

FINANCE & AUDIT COMMITTEE (F&AC)

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

October 25, 2018
9 a.m.
Cholla Room

Minutes (Approved)

MEMBER ATTENDANCE:

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

P - Denis Fitzgibbons, Chair

P - Anna Thomasson, Vice Chair

T - Dave Byers

T - Tyler Carrell

P - Jason Cobb

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

OTHER ATTENDEES:

State Bar Staff:

T - John Phelps

Maret Vessella

Rick DeBruhl

Kathy Gerhart

Ann Leslie

T - Gayle Jackson

Lori Maxwell

Lisa Panahi

Carrie Sherman

Aron Carrico

Martin Gaxiola

Octavius Garrett

Mauri Hawkins

Roberta Tepper

Mike Vallone

**Guests: Sheldon Joseph – External IT Consultant
Allan Klose & Amy O’Loughlin (Mayer Hoffman McCann/CBIZ)
Colette Kamps, Sharlynn Garza (Henry+Horne)
Jackie Eckman, Wayne Hunter, Anita Baker (Clifton Larson Allen LLP).**

Minutes taken by: Aron Carrico & Octavius Garrett

I. CALL TO ORDER:

Called to Order by: Denis Fitzgibbons

Time: 9:01am

II. CALL TO THE PUBLIC:

Individuals addressing the Committee: None

Discussion: None

III. Presentation – Audit Proposals

Individuals addressing the Committee: Mayer Hoffman McCann (CBIZ), Henry+Horne, Clifton Larson Allen LLP

Discussion: All three firms made 15-minute presentations to the F&AC regarding their 5-year audit & tax preparation proposals.

IV. Selection of Firm – Audit & Tax Return 2018-2022

Individuals addressing the Committee: Denis Fitzgibbons

Discussion: Denis F. reviewed the three auditor choices with the F&AC and asked for any input on the decision. The overall 5-year costs of each firm were reviewed. Anna T. recommended consideration for a national firm due to the expansive resources that they would provide. Kathy G. also stated that there were no issues noted on any of the potential candidates in their reference verifications.

Motion/moved by: Anna T. motioned to select Mayer Hoffman McCann (CBIZ) as the SBA auditor/tax preparer from 2018-2023.

Seconded by: Jason C.

Motion: Passed unanimously

V. Approval of Minutes – September 20th meeting minutes:

Individuals addressing the Committee: Denis Fitzgibbons

Discussion: None

Motion/ moved by: Jason C.

Seconded by: Anna T.

Motion: Passed unanimously

VI. HR Annual Compensation & Benefit Review

Individuals addressing the Committee: Anna Thomasson

Discussion: Anna T. reported the HR Sub-Committee (HRSC) & HR third-party consultant recommended a 2 % Salary Structure increase, a 3% merit pool recommendation, and a 4.1% discretionary employer 401k contribution with a 3.5% employer 401k match. The deferred compensation plan will also not change from last year, and other benefit renewals were noted as favorable.

VII. 2019 Budget 1st Draft

Individuals addressing the Committee: Kathy Gerhart

Discussion: Kathy G. reported that the 2019 Budget 1st draft showed \$16.5M in total income (just over a 0.73% increase from the 2018 Budget). The current 2019 year-end surplus is \$6K before accounting for a projected Sections Activity loss of \$56K for the year. This first draft of the 2019 budget is in-line with BOG-approved 2019 Budget Memorandum that indicated no greater than a 2.5% increase in total expenses.

VIII. Capital Budget – 2019-2023

Individuals addressing the Committee: Kathy Gerhart

Discussion: Total 2019 Capital Expenditures are budgeted for \$1,006K. The majority of these costs are mission-critical projects focused on 24th Place building maintenance, new tenant improvements, and IT licensing and infrastructure updates (\$702K). An additional reclass was done to move the IT website redesign to mission critical (\$72K). The remainder of the capital budget (\$232K) are considered mission enhancing items. Forecasted capital expenditures for 2019-2023 are consistently being reviewed for reasonableness and scope. Jason C. asked to research if there would be any EMS reoccurring maintenance fees, and address the findings in the next F&AC meeting.

IX. Go Bold Initiatives

Individuals addressing the Committee: Sheldon J., Kathy G. John P.

Discussion: Sheldon J. reviewed the status of the Go Bold initiatives. Originally the SBA team came up with 262 ideas that were later narrowed down to seven. These seven initiatives will be presented at a future F&AC meeting for approval, and then submitted to the BOG for final decision. The funding for these initiatives will come from the dues reserves with the goal to help generate revenue, reduce costs, or provide better operational efficiencies.

- Practice 2.0 implementation
- Find a lawyer campaign
- CLE market dominance
- BLS Expansion
- BOG Activity changes
- Staff re-engineering
- API integration

X. 2018 – Q3 Client Protection Fund Financial Statements

Individuals addressing the Committee: Jim Penny

Discussion: Jim P. reviewed the 2018 Q3 CPF financials, indicating the CPF had \$196K cash on hand with an additional \$2,430K in CDARs. YTD restitution income is \$3.5K, and YTD assessment revenue is \$431K (which is already at the projected amount for the total of the 2018 budget). Interest income is greater than last year and 2018 budget as interest rates continue to move up for CDARs. The next CDAR will mature in November 2018 and trustees will decide on whether to reinvest or use funds for claims and operating expenses.

XI. 2018 – Q3 SBA Financial Statements

Individuals addressing the Committee: Kathy Gerhart

Discussion: Kathy G. stated that the financials were presented at the September 21st BOG meeting and asked if there were any questions regarding what was presented. No questions were asked.

XII. 2018 – Q3 Quarterly Reports

Individuals addressing the Committee: Kathy Gerhart

Discussion: Kathy G. briefly reviewed the Quarterly Bench & Bar Income/Expenses Summary; the Quarterly Capital Expenditure Recap; Quarterly Ranked Vendor Payments; Quarterly Significant Contracts report. There were no additional questions from F&AC members.

XIII. 2018 – Q3 CEO/ED & CFO Certification

Individuals addressing the Committee: Kathy Gerhart

Discussion: Kathy G. presented the signed 2018 Q3 CEO/ED & CFO Certification and confirmed that the SBA is in compliance with the Financial Policies Manual.

Meeting adjourned by: Denis Fitzgibbons at 11:09 pm