

FINANCE & AUDIT COMMITTEE (F&AC)

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

November 8, 2017
3pm
Cholla Room

Minutes (Approved (TBD))

MEMBER ATTENDANCE:

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

P - Brian Furuya, Chair

A - Lori Higuera, Vice Chair

T - Dave Byers

P - Anna Thomasson

T - Tyler Carrell

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

OTHER ATTENDEES:

Guests:

State Bar Staff:

John Phelps

Maret Vessella

Rick DeBruhl

Lisa Panahi

Lisa Deane

Carrie Sherman

Ann Leslie

Martín Gaxiola

Octavius Garrett

Lisa Chamberland

Sheldon Joseph- IT Temp

Minutes taken by: Octavius Garrett & Lisa Chamberland

I. CALL TO ORDER

Called to Order by: Brian F.

Time: 3:04 pm

II. CALL TO THE PUBLIC

Individuals addressing the Committee: None

Discussion: None

III. Approval of Minutes – October 26th meeting minutes

Individuals addressing the Committee: Brian F.

Discussion: None

Motion/moved by: Tyler C. motioned to approve October 26th meeting minutes.

Seconded by: Tyler C.

Motion: Passed unanimously

IV. 2018 Operating Budget – 2nd Draft:

Individuals addressing the Committee: Martin G.

Discussion: No material changes. \$19K surplus, 3% personnel cost increase, 8% increase Year over Year due to IT infrastructure. Capital expenses will be reduced in the future by moving to the Cloud and outsourcing day to day management of IT. \$19M surplus on \$16M budget equals a balanced budget. Currently Sections has a \$671K surplus and plans to use and not sweep it. It was noted that the 2016 Sections surplus was \$479K.

Motion/moved by: Tyler C. to present the Board of Governor's (BOG) with the 2nd Draft of the Operating Budget for final approval.

Seconded by: Anna T. (enthusiastically)

Motion: Passed unanimously

V. 2018-2022 Capital Budget – 2nd Draft

Individuals addressing the Committee: Martin G.

Discussion: 2018 Total is \$853K-needs a vote. 24th Place is at \$396K and IT Infrastructure is \$424K. Moving forward with tenant improvements for suite 220 at \$127K. IT spend as expected for this year but more due to moving offsite, capital cost decreased, operating cost increased. John P. believes it will only be that way for 18 months or so. It was noted that per the Financial Policies Manual, contracts ranging from \$50-\$100K require at least 2 vendor bids and contracts over \$100K requires at least 3 vendor bids. Depreciation is the fastest growing line item and it's impacted by the

Capital Budget- \$825K in 2017 and \$812K in 2016. Capital expense changes with IT will eventually drop but depreciation should be on our radar to reduce.

Motion/moved by: Anna T. motioned for staff to continue and present to the BOG at the next meeting. Information will also be shared with the Executive Council tomorrow 11/09/17.

Seconded by: Tyler C.

Motion: Passed unanimously

VI. Membership email update –

Individuals addressing the Committee: Rick D.

Discussion: Rick D. reported that the BOG needs to approve the elimination of email but requires additional information. iMail is no longer supported. 1500+ users are registered with the court with the bar email as their primary email. Only 76 members currently have paid for enhanced storage as the free option is only for 15MB (paid options are 25MB & 40MB). To continue to support member email presents many cost and security issues and doesn't support the Bar's mission. Rick D. shared a few additional items regarding a potential go forward plan but noted that they are not written in stone and can be adjusted as needed. The Bar would not endorse any product to members, only review options as part of the transition plan. There will be multiple avenues of communication to ensure all members are aware of the plan to move them off iMail to another solution. Possible options to communicate this change: letter mailing (no later than Jan. 1), on the Bar website, eLegal, AZ Attorney magazine, social media, Daily 5, Practice 2.0 etc. A checklist will be provided to help walk members through the process and the Bar will be able to track when members change their email to another provider. It will be necessary to ensure all options considered and their negative & positive impacts are reviewed with the BOG & members.

Motion/moved by: None

Seconded by:

Motion:

VII. Five Year Projections –

Individuals addressing the Committee: Brian F.

Discussion: Brian F. suggested this topic be on everyone's radar and that it should be reviewed with the BOG in January or February 2018. Starting in 2020 (per the SBA 5 Year Forecast graph provided) Expenses will exceed Income and dues increases will be inevitable. Personnel costs and depreciation are the main drivers. Dues are set to be increased in 2019. There is a concern that our dues are already the highest in the country and members would be upset with continual increases. A suggestion was made to raise dues by \$5.00 for every 100K or use some reserves to offset a dues increase. Other avenues and opportunities need to be explored to increase non-dues revenue.

Motion/moved by:

Seconded by:

Motion:

VIII. December Finance & Audit Committee meeting

Individuals addressing the Committee: Martin G.

Discussion: Martin G. addressed the committee asking if there should be an F&AC meeting for December. Since it is a short time between meetings and financials wouldn't be ready, a recommendation was made to not have a December meeting. Tyler C., Dave B. & Anna T. all agreed. Brian F. suggested this time be used to finish the 2018 Budget, and refine other pending items.

IX. 2020 Convention (Tucson) RFP –

Individuals addressing the Committee: Lisa D.

Discussion: Lisa D. reviewed the hotel comparison document provided. No preference was noted by the committee and it was suggested to choose the best deal available in light of finances.

Meeting adjourned by: Brian F. at 4:53 pm.