

**FINANCE & AUDIT COMMITTEE (F&AC)**

State Bar of Arizona  
4201 N. 24<sup>th</sup> Street, Suite 100  
Phoenix, Arizona 85016

November 19, 2020  
3:00 p.m.  
Telephonic Meeting

**Minutes (Approved (TBD))**

**MEMBER ATTENDANCE:**

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

**T – Benjamin Taylor, Chair**

**T – David Rosenbaum, Vice Chair**

**T – Dave Byers**

**T – Lori Higuera**

**T – Kelsi Taylor Lane**

**A – Doreen McPaul**

**T – Sandra Etherton (Client Protection Fund Board Liaison/Non-voting F&AC member)**

**OTHER ATTENDEES:**

**State Bar Staff:**

**T - Joel England**

**T - Maret Vessella**

**T - Kathy Gerhart**

**A - Joe Hengemuehler**

**T – Deanna Commack**

**T - Lori Maxwell**

**T - Lisa Panahi**

**T – Lisa Deane**

**A – Carrie Sherman**

**T – Jessica Iennarella**

**Minutes taken by: Jessica Iennarella**

**I. CALL TO ORDER:**

**Called to Order by: Benjamin Taylor**

**Time: 3:02 pm**

**II. CALL TO THE PUBLIC:**

**Individuals addressing the Committee:** None

**Discussion:** None

**III. Action/Vote – Approve Meeting Minutes 10/21/2020**

**Individual(s) addressing the Committee:** Benjamin Taylor, Kathy Gerhart

**Motion/moved by:** Recommended defer approval until following month – will approve September, October & November minutes together.

**IV. Action/Vote – HR Annual Compensation, 401(K) Deferred Compensation Recommendation**

**Individuals(s) addressing the Committee:** John Gordon, Joel England

**Discussion:** Joel E. & John G. presented on HR Subcommittee’s discussion regarding 2021 budgeted compensation. John G. presented HR subcommittee recommendations of 1) increase pay grades by 2%, 2) \$7,500 in deferred compensation for eligible SLT, 3) 3.5% 401(k) match + 2.4% discretionary match, and 4) 2% merit pool effective April 1<sup>st</sup>. Joel highlighted that his recommendation was for the 401(k) contribution to be the 3.5% match + 4.1% discretionary match. Joel confirmed that HR Subcommittee’s recommendation is reflected in 2021 budget. F&AC decided to vote on budget as a whole.

**V. Action/Vote – 2021 Operating Budget – 2<sup>nd</sup> Draft**

**Individual(s) addressing the Committee:** Kathy Gerhart, Joel England

**Discussion:** Kathy G. & Joel E. presented slide deck highlighting 2<sup>nd</sup> draft of 2021 operating budget & provided discussion points regarding changes since 1<sup>st</sup> draft. Budgeted net surplus of \$474,743. Brief discussion by F&AC regarding scenario considered with regards to Convention – assuming in person on the basis that is lowest profit margin scenario.

**Motion/moved by:** David R. motioned to approve the 2021 operating budget inclusive of HR subcommittee compensation recommendations, and recommend to Board of Governors for approval.

**Seconded by:** Lori H.

**Motion:** Passed unanimously.

**VI. Action/Vote – 2021 thru 2025 Capital Budget**

**Individual(s) addressing the Committee:** Kathy Gerhart, Joel England

**Discussion:** Kathy G. presented five-year capital budget. Lori Maxwell and Maret Vessella provided insight regarding budget to assist with replacing JustWare. Lori further clarified need for cybersecurity in budget. Kathy reviewed 24<sup>th</sup> Street related items.

**Motion/moved by:** David R. motioned to approve the 2021 thru 2025 capital budget, and recommend to Board of Governors for approval.

**Seconded by:** Dave B.

**Motion:** Passed unanimously.

**VII. Action/Vote – Legal Paraprofessionals’ Annual Membership Fees**

**Individual(s) addressing the Committee:** Joel England, Kathy Gerhart, Lisa Panahi

**Discussion:** Joel E. and Lisa P. presented recommendation to set Legal Paraprofessionals' annual membership fees to the same as active attorneys. Discussion by F&AC of pros and cons.

**Motion/moved by:** David R. motioned to approve setting annual fees for Legal Paraprofessionals based on active attorney fee structures.

**Seconded by:** Lori H.

**Motion:** Passed unanimously.

### **VIII. Discussion – Annual Fees Payment Plan Update**

**Individual(s) addressing the Committee:** Kathy Gerhart

**Discussion:** Kathy G. presented initial thoughts and observed potential challenges of implementing payment plan for annual fees. David R. in favor of discontinuing further research. Dave B. in favor of holding off on further research until Investment Subcommittee determines next steps. Kelsi L. requested we touch base with other bars to see if they offer option. Joel E. agreed we will investigate if any other bars or comparable professional organizations allow payment plan – to report findings at January meeting.

### **IX. Discussion – Member Assistance Task Force**

**Individual(s) addressing the Committee:** Joel England, Kathy Gerhart, Lisa Panahi

**Discussion:** Joel E. & Lisa P. updated F&AC regarding talks in progress to redirect funds from Client Protection Fund to create funding for specific Member Assistance Task Force initiatives. Benjamin T. only willing to consider if total fees structure remained the same – would just be a redirection of funds from Client Protection Fund rather than an increase in fees. F&AC to be updated once Member Assistance Task Force presents research to Board.

### **X. Discussion – 24<sup>th</sup> Street Leasing Update**

**Individual(s) addressing the Committee:** Kathy Gerhart

**Discussion:** Kathy G. updated F&AC on re-leasing of Suite 140 to Rise48, as well as ongoing negotiations with tenants regarding potential need to downsize space.

### **XI. Discussion – Investment Update**

**Individual(s) addressing the Committee:** Kathy Gerhart

**Discussion:** Kathy G. confirmed CDARs were purchased in accordance with last F&AC vote – one 13-week CDAR for \$500,000 and one 13-week CDAR for the remaining \$4,902,377. \$250,000 was left in Wells Fargo investment account to avoid fees for leaving account open with less than minimum balance. Investment Subcommittee to meet in January and hear proposals from investment brokers. Plan is for Investment Subcommittee to make recommendation to F&AC at January meeting.

### **XII. Discussion – Client Protection Fund Financial Information**

**Individual(s) addressing the Committee:** Kathy Gerhart

**Discussion:** Kathy G. reviewed the third quarter 2020 financial statements for Client Protection Fund, including claim approval status.

**XIII. Discussion – SBA Financial Information**

**Individual(s) addressing the Committee:** Kathy Gerhart

**Discussion:** Kathy G. reviewed the October 2020 SBA financial statements, including commentary regarding the current financial position relative to budget. SBA is performing favorable compared to budget – while revenues have been reduced due to COVID 19, SBA has taken steps to minimize expenditures. Anticipate finishing year with a surplus. Largest remaining risk is actual performance of Convention.

**XIV. Discussion – December F&AC Meeting**

**Individual(s) addressing the Committee:** Kathy Gerhart

**Discussion:** Kathy G. confirmed with F&AC that no December 2020 meeting is necessary.

**Meeting adjourned by:** Benjamin Taylor at 4:43 p.m.