

FINANCE & AUDIT COMMITTEE (F&AC)

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

October 26, 2017
3pm
Cholla Room

Minutes (Approved (TBD))

MEMBER ATTENDANCE:

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

P - Brian Furuya, Chair

P - Lori Higuera, Vice Chair

P - Dave Byers

P - Anna Thomasson

P - Tyler Carrell

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

OTHER ATTENDEES:

Guests:

State Bar Staff:

John Phelps

Kathy Gerhart

Lori Maxwell

Gayle Jackson

Rick DeBruhl

Lisa Panahi

Lisa Deane

Carrie Sherman

T-Martin Gaxiola

Octavius Garrett

Lisa Chamberland

Minutes taken by: Octavius Garrett & Lisa Chamberland

I. CALL TO ORDER

Called to Order by: Brian F.

Time: 3:02 pm

II. CALL TO THE PUBLIC

Individuals addressing the Committee: None

Discussion: None

III. Approval of Minutes – September 28th meeting minutes

Individuals addressing the Committee: Brian F.

Discussion: None

Motion/moved by: Lori H. motioned to approve September 28th meeting minutes.

Seconded by: Tyler C.

Motion: Passed unanimously

IV. Deferred Compensation Policy – Technical Revision:

Individuals addressing the Committee: John P.

Discussion: Current policy needs revision to have the Tier 1 title of Deputy Director (John Furlong's prior title) removed as it is no longer in use.

Motion/moved by: Lori H. motioned to recommend to the Board of Governor's (BOG) a revision of the current policy as noted above.

Seconded by: Anna T.

Motion: Passed unanimously

V. HR Annual Compensation & Benefit Review – Salary Structure Increase

Individuals addressing the Committee: Anna T.

Discussion: Anna T. reported the HR Sub-Committee (HRSC) & HR third-party consultant recommended a 2 % Salary Structure Increase. There would be no financial impact to raising the minimum of each paygrade as there currently are no employees below the bottom threshold amount. Gayle J. noted most new hires start at roughly 5% above the minimum grade level.

Motion/moved by: Anna T. motioned to submit this recommendation to the BOG for approval.

Seconded by: Lori H.

Motion: Passed unanimously

VI. HR Annual Compensation & Benefit Review – Performance Pay/ Merit Increase

Individuals addressing the Committee: Anna T.

Discussion: Anna T. reported the HRSC & HR third-party consultant recommended a 3 % merit pool increase for the 2018 Budget.

Motion/moved by: Lori H. motioned to recommend the 3% merit pool increase to the BOG for approval.

Seconded by: Tyler C.

Motion: Passed unanimously

VII. HR Annual Compensation & Benefit Review – Benefits Budget

Individuals addressing the Committee: Anna T.

Discussion: Anna T. reported the HRSC & HR third-party consultant recommend keeping the current structure for Medical (Cigna), Dental (Cigna), Vision (Avesis), and Life, AD&D, Long Term Disability and Employee Assistance Program (Prudential). Cigna helps SBA reduce premiums by allowing the buy down of points with our Wellness programs. Other providers do not offer this option. John P. also noted that by offering HSA & HRA's, SBA is able to better manage our dollars.

Motion/moved by: Lori H. motioned to recommend keeping the current benefit structure to the BOG for approval.

Seconded by: Anna T.

Motion: Passed unanimously

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 Lori H., and approved unanimously by the quorum of committee members.

Time: 3:20pm

Call to end Executive Session by: Brian F.

Seconded by: Tyler C. & Lori H.

Executive Session adjourned at: 4:45pm

The following item was voted on after return from Executive Session:

- **Technology Update – Member email decision:**

Individuals addressing the Committee: Lori M.

Discussion: Lori M. stated that current iMail system is antiquated using old technology from 2006, is not cost effective to maintain and it doesn't support SBA's true mission. There is a very small percentage of members currently using this service as their primary email.

Motion/moved by: Tyler C. motioned to recommend to the BOG that SBA manage the elimination of service to all users and plan a transition that includes SBA's assistance to get users enrolled with another provider for their email services. Lisa D.'s Law Office Management team would manage this process and members would have 180 days to fully transition.

Seconded by: Lori H.

Motion: Passed unanimously

VIII. 2018 Budget 1st Draft

Individuals addressing the Committee: Kathy G.

Discussion: Kathy G. reported that the 2018 Budget 1st Draft showed \$16.1M in total income (just over a 1% increase from the 2017 Budget and Projection amounts) with \$9.6M in total personnel costs (roughly a 3% increase over 2017 amounts) and total expenses of \$6.5M (about 8% over 2017 Budget). The current 2018 year-end surplus is \$20K before accounting for a projected Sections Activity loss of \$61K for the year. The majority of the 2018 Budget expense increases are in Contract Services and Professional Services costs and relate to IT infrastructure updates. The Public Service Center (PSC) will also bring in a new revenue stream once it's up and running in 2018 (1st year/2018 revenue is projected at \$81K). Kathy G. will present the updated five-year forecast at the next F&AC meeting in November.

IX. 2017 – Q3 SBA Financial Statements- not discussed

X. 2017 – Q3 2017 Quarterly Reports- not discussed

XI. CEO/ED & CFO Certification – Q3 2017- not discussed

XII. Capital Budget – 2018-2022

Individuals addressing the Committee: Kathy G.

Discussion: Total 2018 Capital Expenditures are budgeted for \$853K with the majority of these mission-critical projects focused on 24th Place building maintenance and new tenant improvements (\$396K total) and IT licensing and infrastructure updates (\$424K total). Forecasted capital projects for 2019 through 2022 are consistently being reviewed for reasonableness of timing and scope.

XIII. 2017 – Q3 Client Protection Fund (CPF) Financial Statements

Individuals addressing the Committee: Jim P.

Discussion: Jim P. reviewed the 2017 Q3 CPF financials, indicating the CPF had \$152K cash on hand with an additional \$2,413K in CDARs. YTD Restitution income is \$206K (compared to a total of \$5K for all of 2016), and YTD assessment revenue has doubled in 2017 (currently \$427K) vs. 2016 (\$214K).

XIV. 2016 IRS Tax Returns – Form 990 and 990T

Individuals addressing the Committee: Kathy G.

Discussion: Kathy G. mentioned the draft tax returns were received on Tuesday and showed about \$21K in tax liability resulting from unrelated business income (as indicated on the Form 990-T). The draft tax returns were provided for review by F&AC members.

Meeting adjourned by: Brian F. at 5:14 pm.