

FINANCE & AUDIT COMMITTEE (F&AC)

State Bar of Arizona
4201 N. 24th Street, Suite 100
Phoenix, Arizona 85016

March 29, 2018
3pm
Cholla Room

Minutes (Approved)

MEMBER ATTENDANCE:

P = present in person; T = present telephonically; A= absent.

T - Brian Furuya, Chair

P - Lori Higuera, Vice Chair

P - Dave Byers

P - Anna Thomasson

T - Tyler Carrell

T - Jim Penny (Client Protection Fund Board Liaison/Non-voting F&AC member)

OTHER ATTENDEES:

State Bar Staff:

John Phelps

Kathy Gerhart

Rick DeBruhl

Lisa Panahi

Octavius Garrett

Lisa Chamberland

Minutes taken by: Lisa Chamberland & Octavius Garrett

I. CALL TO ORDER

Called to Order by: Brian F.

Time: 3:02 pm

II. CALL TO THE PUBLIC

Individuals addressing the Committee: None

Discussion: None

III. Approval of minutes – February 22nd meeting minutes:

Individuals addressing the Committee: Brian F.

Discussion: None

Motion/moved by: Dave B. motioned to approve February 22nd meeting minutes.

Seconded by: Tyler C.

Motion: Passed unanimously

IV. 2018 Sponsorship Requests:

Individuals addressing the Committee: Kathy G.

Discussion:

The following requests were noted:

- The Native American Bar Association (NABA) requests \$200.00 to provide scholarships to Native America law students via their annual golf tournament at Talking Stick Resort on April 7, 2018. Lisa P. reviewed and found no Keller issues.
- Request for \$1,000 for the 2018 Steve Hirsch Gutter Bowl Scholarship Fund. Event held on April 10, 2018 at Scottsdale Bowlmor.
- The Asian Bar Association (ABA) is requesting an additional \$200 after they were previously approved for \$1,000 as their policy to have sponsors in their event brochure minimum is \$1,200. The State Bar may need to re-evaluate its sponsorship amounts next year if more requests like this are received.

Motion/moved by: Dave B. motioned to approve the NABA & Steve Hirsch requests.

In regard to the Asian Bar request, it was noted that the State Bar should go back and re-state our requirements for the \$1,000 sponsorship and if the ABA isn't willing to change their policy, we will retain the previously approved amount.

Seconded by: Anna T.

Motion: Passed unanimously

V. 2017 Annual Surplus – Reserve Account Allocation:

Individuals addressing the Committee: Kathy G.

Discussion: Kathy G. reviewed the 2017 Year-end Wells Fargo Investment Analysis showing the final December 31, 2017 Reserve balance at \$3.1M (comprised of \$1.4M of Capital Reserves and \$1.7M in Dues Reserves).

After the Capital Expenditure transfer of \$394K back into the SBA operating cash accounts in March 2018, the updated Reserve balance was \$2.7M (comprised of \$975K of Capital Reserves and \$1.7M in Dues Reserves).

Kathy G. then presented recommended deposit to the Reserves of \$1,680,090 (comprised of the 2017 Annual surplus of \$851,442 (excluding Sections) allocated to the Dues reserve and the 2017 Depreciation expense of \$828,648 allocated to the Capital reserve . With those numbers factored in, the total recommended Reserve Balance (including the recommended 2017 allocation) would be \$4.3M (comprised of \$1.8M in Capital Reserves and \$2.5M in Dues Reserve).

VI. Cash Reserve Policy – Proposed Changes:

Individuals addressing the Committee: Kathy G.

Discussion: Kathy G. proposed two changes to the current Cash Reserve Policy: (1) add the word “cash” in the first sentence of the section “2. Dues Reserve” and, (2) remove the verbiage “not to exceed \$2M” from the paragraph under the “Capital Reserve” section.

Motion/moved by: Dave B. motioned to add the revised changes/Cash Reserve Policy as a Consent Agenda Item for Board review.

Seconded by: Tyler C.

Motion: Passed unanimously

VII. 5 Year Projection/Dues Structure Models:

Individuals addressing the Committee: Kathy G.

Discussion: Kathy G. reviewed the 4 options shown in the provided documents:

- No changes
- Defer dues increase from 2019 to 2020
- Reduce Inactive/Retired dues by 50% in 2019
- Defer dues increase & reduce Inactive/Retired dues in 2020

A Benchmark Survey of 2017 ABA State Local Bars fees was also reviewed. Brian F. stated that he is not in favor of postponing a Dues increase. The various projection models were reviewed discussing the financial implications of each.

Brian F. proposed to add to the F&AC meeting agenda for April three additional 5 year projection options which include non-dues revenue generating and cost containment/reduction ideas. The goal is to begin to educate/inform the Board on the results of the analysis and to frame the discussion as a high level plan reviewing 3 areas: Cost Reduction, Surplus & Revenue Generation. Goal is to review the additional option at the April F&AC meeting with a presentation completed for presentation at the May Board meeting.

Motion/moved by: Anna T. motioned to start preparing additional data for the Board as noted above by Brian F.

Seconded by: Tyler C.

Motion: Passed unanimously

VIII. 24th Street Building – Real Estate Analysis:

Individuals addressing the Committee: Kathy G.

Discussion: Kathy G. reviewed the documents provided detailing the net cash impact for the options of holding the property versus selling the property and relocating. After review, the initial evaluation was not strong enough to continue discussions due to the lack of an official offer from the prospective buyer and the request for a response within a 60-90 day timeframe.

VIII. December 2017 Final Financial Statements:

Individuals addressing the Committee: Kathy G.

Discussion: Kathy G. reviewed the provided Summary Statement of Operations showing an \$851K surplus excluding Sections (\$887K including Sections).

IX. January 2018 Financial Statements:

Individuals addressing the Committee: Kathy G.

Discussion: Kathy G. reviewed the January Financial Statement Report at a high level which noted a \$76K loss (excluding Sections). This loss year-to-date is \$1K more than budgeted and is due to \$50K more in revenues and \$51K more in expenses. Sections activity reported a surplus of \$70K compared to a budgeted surplus of \$58K.

X. February 2018 Hi-Level Preliminary Financial Statements:

Individuals addressing the Committee: Kathy G.

Discussion: Kathy G. reviewed the Preliminary Statement of Operations for the Two Months Ending February 28, 2018 which reflects a loss of \$79K (excluding Sections) versus a \$66K budgeted surplus due. Variance is due to timing differences of when expenses were budgeted vs. incurred. No significant variances were noted.

Meeting adjourned by: Brian F. at 5:20 pm.