800	3,300	17,900	443,000	1,900	15
16	<b>TOTAL GOVERNMENTAL AFFAIRS</b>	<b>671,100</b>	<b>2,585,300</b>	<b>58,100</b>	<b>316,400</b>	<b>2,959,800</b>	<b>\$(2,288,700)</b>	<b>16</b>
<b>LEGAL</b>								
17	Corporate Legal Services	74,500	1,208,800	37,300	203,200	1,449,300	\$(1,374,800)	17
18	Legal Action	-	318,000	9,800	53,600	381,400	(381,400)	18
19	Member Legal Services	2,000	2,187,800	67,900	370,100	2,625,800	(2,623,800)	19
20	Strategic Defense	11,800	191,200	5,900	32,300	229,400	(217,600)	20
21	<b>TOTAL LEGAL</b>	<b>88,300</b>	<b>3,905,800</b>	<b>120,900</b>	<b>659,200</b>	<b>4,685,900</b>	<b>\$(4,597,600)</b>	<b>21</b>
<b>MEMBER INFORMATION</b>								
22	Federal Governmental Relations	-	296,800	9,200	49,900	355,900	\$(355,900)	22
23	Housing Affordability Fund	117,500	152,100	2,300	12,500	166,900	(49,400)	23
24	Information Center	-	91,500	2,800	15,200	109,500	(109,500)	24
25	Local Association Services	-	415,000	12,900	70,200	498,100	(498,100)	25
26	Association Executive Institutes	43,900	68,900	2,100	11,600	82,600	(38,700)	26
27	Membership Development	-	534,100	9,900	54,200	598,200	(598,200)	27
28	Membership Development-Commercial	87,200	89,500	1,400	7,600	98,500	(11,300)	28
29	REALTOR® S.W.A.T-Market Opportunity	64,000	323,100	10,100	54,900	388,100	(324,100)	29
30	Research and Economics	24,200	734,500	22,700	123,600	880,800	(856,600)	30
31	Strategic Planning and Finance	-	314,200	9,600	52,500	376,300	(376,300)	31
32	<b>TOTAL MEMBER INFORMATION</b>	<b>\$ 336,800</b>	<b>\$ 3,019,700</b>	<b>\$ 83,000</b>	<b>\$ 452,200</b>	<b>\$ 3,554,900</b>	<b>\$(3,218,100)</b>	<b>32</b>
<b>OPERATIONS</b>								
33	Board of Directors	122,400	1,164,100	32,400	176,400	1,372,900	\$(1,250,500)	33
34	C.A.R. Scholarship/C.A.R Education Foundation	11,300	19,000	-	-	19,000	(7,700)	34
35	Customer Contact Center	-	309,700	9,600	52,600	371,900	(371,900)	35
36	Internet Development	-	884,400	25,800	140,700	1,050,900	(1,050,900)	36
37	Leadership Team	-	399,900	12,500	67,900	480,300	(480,300)	37
38	Membership	-	200,800	6,200	34,000	241,000	(241,000)	38
39	NAR Directors' Travel	-	477,400	-	-	477,400	(477,400)	39
40	NAR Liaison	-	395,400	12,300	67,200	474,900	(474,900)	40
41	NAR Presidential Campaign	-	17,000	-	-	17,000	(17,000)	41
42	Interest/Dividend	700,000	-	-	-	-	700,000	42
43	<b>New Member/Late Fee (Note E)</b>	<b>930,000</b>	-	-	-	-	<b>930,000</b>	<b>43</b>
44	<b>TOTAL OPERATIONS</b>	<b>\$ 1,763,700</b>	<b>\$ 3,867,700</b>	<b>\$ 98,800</b>	<b>\$ 538,800</b>	<b>\$ 4,505,300</b>	<b>\$(2,741,600)</b>	<b>44</b>
<b>OTHER PROGRAMS</b>								
45	ZipForm®	-	2,500,900	-	-	2,500,900	(2,500,900)	45
46	ePUBS™	-	125,000	-	-	125,000	(125,000)	46
47	Forms Advisor & Forms Tutor	4,400	180,700	-	-	180,700	(176,300)	47
48	Web & Video Conferencing	-	99,500	1,600	8,500	109,600	(109,600)	48
49	<b>TOTAL OTHER PROGRAMS</b>	<b>\$ 4,400</b>	<b>\$ 2,906,100</b>	<b>\$ 1,600</b>	<b>\$ 8,500</b>	<b>\$ 2,916,200</b>	<b>\$(2,911,800)</b>	<b>49</b>
50	<b>DUES (Note A)</b>	<b>17,190,000</b>	-	-	-	-	<b>\$ 17,190,000</b>	<b>50</b>
51	<b>Administrative Fee</b>	<b>222,200</b>	-	-	-	-	<b>222,200</b>	<b>51</b>
52	<b>Contingency Special Projects</b>	-	<b>100,000</b>	-	-	<b>100,000</b>	<b>(100,000)</b>	<b>52</b>
53	<b>Intercompany Transfer (Note B)</b>	<b>3,500,000</b>	-	-	-	-	<b>3,500,000</b>	<b>53</b>
54	<b>TOTAL C.A.R. OPERATION</b>	<b>\$ 26,038,400</b>	<b>\$ 22,981,300</b>	<b>\$ 460,100</b>	<b>\$ 2,508,000</b>	<b>\$ 25,949,400</b>	<b>\$ 89,000</b>	<b>54</b>
55	<b>Unrealized Gain/(Loss)</b>	<b>\$ 370,000</b>	-	-	-	-	<b>\$ 370,000</b>	<b>55</b>
<b>POLITICAL ACTIVITIES FUND</b>								
56	<b>Dues PAF (Note C)</b>	<b>\$ 1,494,000</b>	-	-	-	-	<b>\$ 1,494,000</b>	<b>56</b>
57	<b>TOTAL PAF</b>	<b>\$ 1,494,000</b>	-	-	-	-	<b>\$ 1,494,000</b>	<b>57</b>
<b>ISSUES ACTION FUND</b>								
58	CREPAC/BORPAC-CREPAC/FEDERAL	-	384,800	6,700	19,100	410,600	\$(410,600)	58
59	IMPAC	-	204,800	4,000	11,500	220,300	(220,300)	59
60	Political Affairs Fundraising	60,000	329,300	-	-	329,300	(269,300)	60
61	<b>Dues IAF (Note D)</b>	<b>1,494,000</b>	-	-	-	-	<b>1,494,000</b>	<b>61</b>
62	<b>TOTAL IAF</b>	<b>\$ 1,554,000</b>	<b>\$ 918,900</b>	<b>\$ 10,700</b>	<b>\$ 30,600</b>	<b>\$ 960,200</b>	<b>\$ 593,800</b>	<b>62</b>
63	<b>BALANCE TRANSFER TO IMPAC</b>	-	-	-	-	-	<b>\$ 593,800</b>	<b>63</b>

Note A: The CAR membership dues is \$115 per member. The projected membership at year end is 162,000 members. Note B: REBS transfer includes dividend, licensing fee and cost allocation. Note C: The Political Activities Fund dues is \$10 per member. Note D: The Issues Action Fund due is \$10 per member. Note E: New member fee is \$30 per new member.