

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

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

May 17, 2018  
3 p.m.  
Cholla Room

**Minutes (Approved)**

**MEMBER ATTENDANCE:**

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

**A - Brian Furuya, Chair**

- Anna Thomasson

**P - Lori Higuera, Vice Chair**

**P - Dave Byers**

**T - Tyler Carrell**

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

**OTHER ATTENDEES:**

**State Bar Staff:**

**John Phelps**

**Maret Vessella**

**Kathy Gerhart**

**Lori Maxwell**

**Lisa Panahi**

**Ann Leslie**

**Martin Gaxiola**

**Octavius Garrett**

**Lisa Chamberland**

**Minutes taken by:** Lisa Chamberland & Octavius Garrett

**I. CALL TO ORDER**

**Called to Order by:** Lori H.

**Time:** 3:06 p.m.

## II. CALL TO THE PUBLIC

**Individuals addressing the Committee:** None

**Discussion:** None

## III. Approval of minutes – April 19<sup>th</sup> meeting minutes:

**Individuals addressing the Committee:** Lori H.

**Discussion:** None

**Motion/moved by:** Dave B. motioned to approve April 19<sup>th</sup> meeting minutes.

**Seconded by:** Tyler C.

**Motion:** Passed unanimously

## IV. 2018 Section Sponsorship Request

**Individuals addressing the Committee:** Kathy G.

**Discussion:**

Kathy G. reviewed the Indian Law Section request for approval to award a \$500 cash prize for a national writing competition. Per the Section guidelines, the Board of Governors Reporting Form has been completed and it has been reviewed by Lisa Panahi for Keller compliance. Lisa P. noted that the writing topics this year were relating to legal matters and she has no concerns with the request and turned it back over to the committee. Kathy G. noted that per IRS regulations, the award would be taxable to the recipient.

There were no further questions from committee members.

**Motion/moved by:** Dave B. motioned to approve the Indian Law Section Sponsorship Request.

**Seconded by:** Tyler C.

**Motion:** Passed unanimously

## V. 2017 Federal & State Tax Returns – Form 990 & 990T:

**Individuals addressing the Committee:** Kathy G.

**Discussion:**

Kathy G. noted that the 2017 Federal & State Tax Returns were being presented to committee and the Board for informational purposes (as a best-practices requirement and to validate a specific “disclosure” requirement within the tax forms). There are no significant changes.

The BOG will receive a full copy of the tax return and a public disclosure copy of the tax-returns (990 only) will be made available via the SBA website.

There were no further questions from committee members.

## **VI. 2019 Dues Deferral:**

**Individuals addressing the Committee:** Kathy G.

**Discussion:**

Dave B. noted that SBA needs to respond to the court by 7/1/18 with the recommendation.

Kathy G. reviewed the PowerPoint presentation that summarized two scenarios for deferring indefinitely the scheduled 2019 dues increase.

Option 1 – Reduce expense growth.

Option 1 assumes a 1.5% annual increase to expenses (personnel, benefit & other) and membership growth revenue would increase 1% annually. Operating losses would start in the year 2020, causing the dues reserve to fund the deficit. The reserve would run out in the year 2026 and a need to completely balance the budget to avoid another dues increase would be necessary.

Option 2 – Grow revenue/ increase efficiencies & maintain competitive compensation & benefits.

Option 2 assumes a 2.5% annual increase (.5% reduction) to expenses for personnel & benefits and a 2.2% annual increase for other expenses (IT contracts higher due to trending). Membership growth revenue would increase 1% annually and additional revenue growth & efficiencies to be recognized. Current surplus would run down in the year 2027 (in 9 years).

Forecasting risks to consider –

Bar Structure

CLE- external/internal competition, market share

Personnel & Benefits- Health care cost, competitive salaries/talent retention

Other Expenses- Economic conditions, IT support and infrastructure

**Motion/moved by:** Tyler C. motioned to recommend to the BOG to indefinitely defer the scheduled 2019 dues increase.

**Seconded by:** Dave B.

**Motion:** Passed unanimously.

## **VII. 2019 Budget Guidelines – Preliminary Discussion:**

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

**Discussion:** The 2019 Budget memorandum is scheduled to be drafted and presented to the BOG at its September meeting.

There were no further questions from committee members.

## **VIII. April 2018 SBA Final Financial Statements:**

**Individuals addressing the Committee:** Kathy G.

**Discussion:** Kathy G. reviewed the April Financial Statement Report and for the four months ending April 30, 2018. The Bar's income statement generated a loss of \$241K excluding Sections. The loss year-to-date is \$104K more than budgeted. This is due to \$76K less in revenues and \$28K more in expenses. Sections Activity reported a year-to-date surplus of \$114K compared to a budgeted surplus of \$59K. Significant YTD variances: Dues penalty revenue is \$163K less than originally budgeted. Members are paying annual fees earlier than in previous years. Court Discipline Operations expense is \$40K higher than budget due to a less-than-anticipated settle-up amount received from the Court based on final 2017 actual expenditures. All other expense categories report timing variances to partially offset the aforementioned significant variances.

**IX. June Finance Committee Meeting (Schedule if needed)**

**Individuals addressing the Committee:** Lori H.

**Discussion:** Per Kathy's guidance, there was no need to have a June F&AC meeting. However, there might be a benefit to meet in July before the BOG retreat to review all of the revised options/plan-of-action related to the indefinite dues deferral.

**Meeting adjourned by:** Lori H. at 4:32 p.m.