



Why I am asking you to give up coffee for a few days...

Craig P. Wagnild, HSBA Treasurer

For the past year, it has been my honor and challenge to serve as Treasurer of the Hawaii State Bar Association. Allow me to take this opportunity to say "thank you" for entrusting me with this important role, and to assure you that stewardship over your bar dues and how they are used is a role that I do not take lightly. Perhaps it took serving in this role to allow me to truly appreciate the incredible number and breadth of services the HSBA and its staff provides to you, its members. For those of you who consider your bar dues simply the price of practicing law in this state, I encourage you to visit the HSBA offices, or better yet its website, and take a short browse through the programs, events, seminars, discounts, and services available to you. If nothing more, I believe you will come to appreciate all that your bar dues are able to accomplish for its members and for the community.

As Treasurer, I serve as the chair of the HSBA Finance Committee, the group tasked with preparing the budget for the upcoming year. We are quite fortunate to have Executive Director Lyn Flanigan and Director of Operations Debra White, both of whom are extremely competent and diligent, tending to the details of the budget and helping the committee to make sense of the numerous pages of line items included in this multi-million dollar budget.

The HSBA Board Policy Manual requires that the annual operating budget for the HSBA be balanced. In other words, we cannot carry over funds from one year to meet expenses incurred in the next. The Finance Committee is challenged each year with creating a balanced budget which allows the HSBA to continue to provide a wide array of services to its members at the lowest possible cost. Some years are harder than others. 2010 presents a number of major challenges, including:

- Dues income from members is expected to decrease as a result of the shifting demographics of our membership;
- Interest income on both the required reserves and the operating funds will decrease dramatically as compared with interest income budget projections for 2009 (note that interest income for 2009 is far below budget);
- The State increase in mandatory unemployment insurance premiums will add over \$22,000 in unanticipated expenses;
- Bank fees previously offset by interest income together with other increased fees and costs are expected to add another \$16,000 to expenses; and
- HSBA's newly acquired premises will result in costs of approximately \$37,000 over the expected lease rent projections for 2010. While the timing of this purchase may seem unfortunate given current state of the economy, you should understand that the annual cost of the owned premises is projected to equal annual rent projections for like space in approximately 7 years, after which time, in addition to slowly building equity and creating stability, the HSBA expects that the premises acquisition will result in lower annual expenses for its offices than leasing space. Long term, I have no doubt purchasing the new premises was the right move, but short term this change contributes to our challenge of balancing the 2010 budget.

These are only some of the anticipated changes that adversely affect the 2010 budget. Costs and expenses overall are anticipated to increase as a result of the economic recession. Trying to maintain services to our members next year with anticipated income decreases and dramatic increases in expenses is a little like trying to drive to Haleiwa on half the gas it took last year. A more efficient car will only get you so far in making up the deficit.

The first step in the process was to sharpen pencils and cut an already lean operating budget as much as possible. In some cases, services were eliminated or reorganized. In other cases, budget allowances were decreased. Staff salaries were frozen and employee benefits were cut. Conference travel was slashed for bar leadership. The advertising budget was greatly reduced. Overall, cuts were made across the board wherever possible. A more efficient car was built, but it wasn't enough.

After agonizing over the 2010 budget and exploring where other cuts could be made, it became apparent that without additional income, services to members would be dramatically, adversely affected by the additional budgetary cuts that would be necessary to balance the budget. We simply needed more gas. I therefore proposed that we assess a fee to members to cover the administrative cost of processing annual membership renewal applications. It was not warmly received. No one on the Finance Committee or the HSBA Board wanted to increase the cost of membership in this economic climate. I didn't want to either, but there is a stark reality to the numbers. In the end, the Finance Committee and the HSBA Board made the very difficult and unpopular decision to assess an administrative fee of \$10 per renewal application. For those of you that renew your membership on-line, this will actually result in a \$5 savings as this new fee will be assessed in lieu of the customary \$15 credit card convenience fee.

All of this is to explain to you why, in net effect, your regular membership dues in 2010 will be \$10 more than you paid in 2009.* That is approximately the cost of three cups of coffee down the street. I assure you that the HSBA Board's decision to impose this fee was closely questioned, highly considered, and painfully concluded. Bar dues in Hawaii are still far from the highest paid to a unified bar, and I expect most state bars will find themselves raising membership dues as they struggle to maintain their services in 2010. On behalf of the Finance Committee and the HSBA Board, I would like to thank you for the trust that you have placed in us and for your understanding and *kokua* as we look forward to 2010 and the hope it brings for our members and for our community.

You may recall that last year's dues included a one-time premises assessment of \$85 for active members and \$45 for inactive members. That premises assessment appeared on your 2009 membership renewal application as a dues increase, but was explained and always intended to be a one-time assessment. I am pleased to inform you that this assessment raised the funds necessary to secure a favorable loan to acquire and build out the new premises. The HSBA offices will be open for business at 1100 Alakea Street, Suite 1000, Honolulu, Hawaii 96813 at the end of November. Even with the \$10 administrative fee, your 2010 bar membership dues will be significantly less than what you paid last year because of the premises assessment, but since that was a one-time, special purpose assessment, I don't want appear to mislead anyone that this is not an increase in regular membership dues. It is, and it is needed for the reasons I explained above.