

AGENDA ITEM

704 OCTOBER 2016

DATE: October 1, 2016
TO: Members, Board of Trustees
FROM: Leah Wilson, Chief Operating Officer
SUBJECT: Annual Meeting Structure

EXECUTIVE SUMMARY

The State Bar is required to have an Annual Meeting (Meeting) pursuant to Business and Professions Code section 6025:

The board shall by rule fix the time and place of the annual meeting of the State Bar, the manner of calling special meetings thereof and determine what number shall constitute a quorum of the State Bar.

The Annual Meeting is held over four days (Thursday to Sunday), historically in the fall . Approximately 1,800 paid registrants attended in 2014 and 2015, representing less than one percent of the current active membership of the State Bar. A significant proportion of Meeting content is developed by the State Bar Sections, with both Office of Education staff and professional meeting planners responsible for the majority of event logistics.

Although most Annual Meetings costs are borne by attendees, the Meeting has been subsidized by the General Fund for the last several years. The General Fund Meeting subsidy totaled nearly \$200,000 in 2015. This direct subsidy, which is reflected in charges to the Annual Meeting cost center itself, is distinct from total Annual Meeting costs not covered by registration fees and other sources of Annual Meeting related revenue. It is extremely difficult to quantify these costs as they have not been tracked historically as Annual Meeting expenses. Both the direct subsidy of \$200,000, and other costs not covered by Annual Meeting revenue constitute funds that, were they not used to support the Annual Meeting, could be redirected to support the State Bar's discipline system.

Business and Professions Code section 6001.1 provides:

Protection of the public shall be the highest priority for the State Bar of California and the board of trustees in exercising their licensing, regulatory and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.

In light of the General Fund Meeting subsidy, ongoing needs for additional investment in the Bar's discipline system, and section 6001.1, staff has identified the need for the Board to reassess the continued viability, value, and appropriateness of the Annual Meeting in its current form. To support the Board's ability to undertake this analysis, staff has identified and/or exercised opportunities to cancel selected future Annual Meeting contracts; contracts have been specifically terminated where an impending escalation in cancellation fees would render the possibility of future termination moot.

For 2017, the Bar has contracted with the Disneyland Hotel¹, Anaheim, for the Annual Meeting. A provision of that contract provides for no-penalty cancellation in the event that an annual fee bill is not passed by the state legislature. As a result of this provision, the Bar is currently in a position to cancel its contract with the Disneyland Hotel.

Certain contracts in place for the 2018 and 2019 Annual Meetings have been cancelled. Specifically, the 2018 contract with the San Diego Marriott Marquis Hotel (Marriott), and the 2019 Portola Hotel and Spa (Portola), Monterey, have been cancelled. A contract amendment with the Marriott has been executed providing for an extension of the most favorable cancellation penalty through October 3, 2016.

The Board is asked to decide whether or not the 2017 Disneyland Hotel contract should be cancelled. In addition, the Board is asked to decide on whether or not the 2018 Marriott Hotel contract should be reinstated. The Board is also asked to decide on whether or not staff should attempt to reinstate the 2019 Portola contract.

BACKGROUND

Business and Professions Code² section 6025 outlines the requirement for the State Bar to hold an Annual Meeting (Meeting):

The board shall by rule fix the time and place of the annual meeting of the State Bar, the manner of calling special meetings thereof and determine what number shall constitute a quorum of the State Bar.

Sections 6012, 6013.5, 6016, 6019, 6021 and 6026 prescribe certain activities that are to occur at the Annual Meeting, most notably with regards to formal commencement of trustee terms. All applicable statutes are provided in Attachment 1.

The State Bar has held an Annual Meeting for 89 years, with the amount of educational content increasing after Continuing Legal Education (CLE) became mandatory in the early 1990's.

DISCUSSION

Annual Meeting Structure

The Annual Meeting (Meeting) is held over four days (Thursday to Sunday), historically in the fall . Approximately 1,800 paid registrants attended in 2014 and 2015³, representing less than one percent of the current active membership of the State Bar.

Over 100 MCLE programs are provided during each Annual Meeting, as well as numerous networking and awards events. In 2015 for example, there were 126 MCLE courses offered, 45 networking events, and 55 meetings. This year's Annual Meeting is described as:

¹ Technically the contract is for three Disneyland hotel properties

² All other statutory references are to the Business and Professions Code.

³ The analysis and recommendations contained herein are based on a review of 2014 and 2015 data.

“...a multi-day showcase of continuing legal education courses, celebrity speakers, and noted legal scholars... with 111 MCLE courses , up to 19 Hours of MCLE and Legal Specialization credit, dynamic opening day and closing day general sessions, free networking lunch, morning coffee breaks and evening happy hours, and social events hosted by the State Bar and its various Sections, local bar associations and law school alumni groups”.

Thus, while the predominant Meeting activity is educational in nature, there are also a significant number of co-occurring programs involving internal and external stakeholders.

While staff and committees representing a number of areas of the Bar develop and deliver Annual Meeting programs, including the Council on Access and Fairness, the Lawyer Assistance Program, and the Office of Professional Competence, the vast majority of content is provided by State Bar Sections.

Though it is by far the largest annual convening of State Bar members and the only established vehicle for the delivery of a significant amount of live educational content, the development of each Annual Meeting program has been managed by Office of Education staff and professional meeting planners with little to no involvement by the Board of Trustees or any public protection arm of the State Bar.

Annual Meeting Costs

Annual Meeting costs are most readily captured in the dedicated cost center established to track corresponding revenue and expenses. A review of Annual Meeting cost center data reflects 2014 expenses totaling \$931,930, with revenues of \$812,701 (-\$119,229), and 2015 expenses of \$888,098 against corresponding revenue of \$704,473 (-\$183,625)⁴. In 2014, \$250,000 from the Affinity and Insurance Programs was transferred to the Annual Meeting cost center to address the budget shortfall in that year, with additional shortfalls being absorbed by the Bar's General Fund.

In addition to these costs that have been identified through a review of direct revenue and charges against the Annual Meeting cost center, there are a number of other Meeting costs that are more difficult to quantify. For example, several State Bar offices provide staff support to the Annual Meeting. While overtime costs are charged to the Meeting cost center, regular labor hours are routinely absorbed by each respective department. In addition, some Bar offices develop and deliver Annual Meeting MCLE, or hold committee meetings in conjunction with the Annual Meeting. These costs are incurred by the pertinent Bar department, rather than the Annual Meeting, and are not readily tracked.

To facilitate Board assessment of Annual Meeting costs, the Office of Professional Competence, one of the key non-Sections Bar Annual Meeting participants, estimated its 2016 Meeting participation costs. Attachment 2 reflects this estimate totaling \$32,000, and additionally identifies those alternate costs that would be incurred for certain activities that would occur irrespective of whether or not there was an Annual Meeting. As reflected therein, holding regular committee meetings at the Annual Meeting, for example, results in a significant escalation from “normal” meeting costs.

⁴Note that costs include a proportionate share of the indirect cost allocation corresponding to the FTE's charged to the Annual Meeting cost center.

In addition to the \$250,000 transfer from the Affinity and Insurance Programs in 2014, CalBar Connect (Affinity and Insurance Program) has contributed between \$10,000 and \$15,000 annually for Meeting sponsorship, and has purchased a booth at the event at an estimated annual cost of \$3,000. Also at an estimated cost of \$3,000 annually, the Lawyer Assistance Program has provided lanyards for the Meeting.

Given the challenges associated with determining the full extent of Annual Meeting costs but informed by the facts that are available, an estimate of a \$200,000 General Fund Meeting subsidy is both conservative and less than optimally informed; regardless of the Board's decision regarding the structure of the Annual Meeting going forward, additional efforts must be made to accurately capture the Meeting's true costs. Such a concerted effort will begin with the 2016 event.

Annual Meeting Evaluation

Until the recent survey discussed below, no survey had been conducted regarding the Annual Meeting since 2009. That survey was issued to meeting attendees; 2009 survey results are provided as Attachment 3.

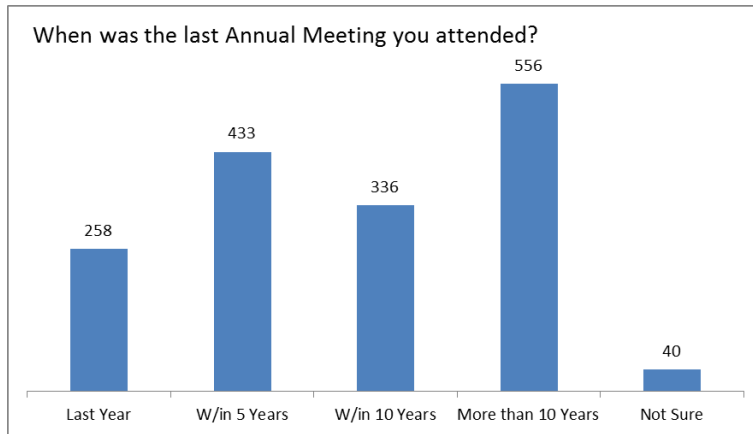
On Wednesday, September 21, and pursuant to Board of Trustee direction at its September 12, meeting, an Annual Meeting survey was distributed to all 230,000 Bar members via email.

As of Sunday, September 26, a total of 5,617 responses had been submitted. The survey formally closes on September 28.

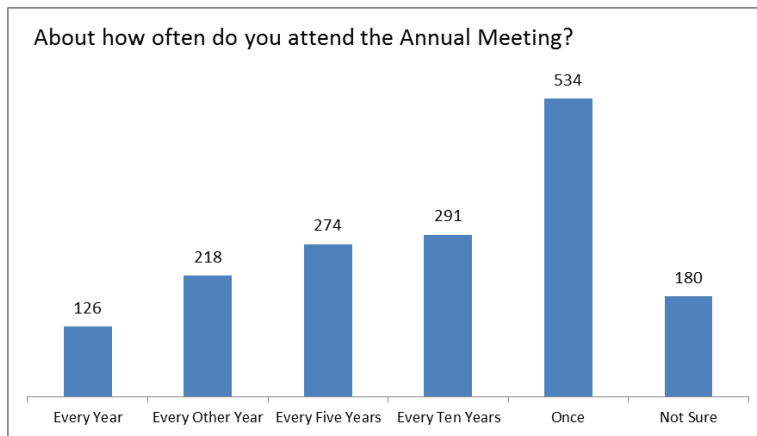
Just under 30 percent of respondents (1,623) indicated that they have attended an Annual Meeting while approximately 70 percent (3,994) indicated that they have not:

Have you ever attended the State Bar Annual Meeting?		
	Number	%
No	3,994	71.11
Yes	1,623	28.89
Total	5,617	100

Of the respondents who indicated that they have attended, almost 15 percent attended in the previous year and another roughly 27 percent attended within the previous five years. Twenty percent of those who indicated that they had attended an Annual meeting attended within the last 10 years, and almost 35 percent indicated that they attended more than 10 years ago.

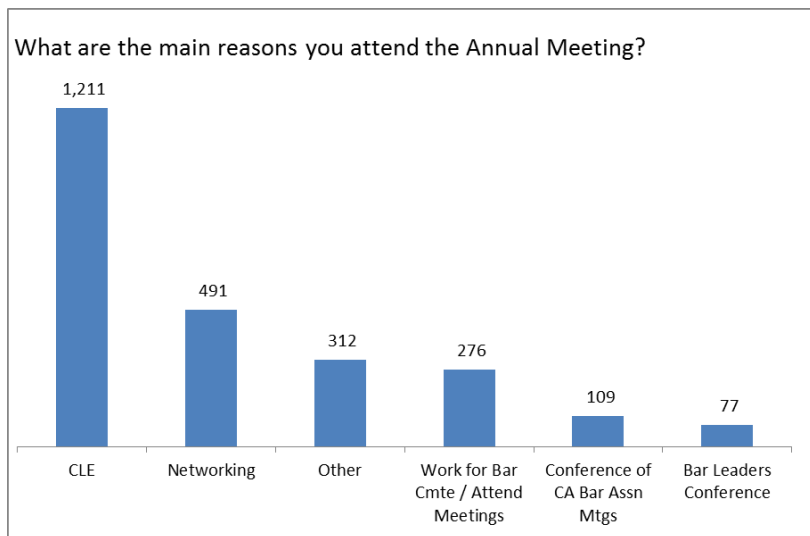


Of the respondents who indicated that they have attended an Annual Meeting, the most common response to the question of how often they attend, was “once.”

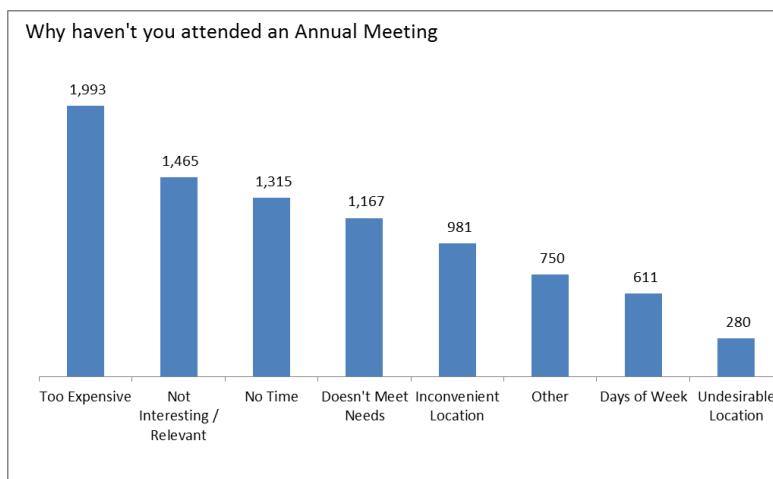


Asked what the main reason was for attending the Annual Meeting, respondents overwhelmingly selected CLE.⁵

⁵ Note that respondents could select more than one of these options so the total exceeds the 1,623 respondents who indicated that they attend the annual meeting. The “Other” category provided options for respondents to write in an answer, these open-ended responses are being categorized and will be summarized in a subsequent report on the survey.



The largest single response to the question: “Why don’t you attend the Annual Meeting” was the meeting is “too expensive.” Clustered, close together between a 1,100 and 1,500 were the following responses: “The event is not interesting / relevant to me,” “I don’t have time,” and “It doesn’t meet my needs.”



In addition to these event-level surveys, individual program evaluations have been collected over the years. Though provided to individual instructors, these evaluations have not been systematically entered into any electronic system to facilitate analysis. In preparing for this agenda item, evaluations for 54 of the 126 courses offered at the 2015 Annual Meeting were data-entered and analyzed, revealing the following:

- Average course rating of 4.5 out of 5
- Average years in practice 25⁶
- Average firm size 22

⁶ Note that many participants did not respond to evaluation questions regarding years in practice and firm size and thus averages may be skewed by outlier responses. As data entry continues and the sample size becomes larger, the impact of any outliers will be minimized.

2017, 2018, and 2019 Annual Meetings

The 2017 Annual Meeting contract is scheduled for August 24-27, 2017, at the Disneyland Hotel in Anaheim. A 2,900 room block and \$175,000 food and beverage minimum is provided for in the contract terms. The contract cancellation fee of \$557,457 cannot be imposed in a circumstance where an annual fee bill has not been passed.

The 2018 Marriott contract, which includes a 3,300 room block and \$150,000 food and beverage minimum, was cancelled on September 8, 2016, in an effort to preserve the Board's ability to reconsider the Annual Meeting structure; the \$328,182 cancellation fee was set to escalate quite significantly after September 11, 2016. On September 19 a contract amendment was executed whereby the \$328,182 cancellation fee rate was extended to October 3, 2016. Under the terms of the Marriott contract, the cancellation fee is due on October 18, 2018; revenue derived from any rooms that have been resold as of that date will be deducted from the cancellation fee.

The 2019 contract with Portola Hotel and Spa was cancelled on September 7, 2016, allowing the Bar to take advantage of a modest \$5,000 cancellation fee. This contract represents one of four hotels contracted with for the 2019 Annual Meeting scheduled to take place in Monterey on September 12-15, 2019. The remaining three hotels have a combined cancellation fee of \$126,035 which would be incurred in 2019 should those contracts be terminated.

Alternative venues for the 2017 and 2018 meetings have been identified by the Bar's Office of General Services. That analysis, which is provided as Attachment 4, suggests that cost savings could be realized through negotiation of reduced meal minimums⁷ and/or shifting the Meetings to lower-cost hotels or convention centers.

Additional savings could be realized by reducing the number of Meeting days, particularly if the event was held on weekend, versus week, days.

Outreach

There are a number of key stakeholders that will be impacted by any material change to Annual Meeting format or frequency, many of whom plan meetings for their respective organizations specifically so that they will occur either immediately preceding or during the Meeting. Importantly, both the rooms reserved as related to these "affiliated" events and the catering costs incurred are credited towards the State Bar's minimum Meeting contractual requirements.⁸

Since the last Board meeting, outreach efforts have begun with two critical external stakeholders: the Conference of California Bar Associations and the California Women Lawyer's Association. Additional work is needed to obtain a full picture of the impact of Annual Meeting changes on these and other stakeholders.

In addition to affiliated organization outreach, staff surveyed other state bar associations to determine whether and how their respective annual meetings are structured. Thirteen

⁷ Importantly, food and beverage minimums are often directly tied to meeting space cost; at some point, a reduction in the food and beverage minimum may result in increased meeting room rental charges.

⁸ The specific impact of these ancillary events is unknown as corresponding room block, catering expense, or attendance data has not historically been collected by the Bar.

associations responded to the survey⁹. The vast majority of these continue to hold some type of annual gathering encompassing both educational and networking activities, with Washington State being the only jurisdiction to eliminate such an event altogether.

Options for Board Consideration

To facilitate Board review and analysis, a general overview of the options for consideration follows:

1. Direct staff to cancel the 2017 Disneyland Hotel contract; and/or
2. Direct staff to reinstate the 2018 Marriott Hotel contract; and/or
3. Direct staff to attempt to reinstate the 2019 Portola Hotel and Spa contract; and/or
4. Direct staff to ensure that the Annual Meeting is fully self-supporting and/or
5. Direct staff to develop a proposal for a streamlined/modified Annual Meeting.

Staff's recommended course of action follows.

FISCAL/PERSONNEL IMPACT

The exact fiscal and personnel impact is unknown. Continuation of the status quo will negatively impact the Bar's General Fund by at least \$200,000 annually. If the Board adopts staff recommendations, the General Fund impact may be reduced significantly no later than 2018.

⁹ Alaska, Arizona, Florida, Idaho, Michigan, Mississippi, Nevada, New Hampshire, South Carolina, Virginia, Washington, West Virginia, and Wisconsin.

RULE AMENDMENTS

None.

BOARD BOOK IMPACT

None.

BOARD COMMITTEE RECOMMENDATIONS

Staff recommends that the Board of Trustees approve the following resolutions:

RESOLVED, that the Board of Trustees:

1. Directs staff to cancel the 2017 Disneyland Hotel contract; and/or it is

FURTHER RESOLVED, that:

2. Staff is directed to reinstate the 2018 Marriott Hotel contract; and/or it is

FURTHER RESOLVED, that:

3. Staff is directed to attempt to reinstate the 2019 Portola Hotel and Spa contract;
and/or it is

FURTHER RESOLVED, that:

4. Staff is directed to ensure that the Annual Meeting is fully self-supporting and/or it is

FURTHER RESOLVED, that:

5. Staff is directed to develop a proposal for a streamlined/modified Annual Meeting.

ATTACHMENT(S) LIST

- A. Business and Professions Code Section 6010-6034
- B. 2016 Estimated OPC Annual Meeting Expenditures
- C. Annual Meeting Survey Results 2009
- D. Annual Meeting 2017 & 2018 Preliminary Review of Alternative Venues