

FINANCE & AUDIT COMMITTEE (F&AC)

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

February 22, 2018
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

P - Dave Byers

T - 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

Maret Vessella

Lisa Panahi

Gayle Jackson

Lisa Deane

Ann Leslie

Lisa Panahi

Octavius Garrett

Lisa Chamberland

T – Martin Gaxiola

Minutes taken by: Lisa Chamberland & Octavius Garrett

I. CALL TO ORDER

Called to Order by: Brian F.

Time: 3:03 pm

II. CALL TO THE PUBLIC

Individuals addressing the Committee: None

Discussion: None

III. Approval of minutes – January 25th meeting minutes

Individuals addressing the Committee: Brian F.

Discussion: None

Motion/moved by: Tyler C. motioned to approve January 25th meeting minutes.

Seconded by: Dave B.

Motion: Passed unanimously

IV. 2018 Contribution Requests–

Individuals addressing the Committee: Kathy G.

Discussion: Sixteen contribution requests have been received for consideration in 2018, totaling \$17.9K (vs. a remaining 2018 budget allocation of \$18.0K). The following two contribution requests were noted:

- The Arizona Bar Foundation (ABF) is requesting \$2K for Legal Aid Day at the Capital (ABA Day), which is over the \$1K annual limit per organization.
- The Yuma County Bar did not supply the required 2017 Reporting Form for a previous contribution, making them ineligible to receive additional contributions until the proper documents have been received.

Motion/moved by: Brian F. motioned to approve all contribution requests with the following exceptions:

- Award only \$1K contribution to the ABF under the condition that future ABA Day contribution requests would no longer be considered.
- Award the Yuma County Bar request contingent upon the receipt of proper backup.

Seconded by: Tyler C.

Motion: Passed unanimously

V. December 2017 CPF Preliminary Financial Statements:

Individuals addressing the Committee: Jim P.

Discussion: 2017 Year-end cash is at \$131K; total assets are at \$2.6M; and current liabilities are at \$84K. Claims paid in 2017 were approximately \$165K. Assessment revenue increased from \$214K in 2016 to \$429K in 2017 (attributed to two large restitution payments received), and CDAR held (with 2018 maturity dates) were valued at \$2.4M.

VI. 2019 Dues Increase (Previously Approved by Court Administrative Order) Review:

Individuals addressing the Committee: Kathy G. & John P.

Discussion: Brian F. stated he felt dues increases should not be deferred because it's harder to raise in a recession and he feels that it's coming. Tyler C. was not in favor of raising. John P. noted that this all may change due to the potential "conscientious objectors" and, hence, may want to defer dues a year. Additional discussion included reviewing the Inactive/Retired and Military fee categories. Dave B. mentioned that the survey performed by the Arizona Supreme Court shows the Inactive category is perceived as "too high" compared to other states. Furthermore, the Arizona Supreme Court will be discussing this topic further at its retreat in April. It was suggested that more data be gathered to discuss at the March F & AC Meeting. Additional analyses were requested regarding deferral of the 2019 dues increase; Inactive & Retired fee adjustments; comparisons between the SBA and other states fees; how many in the Inactive category go Active again; lowering CLE requirements for re-entry; and transfer of CLE.

VII. January 2018 Financial Update

Individuals addressing the Committee: Kathy G.

Discussion: Kathy G. stated that dues collection/payments have been strong so far with 21,456 having filed online dues affidavits vs. 2,154 not filed. Final January 2018 financials will be made available in late March after the 2017 external financial audit and the bulk of 2018 manual dues processing are completed.

VIII. CEO/ED & CFO Certification – Q4 2017

Individuals addressing the Committee: Kathy G.

Discussion: This quarterly certification document was provided in the F&AC materials with Kathy G. noting the one except listed on the notice with regards to the December 2017 financials statement deadline.

VIII. Significant Contract Report

Individuals addressing the Committee: Kathy G.

Discussion: Kathy G. briefly reviewed the Significant Contract report previously provided to F&AC members. There were no further questions about the report from committee members.

IX. 2017 CEO/CFO Expense Reimbursement Reports

Individuals addressing the Committee: Kathy G.

Discussion: Kathy G. noted the Great Plains (the Accounting software that the SBA uses) did not provide an automated method of generating the CEO/CFO reports required by the Financial

Policies manual. The Accounting department will be working to create a manual tracking process to meet this annual reporting requirement.

X. 401K Master Service Agreement – Effective January 1, 2018

Individuals addressing the Committee: Kathy G.

Discussion: Kathy G. reviewed the 2018 Master Services Agreement for 401K services provided to SBA employees and other plan participants (e.g. former employees with funds in the current plan). Increased costs are being offset with shared participant fees and investment reclassifications. When calculating the year-end 4.1% employer contribution, these additional fees are taken into consideration against the employer contribution, resulting in no additional costs to the SBA. 401(k) administrative fees are capped for 5 years.

XI. CALL TO EXECUTIVE SESSION

Called to Order by: Brian F. (chair) confirmed the presence of member quorum, announced the general subject of a proposed executive session, and confirmed with staff that no members of the public were present. Brian F. (chair) called for an executive session which was seconded by Dave B., and approved unanimously by the quorum of committee members.

Time: 4:15 pm

Meeting adjourned by: Brian F. at 4:42 pm.