

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
OF THE LEGAL SERVICES CORPORATION  
FINANCE COMMITTEE MEETING

COPY

April 5, 1998

Hyatt Regency  
122 North Second Street  
Phoenix, Arizona 85004

PREPARED FOR:  
Legal Services Corporation  
(Copy)

PREPARED BY:  
Katherine M. Hanchette  
Court Reporter

REPORTER'S TRANSCRIPT OF PROCEEDINGS,  
commencing at 3:10 p.m., was taken on April 5,  
1998, at Hyatt Regency, 122 North Second Street,  
Conference Room Regency C, Phoenix, Arizona,  
before KATHERINE M. HANCHETTE, Notary Public in  
and for the County of Maricopa, State of Arizona.

APPEARANCES:

Ms. Maria L. Mercado  
Mr. Douglas S. Eakeley  
Mr. John T. Broderick, Jr.  
Mr. David L. Richardson  
Mr. James Hogan  
Mr. Edouard Quatrevaux  
Mr. Harrison McIver  
Mr. Leslie Russell  
Ms. Ernestine Watlington  
Ms. Laurie Tarantowicz

1  
2 P R O C E E D I N G S

3  
4 MS. MERCADO: Why don't we go ahead and  
5 call our finance committee meeting to order on  
6 this April 5th, 1998, at 3:00.

7 We want to welcome our committee  
8 members: Your Honor, John Broderick; now  
9 president, Doug Eakeley. They will make a quorum  
10 for our committee. And welcome our members and  
11 the public board members and staff.

12 The agenda as submitted, are there any  
13 additions or deletions to this agenda?

14 MR. EAKELEY: I move we approve it.

15 Second from Justice Broderick?

16 MR. BRODERICK: I'm sorry?

17 MS. MERCADO: All those in favor?

18 MR. BRODERICK: I'm sorry. I didn't  
19 realize you had started.

20 What was the --

21 MR. EAKELEY: I moved that we approve  
22 the agenda.

23 MR. BRODERICK: Oh, I certainly will  
24 second that, Madam Chairman.

25 MS. MERCADO: All those in favor?

1 MR. BRODERICK: Aye.

2 MR. EAKELEY: Aye.

3 MS. MERCADO: Okay. The minutes of the  
4 committee meeting of February 6th, 1998, has --

5 MR. EAKELEY: I move their approval.

6 MS. MERCADO: Okay.

7 MR. BRODERICK: I second that.

8 MS. MERCADO: All those in favor?

9 MR. BRODERICK: Aye.

10 MR. EAKELEY: Aye.

11 MS. MERCADO: Okay. The next item on  
12 our agenda is the review of the consolidated  
13 operating budget and expenses for February 28th,  
14 of '98. And you have that in your budget book.

15 And if Mr. Richardson, our  
16 treasurer/comptroller, will present the  
17 highlighted items for us.

18 MR. RICHARDSON: Okay.

19 (Ms. Laurie Tarantowicz enters the  
20 meeting room.)

21 MS. MERCADO: Mr. Richardson, welcome.

22 MR. RICHARDSON: Good afternoon.

23 For the record, I am David Richardson,  
24 the treasurer and comptroller of the corporation.

25 At our last meeting we passed a budget

1 for the year, fiscal year 1998, and we are in the  
2 fifth month of that, which represents 42 percent  
3 of the year.

4 The highlights of our particular budget  
5 again show that we are well within our spending.  
6 Within management and administration, we are  
7 spending approximately 35.67 percent of our  
8 budget. And the inspector general is 32.97.

9 I will refer to Page 45 to give you an  
10 overview of the spending thus far. Of course, we  
11 continue to use a modified accounting accrual  
12 system for our financial statements. What that  
13 means is that we accrue our grants and contracts  
14 once they are let in December.

15 For instance, through the field services  
16 area, we have 277,193,000 in funds available. And  
17 thus far, we have let contracts of 274,655,000.  
18 So we have approximately 1.752 million left. I  
19 should back up. And also to give you the total,  
20 it should be 275,439,000 -- almost 40 -- million  
21 dollars.

22 We have let the Court of Veterans  
23 Appeals money entirely for the year. The 24,000  
24 that's remaining is for operations. And there's  
25 going to be a complete fiscal management and

1 review of that program this year.

2 The grants from other funds, we have  
3 let -- from the \$43,000 balance, we have let a  
4 special grant for an emergency situation of  
5 \$14,500 to accommodate some flooding victims and  
6 some additional legal needs that the El Nino has  
7 affected on our nation.

8 Within the management administration,  
9 our total corporate budget is 9,712,000. Within  
10 management and administration, that budget is  
11 8,079,000. And the inspector general is  
12 1,633,000. Management has spent 2,882,000, and  
13 that does represent the 35.67 percent figure that  
14 I had given you earlier. And the inspector  
15 general has spent 5 million -- or 538,000 which  
16 does represent 30 -- almost 33 percent of his  
17 budget.

18 I highlighted in the memo key areas  
19 because of -- with us being at 42 percent of the  
20 year, look at Page 49. There are two areas which  
21 we appear to have overspent; that is, in the area  
22 of temporary employment and also in our other  
23 operating expenses.

24 The reason for that is that we have had  
25 the startup costs and the migration costs dealing

1 with our new financial system and with the new  
2 human resources system. Those costs should be  
3 quickly coming to an end.

4 If there is any adjustments, we will  
5 bring them to you in June when we do our six-month  
6 review and project expenses for the remainder of  
7 the year.

8 Within the other operating, it's at 47.7  
9 percent. The reason for that, of course, is that  
10 we have initial startup costs in here. For  
11 instance, we've paid a full-year premium for our  
12 commercial liability coverage. And so this  
13 percentage will come in line later in the year.

14 If you have any questions, we can look  
15 at 48. Everything does seem to be within line,  
16 with the exception of those two things that I  
17 brought to your attention.

18 The interesting grant recoveries, we, of  
19 course, allocated \$300,000 to the budget. We've  
20 collected the first five months of 124,000. We do  
21 not anticipate any problem there. Of course, if  
22 we do have a problem, we will come back and make  
23 you aware of it. But at this time point, we feel  
24 that we're on target there.

25 Do you have any questions, Madam

1 Chairman?

2 MS. MERCADO: I just had a question  
3 on -- going back to Page 45, on Roman Numeral I  
4 A.2., you have special emergency funds of  
5 13,595,000, but you indicated that funds were  
6 taken from grants of other funds available for the  
7 emergency grant fund. And I just thought I  
8 remembered that the special emergency fund came  
9 out of some of that flood money.

10 MR. RICHARDSON: What had happened is  
11 that since they had awarded more than the  
12 13,595,000, I went ahead and took it from the  
13 other grants or grants from other funds available.  
14 We're using both of those funds to sort of fund  
15 emergencies and special circumstances.

16 MS. MERCADO: Uh-huh.

17 MR. RICHARDSON: And if we do see at the  
18 end of the year that we have a problem, we'll come  
19 back to you and basically ask that we add those  
20 two together. And we may do that in June.

21 MR. BRODERICK: Mr. Richardson --

22 MR. RICHARDSON: But the reason that we  
23 have kept it separate is that the -- first, the  
24 13,595,000 is money that was provided to us from  
25 O&B. So we've intended to keep that separate.

1 The 43,551 is money that we got from our grants  
2 from other funds available last year that we  
3 worked into the budget, that was remaining at the  
4 end of the year.

5 (Mr. Harrison McIver enters the meeting  
6 room.)

7 MR. BRODERICK: Mr. Richardson, on  
8 Page 45, can you just refresh my memory on the  
9 AmeriCorps funds?

10 MR. RICHARDSON: The AmeriCorps funds  
11 are given through corporation for national  
12 service, and there is approximately ten grantees  
13 involved with that. It was a program to help fund  
14 additional attorneys, of course, to help for the  
15 legal needs in the community.

16 Last year we received \$443,000. This  
17 year it doubled. This will probably be the last  
18 year that we handle the grant. If you recall,  
19 when Kathleen Welch came to us from Naple -- she  
20 was the executive director there -- she had headed  
21 up a group of our grantees to contact the CNS, the  
22 AmeriCorps grant funding agent, to appropriate  
23 these funds and go through the grant process.

24 We are total pass-through. We give no  
25 funds to help support the administration of a

1 project. The gentleman who does handle that,  
2 Mr. Reggie Haley, estimated to Mr. Hogan and I  
3 just last week that he estimates they're spending  
4 about \$35,000 a year on this grant.

5 And what we intend to do this year is to  
6 work with Naple and shift that financial  
7 responsibility and the control of that grant back  
8 to them.

9 MR. BRODERICK: But what does it cost us  
10 to administer these funds?

11 MR. RICHARDSON: It's about \$35,000.

12 MS. MERCADO: 35,000.

13 MR. BRODERICK: \$35,000?

14 MR. RICHARDSON: Yeah.

15 MR. BRODERICK: And where do we take  
16 that from? And are we authorized to take it?

17 MR. RICHARDSON: Well, this grant was  
18 set up on a matching concept. When the grant is  
19 given to the funder -- in this particular case, it  
20 was Naple and ourselves -- we had to agree to do  
21 the administration at a reduced or at net cost.

22 The grantees, when they get the money,  
23 they've got to have a matching concept also. So  
24 they've got to get other funds, other than legal  
25 services money, to match that and make a mistake

1 and that way other funders to get additional money  
2 to help support and pay for the full cost of that  
3 attorney to provide that service to the community.  
4 So it does bear in.

5 MR. BRODERICK: Thank you.

6 (Mr. Leslie Russell enters the meeting  
7 room.)

8 MS. MERCADO: On the question you were  
9 talking about on Page -- I'm looking at the wrong  
10 page. Okay. On Page 49 on temporary employee  
11 pay, I guess I didn't hear the reason why there  
12 was a lot more heard on the other operating  
13 expenses. But on the temporary employee --

14 MR. RICHARDSON: Well --

15 MS. MERCADO: -- was that part of the  
16 same thing, the migration, we also pay for  
17 personnel for that?

18 MR. RICHARDSON: It is some migration  
19 money for the re-entry of information and  
20 migration of funds. And, of course, the major --  
21 I should add the major cost of that in the first  
22 quarter was our hiring of a special assistant to  
23 the president, who's now a regular employee. So  
24 the first quarter of that wage is also temporary  
25 employee pay and that has ceased.

1 MS. MERCADO: Any other questions from  
2 any committee members?

3 MR. BRODERICK: No, I don't have any.

4 MR. McIVER: I have a question --

5 MS. MERCADO: Yes.

6 MR. McIVER: -- for Mr. Richardson.

7 Harrison McIver. Has there been  
8 anything to indicate that the corporation would  
9 not pursue being the conduit of funds of  
10 Americorps funds in the future? And if so, if  
11 it's shifted to Naple, what would be the  
12 consequences in terms of congress? Would that be  
13 a factor in terms of congress saying, "here's a  
14 quasi public corporation created by congress? It  
15 might be a more favorable vehicle for a challenge  
16 of those funds as opposed to Naple a private,  
17 totally nonprofit, having nothing to do with  
18 government.

19 MR. RICHARDSON: Well, one of the things  
20 that has happened in the last two years is we are  
21 only a conduit of the checks and the financial  
22 administration. We're not even named on the grant  
23 from CNS for the AmeriCorps grant. It is a grant  
24 totally awarded to AmeriCorps -- or I'm sorry --  
25 to Naple. So it should not have an effect.

1 MS. MERCADO: I mean, we weren't getting  
2 any benefit as an entity even?

3 MR. RICHARDSON: No, we were not. Not  
4 like with the Court of U.S. Veterans Appeal. At  
5 the time that the person who was handling that  
6 grant spends some -- if he spends ten hours a  
7 month, the court reimburses us for that cost.  
8 AmeriCorps was not doing that.

9 MS. MERCADO: Any other questions?  
10 Comments?

11 MR. BRODERICK: I have none, Madam  
12 Chairman.

13 MS. MERCADO: I would entertain a motion  
14 to accept the through February 28th consolidated  
15 operating budget and expenses.

16 MR. BRODERICK: So moved.

17 MR. EAKELEY: Second.

18 MS. MERCADO: All those in favor?

19 MR. BRODERICK: Aye.

20 MS. MERCADO: I guess I should say  
21 against, but there's no one.

22 Okay. It passes.

23 The finance committee timetable for '98,  
24 Mr. Richardson.

25 MR. RICHARDSON: When we originally did

1 our timetable and revised our guidelines for the  
2 adoption of our consolidated operating budget and  
3 any modifications, we did it thinking that our  
4 meetings would be held in May and September.

5 Of course, we've changed that to reflect  
6 that our meeting for May is now being held June  
7 the 11th and 12th, and also that our annual  
8 meeting, which is normally held in January, was  
9 held in February.

10 We've just highlighted those changes.  
11 You can look at Page 54. What I did was show that  
12 the movement of the activity in January, which is  
13 shown with a line out, is now highlighted almost  
14 verbatim in February. So that activity has  
15 completed. The same thing with -- we included the  
16 Phoenix meeting of which we're looking at  
17 completing now. That's shown as April 5th and 6th  
18 on Page 55.

19 More to the point is the June 12th and  
20 13th, the time that we've set up for the next  
21 meeting, because at that meeting we are -- we will  
22 be looking at mid-year spending for the  
23 corporation. The directors will be preparing  
24 projections for the remainder of the year as to  
25 their spendings and any activities that we plan on

1 undertaking for the remainder of this year.

2 And in addition to that, we're -- we've  
3 already started preparing 1999 operating budgets,  
4 and we're putting into place at this point the  
5 year 2000 budget.

6 We are going to be contacting through  
7 our program officers at work some people from the  
8 field. I'm sure Mr. McIver and his group will be  
9 contacted with this.

10 Also, it's just so that we can start  
11 getting some additional background as to where we  
12 need to enter the new millennium. And I know  
13 that's hard to think ahead to the year 2000 when  
14 we don't yet know what we're going to have for  
15 1999, but we're going to try to start a planning  
16 process to get ahead of the game.

17 We're going to try to put in place  
18 activities such as new technology, new initiatives  
19 in the field. There will be a hotline or whatever  
20 those might be. When I say a hotline, an 800  
21 hotline. Of course, there's Internet access and  
22 so forth.

23 We want to be able to put fairly  
24 realistic numbers on whatever the activity is  
25 identified or activities that we would like to

1 bring to the board for presentation in September  
2 in preparing for the year 2000 budget.

3 So we've got our hands full for the next  
4 few months. The reason that's on the agenda is to  
5 make you aware of what we're planning and also to  
6 solicit help from the field.

7 MR. EAKELEY: Speaking of the  
8 millennium, are we already millennium bug free or  
9 do we have plans on being millennium bug free  
10 before the millennium?

11 MR. RICHARDSON: Last year you approved  
12 new software for us, and that was the result of,  
13 of course, needing new software but also to be  
14 year 2000 compliant.

15 Our software was written by a software  
16 engineer in 1977, '78. It has been kept together  
17 with baling wire and twine, and it was time to  
18 move forward. And we are doing that.

19 Hopefully, at your next meeting we will  
20 have the first opportunity to present financial  
21 statements and the workup in our -- with our new  
22 software. That's our goal.

23 MS. MERCADO: So are you asking us to  
24 approve your changes?

25 MR. EAKELEY: I don't think we need a --

1 MS. MERCADO: Or is it just for -- It's  
2 just for our note --

3 MR. RICHARDSON: Information.

4 MS. MERCADO: -- for our information.

5 MR. RICHARDSON: And also for the  
6 information in the field. We're going to be  
7 coming to them and asking them for their  
8 assistance.

9 MS. MERCADO: Okay. Well, especially  
10 with all the -- hopefully with a better  
11 communication system for reporting and  
12 communicating with the field programs.

13 Okay. Public comment? Does anyone else  
14 have anything to offer?

15 Harrison? PAG?

16 MR. McIVER: No.

17 MS. MERCADO: OIG, office and inspector  
18 general?

19 MR. QUATREVAUX: Nothing.

20 MS. MERCADO: Okay. Hearing none, is  
21 there any other business before the committee that  
22 anyone can think of?

23 MR. EAKELEY: I move we adjourn.

24 MR. BRODERICK: Yeah.

25 MS. MERCADO: All those in favor?

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I, KATHERINE M. HANCHETTE, do hereby certify that the foregoing pages numbered from 1 to 19, inclusive, constitute a full, true, and accurate transcript of all the proceedings had in the above matter, all done to the best of my skill and ability.

DATED at Phoenix, Arizona, this 12<sup>th</sup> day of April, 1998.



My Commission Expires:  
April 8, 2001