

AGENDA ITEM

MARCH 10 - Board of Trustees – February 1, 2016 Open Minutes

THE STATE BAR OF CALIFORNIA

OPEN MINUTES

BOARD OF TRUSTEES MEETING

MONTEREY, CALIFORNIA

FEBRUARY 1, 2016

The Board of Trustees of The State Bar of California convened in open session at 8:43 am at the Hyatt Regency Monterey, 1 Old Golf Course Road, Grove Room, Monterey, California, Monday, February 1, 2016, David Pasternak presiding.

The following members of the Board of Trustees were present: Janet Brewer, Michael Colantuono, Glenda Corcoran, Terrance Flanigan, James Fox, Miriam Krinsky, Renée LaBran, Jason Lee, Dennis Mangers, Joanna Mendoza, Danette Meyers, Gwen Moore, Brandon Stallings, Todd Stevens, Hernán Vera and Terry Wiley.

The following members of staff were present: Francisco Gomez, Teri Greenman, Vanessa Holton, Elizabeth Parker, Leah Wilson and Christine Wong.

The roll-call vote was taken, and upon motion made, seconded and unanimously adopted, it was

RESOLVED, that the roll-call vote will be substituted for the vote unless otherwise noted.

All members listed on the slip voted yes.

- 1 Mr. Pasternak called for public comment, inquiring as to whether there were persons in attendance who wished to comment on a particular item on the agenda.

There was no public comment.

- 30 Mr. Pasternak announced that the Board would comply with Bagley-Keene in advance of the official compliance date of 4/1/16. The State Bar will no longer notice joint board/board committee meetings. Work is underway to acquaint the State Bar Sections and other State Bar volunteer groups on the requirement that they comply with the Act.

Mr. Pasternak announced that he had made two appointments to the Witkin Panel that is responsible for selecting the recipient of the Witkin Award – Justice Humes, a current member of the panel, as Chair, and Dennis Mangers as a public member.

The Witkin award recognizes persons who, through a career of extraordinary service, have made significant contributions to the quality of justice and legal scholarship in California.

President Pasternak, Chief Executive Officer Elizabeth Parker, Chief Operating Officer Leah Wilson, and Kelli Evans, Senior Director, Administration of Justice, met with legislators, legislative staff and the Department of Finance in Sacramento to update them on a range of State Bar activities and to discuss increased funding for legal services.

Recent outreach conducted by President Pasternak and Trustees Jason Lee, Miriam Krinsky, Brandon Stallings and Hernan Vera included attendance at the Asian Pacific Bar Association and the Kern County and Santa Barbara Bars to encourage members to apply for appointment to State Bar Committees and Commissions.

President Pasternak, Chief Executive Officer Elizabeth Parker, Chief Operating Officer Leah Wilson, General Counsel Vanessa Holton and Chief Trial Counsel Jayne Kim spoke at a Chancery Club event in Los Angeles to introduce the State Bar's new leadership to the local bar community.

42 Elizabeth Parker gave her Executive Director's 100-day report that highlighted three core values.

1. Vision for the future – the new leadership is committed to meeting the State Bar's public protection mission with transparency, accountability and excellence. Rebuilding the public's trust is the most important task. Our goal will be to function with "transparency, accountability and excellence" in all that we do.

The board has already adopted policies in furtherance of this mission by ending the President's stipend and requiring all executive expense reimbursements to be reviewed by the Audit Committee and posted on the State Bar's website.

The State Bar welcomes Bagley-Keene open meeting requirements and the California Public Records Act (CPRA) provisions which were both part of the 2015 Fee Bill legislation. Policies have been put in place to ensure the Bar is in compliance.

2. Issues identified. Management will be focusing on the following issues in the coming months.

The State Bar is a complex organization responsible for regulating and disciplining lawyers; restoring client losses through the Client Security Fund; and helping to rehabilitate lawyers who have violated the public trust. The State Bar supports the legal system and the courts by exploring ways to address the justice gap and manage legal services funding. The Bar works to improve the legal system by expanding access to justice.

The State Bar's legal structure is also complex. It is an independent governmental entity, not a trade association, yet it has membership obligations and associational functions.

This creates confusion, so it is important to be clear about our public protection mission and who and what we are. Communication to our stakeholders is of primary importance. The board has placed a high priority on the development of a strategic stakeholder communications plan.

A White Paper is being drafted that will provide updated descriptions of our functions and benchmarks to help the Governance in the Public Interest Task Force in its mission. The draft will be circulated to the board for input.

The State Bar has an important resource in their employees who have not always been ideally supported. A recent employee survey found that while employees “love” their jobs, morale is low. Many employees feel that room for growth and career path options are lacking.

The State Bar has not kept current with a number of modern systems and structures that are central to running an efficient organization. There is also a lack of training for all levels of employees and management and too few organizational manuals. This contributes to departments functioning in isolation with too little exchange between departments and insufficient cross-training.

3. Accomplishments underway.

In response to the 2015 State Audit Report, we have a contract with the National Center for State Courts for the workforce planning initiative and a separate contract for the classification and compensation study.

We have a new RFP for a case management system that will link OCTC and the State Bar Court and allow for data collection that is more easily reported and transparent.

A five year records retention and destruction initiative has begun.

Office of General Counsel has completed CPRA training for office coordinators. January, our first month of compliance, went smoothly.

We are in the process of implementing Bagley-Keene. The State Bar must be in compliance by April 1. The Sections have highlighted several areas that pose problems with compliance. We will be working with the Sections and, if necessary, talk to the Legislature about possibly including some changes in the next Fee Bill.

We have improved the transparency of our financial systems, consolidated funds into a three fund structure and conducted a substantial review of the 2016 budget which resulted in cost savings.

We are looking at ways to reduce expenditures so that additional support can be shifted to the discipline system, if needed, following workforce review.

We are working to identify efficiencies so costs savings can be used to support important State Bar public protection activities such as the Client Security Fund.

We are working to increase outreach to legislators and other stakeholders. We recently launched our first discipline day for legislative staff.

We are working to identify efficiencies so costs savings can be used to support important State Bar public protection activities such as the Client Security Fund.

We are working to increase outreach to legislators and other stakeholders. We recently launched our first discipline day for legislative staff.

701 Upon motion made, seconded and unanimously adopted:

RESOLVED, that the Board of Trustees hereby adopts the 2016-18 Budget in the form presented to the Board this day; and be it

FURTHER RESOLVED, that staff is directed to submit an alternate budget at the March 11, 2016 board meeting with spending authority extended for the balance of the year.

All members present and recorded on the roll-call slip voted yes.

702 Upon motion made, seconded and unanimously adopted:

RESOLVED, that upon the recommendation of the staff, the Board hereby adopts the reserve policy as set forth in Attachment B; and it is

FURTHER RESOLVED, that subject to final approval by the Office of General Counsel, the reserve policy be amended to add Legal Services as a permissible item in the spend down and submitted to the board at its March 11, 2016 meeting.

All members were present with the exception of Terry Wiley and all members present voted yes.

703 Upon motion made, seconded and unanimously adopted:

RESOLVED, the State Bar is authorized to borrow up to \$10,000,000 (the "Loan") from Bank of America, N.A. (the "Bank of America") solely for the purpose of paying costs associated with tenant improvements at 180 Howard Street, and to secure the Loan with a) a Deed of Trust encumbering the State Bar's property located at 180 Howard Street, San Francisco, CA and b) a pledge of State Bar revenue, all as permitted by Section 6001 of the California Business and Professions Code. The Loan will be evidenced by a Term Note, the interest on which is not included in gross income of the owner thereof for federal income tax purposes and is exempt from taxation by the State of California; and it is

FURTHER RESOLVED, the Chief Executive Officer Elizabeth Parker and the Chief Operating Officer Leah Wilson are each authorized and directed to negotiate, execute, and deliver the Loan Agreement, Term Note and Deed of Trust, and any ancillary documents required by the Bank or bond counsel to the State Bar (collectively "Loan Documents") for the Loan, including making a decision regarding early call premium options, provided that the principal amount of the Loan may not exceed \$10,000,000; and it is

FURTHER RESOLVED, the Chief Executive Officer and the Chief Operating Officer are authorized and directed, for and in the name and on behalf of the State Bar, to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents which they, or any of them, each may deem necessary or advisable in order to consummate the lawful execution and delivery of the Loan Documents in accordance with, and related to the transactions contemplated by, this Resolution.

All members present and recorded on the roll-call slip voted yes.

704 There was no action taken on this item.

705 Upon motion made, seconded and unanimously adopted:

RESOLVED, that the Board of Trustees adopts the following amendment to the Charter of the Regulation and Discipline Committee and directs staff to update the Board Book accordingly:

CHARTER FOR REGULATION AND DISCIPLINE COMMITTEE

The Regulation and Discipline Committee is a performance-monitoring committee without planning responsibilities. It is accountable for monitoring the operational and financial performance of the State Bar's Regulation and Discipline functions such as monitoring the work of the Client Security Fund Administration, the State Bar Court, Discipline Enforcement, and Mandatory Fee Arbitration. The Regulation and Discipline Committee is accountable for the following functions in the area of Regulation and Discipline:

- Establish the key elements of a programmatic and financial reporting process, including the content, format, and frequency of performance reports to the Board, and overseeing implementation of the process.
- Oversee (as provided by statute: Bus. & Prof. Section 6079.5), the work of the Chief Trial Counsel, who reports to and serves under this Board committee.
- Approve any material changes to policy-level quality-control measures that apply to the Office of Chief Trial Counsel, the Client Security Fund, or the Office of Probation.
- Review performance reports in committee meetings and report program and financial performance to the full Board.
- Identify needed corrective actions in ongoing programs and functions that do not require revision in approved program and functional goals or changes in the approved budget, and overseeing the implementation of such actions.
- Oversee the development and implementation of State Bar operational policies as needed to guide programs and functions dealing with Regulation and Discipline, so long as these policies do not alter approved goals or result in changes in the adopted budget.
- Oversee the preparation of in-depth assessments of program/function effectiveness for presentation at the annual strategic work session.
- Present an overall assessment of the past year's fiscal and program performance at the annual strategic work session.
- Review internal and external audit reports as they relate to the Regulation and Discipline functions of the Bar and overseeing corrective actions.
- **Oversee the Annual Discipline Report process and underlying discipline statistics.**

All members present and recorded on the roll-call slip voted yes.

The Board adjourned its meeting at 11:03 am and went into closed session.

The Board may meet again at the call of the President at any time prior to the next regularly scheduled meeting of the Board, or, if no such meeting be called, at the State Bar, 845 S. Figueroa Street, Board Room, 2nd Floor, Los Angeles, CA 90017, on Friday, March 11, 2016, at a time to be determined.