

STATE BAR OF CALIFORNIA

STATEMENT OF QUALIFICATIONS, PROPOSALS AND PRIORITIES TREASURER CANDIDATE: **JOANNA R. MENDOZA**

Dear Fellow Trustees:

It has been an honor to serve with all of you over the past two years on the Board of Trustees. I am thankful for the opportunity to present to you a detailed statement in support of my candidacy to serve as your next Treasurer, a role I have been spending many hours preparing for this past year.

Given the tenor of the most recent State Audit, the current Dues Bill, and the 3-year budget the Board passed in March, it is clear that the State Bar's fiscal health and policies will remain a priority going into the next Board year. Perhaps at no greater time since the office of Treasurer was created will the Board need to ensure that someone is selected for that role who is coming into the position prepared and able to give the position the significant time that will be required to effectively carry out the initiatives that this Board can and should accomplish next year. It is my hope that the following description of my qualifications, proposals and priorities will assist each of you in reaching the conclusion that I am the candidate that will most effectively and proactively step into the role of Treasurer, acting with leadership in fulfilling the State Bar's public protection mission as a careful steward of the public assets.

QUALIFICATIONS

The 3-year budget projects a general fund that will be operating at deficit levels within only a couple of years, making it increasingly challenging for the State Bar to maintain its financial health and its core services within the constraints of currently available funding sources. We cannot sit by as a Board and wait for this to happen. We must be proactive to ensure it does not occur. As part of these proactive measures we will need to work with the State Auditor to complete the necessary in-depth financial review of the Bar that has been called for in the pending Dues Bill. That makes the next fiscal year significant, the role of Treasurer critical, and the vote you cast a very important one for the State Bar as an organization.

The Board needs someone who has the ability and already proven willingness to make the time commitment to be a dedicated and focused fiscal steward over the next year. The Board must have someone who will take the time to work with the new Executive Director, the CFO, and liaise with the Board to prioritize and present policies and budgets that will have the State Bar be a model of government fiscal oversight and transparency.

In order to do this most effectively, one must be able to step into the job quickly, having as much of the learning curve completed as possible. That is why I have spent this entire Board year

preparing for this opportunity – so that if I have the honor of being elected as your Treasurer, I can step into the role as quickly and efficiently as possible, begin the work, and continue to give the Board and the State Bar 20+ hours a week of my time. My demonstrated commitment to the work of the Board this past year has been reflected by this same time commitment I have put in this year to various State Bar projects, Board liaison meetings, special appointments and other matters. Here are some examples that I assert demonstrate both my willingness to make the significant time commitment and establish the depth of my knowledge of the State Bar as an organization:

- Active participation in all seven Board Liaison assignments to State Bar Standing Committees and Sections (Lawyers Assistance Program Oversight Committee, ADR Committee, Federal Courts Committee, CYLA, Council of State Bar Sections, IP Section Executive Committee, and Antitrust Section Executive Committee), as well as one of two Board Liaisons to the Mentoring Task Force.
- Serve as one of two Board members on the Case Management System (“CMS”) Steering Committee and liaise to the Board regarding CMS related matters.
- Serve on the MCLE Working Group and been working with staff to prepare the proposal for additional MCLE.
- Initiated the first review and revision of the State Bar committee application form in the last ten years and worked with staff on those revisions and the accompanying Board Book revisions.
- Both emceed and presented at many Fraud Prevention Town Hall meetings as well as attended more than one that were presented in a language other than English in order to show Board support, spoken at multiple admissions ceremonies, and attended State Bar hosted multi-agency summits regarding Immigration Fraud and Debt Collection Fraud.
- Significantly involved in the drafting and re-drafting of both the new Strategic Plan and the revisions/reorganization of the Board Book.
- 2 years on the Member Liaison Committee, the committee under the Board’s Planning & Budget Committee that reviews all requests for waivers of dues and late fees.

- Serve as one of two Board members as a Supreme Court Board appointee to the State Bar Court Applicant Evaluation and Nomination Committee, involved with interviewing and nominating most recent appointment to the State Bar Court.
- Actively and effectively engaged in recruitment for the Executive Director and General Counsel positions, participating on the GC Search Committee, and for two years interviewed candidates for RJNE and JNE officer positions.
- Prepared and presented an MCLE program to groups of attorneys on the subject of understanding the State Bar as an organization, our public protection mission, how the discipline system operates, how bar dues are spent, etc., so attorneys can better understand that the State Bar is a consumer protection regulatory agency and not just a trade organization.

More specific to the role of Treasurer, the following examples demonstrate how certain of my experiences have prepared me for that position:

- Even though I have not officially been a member of the Audit Committee, I have attended many of those meetings so that I can familiarize myself with the role of Chair and the work of the committee. For those of you who are in your third year on the Board, you will recall that this is similar to what I did when I attended several Board of Trustees meetings before I was officially sworn in as a Board Member in 2013. This will help allow me to more efficiently take over the role of Treasurer should I be elected.
- I have been working with the issue of indirect cost allocation since 2003 when I began sitting on the Executive Committee of the Intellectual Property Law Section. Each year the sections have the issue of indirect costs presented to them for budgeting purposes, and my history on the sections has resulted in me gaining a detailed, working knowledge of this issue. This became especially true during my time as an officer on the Council of Sections, when we worked directly with Pam Wilson and the CFO twice a year: 1) once to present a detailed explanation of the indirect cost allocation to the sections in April, and 2) once in the summer to update the sections about whether the State Bar was on budget with respect to the indirect cost allocation. Each year we have to re-educate new people on the Council of Sections on the subject, a process I have continued to participate in as the Board Liaison to the Council these past two years.

- I am already a member of the small committee that will be working with consultant Bill Statler on analyzing and updating the formula for the indirect cost allocation, a process which I was responsible for initiating since it had not been reviewed for over 12 years despite several internal changes.
- Beginning in March, I have studied the 88-page, 3-year budget, making it a point to understand the budget at both the fund level as well as the cost-center level and discussing it with staff, getting questions and concerns answered as they arose.
- Aware of the issues presented to the Board, and looming with respect to the Treasurer in the year to come, I have been studying both Statement No. 54 of the Government Accounting Standards Board (regarding reserve policies) and enterprise fund accounting systems, both of which are directly relevant to the State Bar's fund system of financial accounting.

On a more practical business level, in the event it provides you with additional confidence, I will share with you that I took several accounting courses and worked as a full-charge bookkeeper to help pay my way through college. Many of you are also aware that I have been a solo practitioner since 2008, and for five years prior to that I ran a business with a single partner where we managed a small office – both of these roles require a necessary understanding of financial statements, payroll issues, taxes, etc. During my year as treasurer of another bar organization, I uncovered a long-running embezzlement by a law firm secretary who had been handling the funds for that organization for several years. I would hope that you have by now concluded that, when I take on such a position, I take it very seriously.

The Board is not electing an accountant as its Treasurer. We have highly qualified internal staff and outside accountants that are paid to perform the financial accounting, budgeting and audits for the State Bar. The Board is being asked to vote for someone who can provide oversight and leadership with respect to the State Bar's fiscal stewardship. This will require someone who is willing to commit significant time and effort, who has the judgment to identify when a fiscal issue will require Board involvement, and who will be able to openly and effectively report and communicate on a regular basis to the other Board members. I strongly believe you will find that I will serve you all very well in this regard, and it would very much be an honor to do so.

PROPOSALS AND PRIORITIES

The Board Book delineates the basic parameters of the Treasurer's role as follows:

- 1) Serve as the Chair of the Audit Committee;
- 2) Appointed by the President to serve either as Chair or Vice Chair of the Planning and Budget Committee;
- 3) Consult with the Executive Director and CFO and report to the Board regarding matters involving the budget and internal financial controls;
- 4) Take primary responsibility for ensuring the Board's attention to the Bar's fiscal position, budget, audit reports, and stewardship of Bar assets to ensure protection of the public; and
- 5) Any other duties that the Board prescribes.

While this list sets forth the basic job description and duties of the Treasurer, there are several specific issues which I see as key priorities going into the next Board year.

Formal Analysis re: Anticipated Dues Revenue: With our attorney population aging, and the law student population declining, the Board needs an understanding of what our future dues revenue will look like. We are already making progress on setting policies in place for proper fund balances and transfers, but our Finance and Budget Department has projected a negative balance in our General Fund by the end of 2016. In order to validate the revenue numbers that have been projected, and to make a strong case to the Legislature with respect to our budgeted dues revenue, the Board will need to better understand our member population on a going forward basis with a valid analysis. If the Board has valid statistical data to support its projected revenue, and can demonstrate that it has adopted sound fiscal policies that address the concerns of the State Auditor, we will be in a much better position to approach the Legislature with respect to a biennial dues bill that addresses the State Bar's financial situation. Furthermore, such an analysis would seem critical to support a reasonable spending plan.

Workforce Planning and Public Compensation & Benefits Study: The State Audit recommends, and the pending Dues Bill requires, that the State Bar engages in workforce planning for its discipline system and to conduct a public compensation and benefits study to reassess the staff required to oversee the discipline program. However, as the Board has recently learned, we cannot undergo these projects for a single department. Instead, a Bar-wide study will be necessary. Given the Treasurer's identified roles, it will be necessary for the Treasurer to actively participate in the oversight of the appropriate workforce planning and public compensation & benefits study, remaining engaged with the Executive Director and CFO and providing regular reports to the Board on the status. It is anticipated that such a project will have

a direct impact on the proposed budget and, like the revenue analysis identified above, will be critical to support a reasonable spending plan.

Oversight of IT Projects: Over the course of the next Board year, it will be critical that we as a Board continue to ensure proper oversight of the new CMS for OCTC. Due to my active oversight of the CMS project since last August, I am qualified and prepared to continue in that role as the Board's Treasurer. It is imperative that the Board continue to determine a strategy, time table and funding sources for the other major IT projects that include the Court Case Management System, the Admissions System and the Member Records & Billing System. We also have committed to an improved website, and this project will also require budget planning, monitoring and oversight. This planning will be integrated with the State Bar Auditor's request that we adequately update the Legislature on an annual basis about the status of all such IT projects and the funds available for their completion.

Given that the IT Department directly reports to the CFO, it makes sense to ensure that, among our three officers, the Treasurer is responsible for ensuring ongoing Board of Trustee oversight of IT Department related projects including all major IT projects that are included within the Strategic Plan. While this is not currently identified as one of the specific roles of the Treasurer in the Board Book, if I am elected as Treasurer I would ask that the Board consider adding this specifically delineated role to ensure that one of the Board officers is always given responsibility for what will almost certainly be an ongoing oversight issue.

Create Indirect Cost Allocation Review Policy: While the indirect cost allocation analysis is already underway this year, and should be completed sometime during the next Board year, the Board should create a policy for periodic review and analysis of the cost allocation going forward similar in structure to the policy it passed this year for its internal controls. As Treasurer, I would ensure that such a policy was drafted and presented to the Board for consideration and adoption.

Oversight of Physical Facilities/Maintenance Projects: Being good stewards of the State Bar's public assets is part of the Board's strategic plan. Managing oversight of the budget and financial matters with respect to those assets should be the primary responsibility of the Treasurer as it is a specifically enumerated role. One of my priorities going into the new Board year would be to work with the new Executive Director to ensure oversight of the maintenance and build-out projects for the 180 Howard Street building, and liaise with the Board as required on this issue.

Transparency of Fiscal Policies and Finances: The Board is already in the process of drafting policies and procedures to restrict staff's ability to transfer money between funds without Board approval, to require cost-benefit analyses be presented to the Board for projects that cost more than \$2 million, and to determine proper fund and reserve balances. Some of these policy changes were already in process before the State Audit was issued and some have been initiated since, but as the next Treasurer I would be focusing upon implementation of those policies. Also already in process was a policy to make State Bar records more accessible and transparent, but our efforts to create policy is only half the equation. This next Board year, it will be critical to set in motion a plan to make the Bar finances more easily accessible to the public as part of that transparency effort. We cannot just make policy – we need to actually make the records accessible in a meaningful fashion without the need for a formal request, especially with regard to the finances of the State Bar. The budget and audited financial statements should be available to the public through the website without difficulty.

Legislative Efforts: I believe the Treasurer could play a vital role in the team that helps make the State Bar's case for a Biennial Dues Bill. Given that the Treasurer is the Board officer tasked with consulting with the Executive Director and the CFO with respect to all matters relating to budget and finance and reporting those matters to the Board, the Treasurer would be appropriately knowledgeable on critical issues and can assist with legislative staff meetings as needed and if considered appropriate by our legislative consultants. My location near the State Capitol would make this work easy for me.

Furthermore, efforts need to be made to change the statutory deadline for providing audited financial reports to the Supreme Court and Legislature. The very short time period between our fiscal year-end and time to provide the reports puts a strain on our staff and resources, and is unusually short for government reporting. Ideally, this is another legislative change the State Bar can begin to lay the groundwork for, and the in-depth financial audit that will be coming this next year may actually help make this a possibility.

CONCLUSION

As many of you already know, I was involved as a volunteer with the State Bar for ten years before joining the Board of Trustees. My years of service to the State Bar have combined to provide me with a deep understanding of the organization and the issues facing this Board. As I have indicated, I have been working very hard this past year to prepare for the role of Treasurer with the hope that you will have the confidence to elect me when the time came. The many proposals and priorities I have identified should make it clear that the job is one that requires the significant time commitment that I have already demonstrated and am willing to continue giving. It would be an honor if I were elected by my fellow Board Members to serve in that capacity.

Very truly yours,

Joanna R. Mendoza

Further resume details at www.theiplawfirm.com