



## **THE FUTURE OF YOUR BAR IS IN YOUR HANDS - A DUES INCREASE PROPOSAL**

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*The Mecklenburg County Bar membership has increased nearly 2.5 times since we moved into the Bar Center in 1993. A recent space analysis indicated that at least 13,500 sq. ft. is needed, more than double the current 5,950 sq. feet.*

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*Since the last dues increase in 2001, the cost of business has risen dramatically. Membership services and programs have been expanded to accommodate a growing membership, and we believe non-dues revenue sources are at a maximum without further investment. The MCB is projecting a budget deficit in 2012.*

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12/30/2009

## MCB New Building Purchase Cost Estimates

Estimated purchase price of new building	4,500,000
Sale of MCB Center* on Queens Rd. and Luther St. to	<u>-1,800,000</u>
Needed for new building	2,700,000
Less MCB Reserve Contribution**	<u>-300,000</u>
Mortgage amount***	\$2,400,000

- Mecklenburg Bar Foundation owns the Bar Center; Mecklenburg County Bar leases the Bar Center from the Foundation
- MCB's current monthly lease payment is \$5,437; annual lease payment is \$65,244
- MCB must pay fair market value to lease the MBF building
  - ▶ Estimated FMV is \$20 per square foot
  - ▶ Estimated FMV for a 15,000 sq. ft. building is \$300,000 annually
  - ▶ Under the current arrangement, MCB pays 2/3 of the FMV of Queens Rd.
  - ▶ Future formula = MCB will pay 80% of FMV for new building = \$240,000 annually
  - ▶ MBF's current annual net profit from lease of building to MCB is \$39,756  
(MBF annual lease income of \$65,244 - MBF annual mortgage expense of \$25,666)
- An estimated \$150,000 is needed for moving expenses and additional furniture.

\*Current 5,950 sq. ft. MCB Center is less than half the recommended size of 13,500 sq. ft. needed to serve the Bar.

\*\*If dues are increased in fiscal year 2011 and a move to a new Bar Center is delayed, all net income would be deposited into the reserve accounts which could be applied to a new Bar Center at a later date.

	<b>4.25% Variable 5 Year Balloon 15 Year Amortization</b>		<b>6.5% Fixed 20 Year Amortization</b>	
	Monthly Payment	Annual Payment	Monthly Payment	Annual Payment
<b>***Mortgage Amount</b>				
2,400,000	18,054	216,648	17,893	214,716

**These figures are based on projections of future income and expenses. The projections are based on past experience, current information and the best judgment of the MCB staff. Future events and factors now unknown could materially affect these projections.**

## Income/Expense Projections - No Dues Increase

	Income (Detailed below)	4% Expense Increase	*Annual Income/ Loss
<b>2010-11</b>	1,655,092	1,650,291	4,801
<b>2011-12</b>	1,709,895	1,716,303	-6,408
<b>2012-13</b>	1,766,291	1,784,955	-18,664

### Income

2007-08 (Actual)		2008-09 (Actual)		2010-11 (4,200 members)	
Mandatory Dues	608,220	Mandatory Dues	629,800	Mandatory Dues	630,000
*Other Income	911,528	*Other Income	897,197	*Other Income	956,819
<b>Total Income</b>	<b>1,550,388</b>	<b>Total Income</b>	<b>1,535,897</b>	<b>Total Income</b>	<b>1,586,819</b>

### Income (cont.)

2010-11 (4,400 members)		2011-12 (4,500 members)		2012-13 (4,600 members)	
Mandatory Dues	660,000	Mandatory Dues	675,000	Mandatory Dues	690,000
*Other Income	995,092	*Other Income	1,034,895	*Other Income	1,076,291
<b>Total Income</b>	<b>1,655,092</b>	<b>Total Income</b>	<b>1,709,895</b>	<b>Total Income</b>	<b>1,766,291</b>

\**Other Income* includes all income except for mandatory dues, e.g. CLE, Access Cards, VLP, Publications, etc. Previous 4-year average growth of *Other Income* was 12.5%. Fiscal year 2009 *Other Income* growth was -2%, FY 2010 *Other Income* was budgeted at 11.3% growth. Based on these averages and the current economy, we are projecting a 4% *Other Income* growth for fiscal years 2011-2013.

Previous 4-year expense increase averaged 10%. Fiscal year 2009 expense increase was 2%, FY 2010 was budget at a 7.4% expense increase. We are projecting a 4% expense increase for fiscal years 2011-2013.

**These figures are based on projections of future income and expenses. The projections are based on past experience, current information and the best judgment of the MCB staff. Future events and factors now unknown could materially affect these projections.**

## Income/Expense Projections

with Dues Increase, New Bar Center and \$240,000 annual lease payment

<b>\$50 Dues Increase</b>	<b>Income</b> (Detailed below)	<b>Expense</b>	<b>Annual Income/Loss</b>	<b>Reserve Replenished*</b>
<b>2010-11</b>	1,875,092	1,876,412	-1,320	
<b>2011-12</b>	1,934,895	1,951,469	-16,574	
<b>2012-13</b>	1,996,291	2,029,527	-33,236	<b>0%</b>

<b>\$65 Dues Increase</b>	<b>Income</b> (Detailed below)	<b>Expense</b>	<b>Annual Income/Loss</b>	<b>Reserve Replenished*</b>
<b>2010-11</b>	1,941,092	1,876,412	64,680	
<b>2011-12</b>	2,002,395	1,951,469	50,926	
<b>2012-13</b>	2,065,291	2,029,527	35,764	<b>50%</b>

<b>\$75 Dues Increase</b>	<b>Income</b> (Detailed below)	<b>Expense</b>	<b>Annual Income/Loss</b>	<b>Reserve Replenished*</b>
<b>2010-11</b>	1,985,092	1,876,412	108,680	
<b>2011-12</b>	2,047,395	1,951,469	95,926	
<b>2012-13</b>	2,111,291	2,029,527	81,764	<b>96%</b>

### Income

<b>2010-11</b> (4,400 members)		<b>2011-12</b> (4,500 members)		<b>2012-13</b> (4,600 members)	
Mandatory Dues	880,000	Mandatory Dues	900,000	Mandatory Dues	920,000
Other Income**	995,092	Other Income**	1,034,895	Other Income**	1,076,291
<b>\$50 Increase</b>	<b>1,875,092</b>	<b>\$50 Increase</b>	<b>1,934,895</b>	<b>\$50 Increase</b>	<b>1,996,291</b>
<b>\$65 Increase</b>	<b>1,941,092</b>	<b>\$65 Increase</b>	<b>2,002,395</b>	<b>\$65 Increase</b>	<b>2,065,291</b>
<b>\$75 Increase</b>	<b>1,985,092</b>	<b>\$75 Increase</b>	<b>2,047,395</b>	<b>\$75 Increase</b>	<b>2,111,291</b>

\*The \$240,000 annual lease payment assumes a \$300,000 contribution from the MCB reserve funds. According to best practices, the reserve funds would need to be replenished to contain at least 3 months worth of *Other Income*. Any annual net income would be deposited into the reserve funds.

\*\**Other Income* includes all income except for mandatory dues, e.g. CLE, Access Cards, VLP, Publications, etc. Previous 4-year average growth of *Other Income* was 12.5%. Fiscal year 2009 *Other Income* growth was -2%, FY 2010 *Other Income* was budgeted at 11.3% growth. Based on these averages and the current economy, we are projecting a 4% *Other Income* growth for fiscal years 2011-2013.

Previous 4-year expense increase averaged 10%. Fiscal year 2009 expense increase was 2%, FY 2010 was budget at a 7.4% expense increase. We are projecting a 4% expense increase for fiscal years 2011-2013, excluding expenses associated with a new Bar Center. See Document 4 with expense estimates for new Bar Center.

**These figures are estimates based on projections of future income and expenses. The projections are based on past experience, current information and the best judgment of MCB staff. Future events and factors now unknown could materially affect these projections.**

**Projected Expenses with new Bar Center**  
Annual Lease Payment of \$240,000

Current Occupancy Expense	Current Expense	Projected Expense
1 - Maintenance (Cleaning)	9,000	15,000
2 - Maintenance (General)	7,500	9,000
3 - Office Lease	65,242	240,000
4 - Offsite Parking	900	0
5 - Property Insurance	3,400	5,100
6 - Repair/Replace Fund	10,000	10,000
7 - Telephone/Internet	13,750	17,000
8 - Utilities/Security System	12,600	18,500
9 - Equipment Rental - Phones	7,600	10,500
10 - Equipment Rental - Water Coolers	1,200	2,400
11 - Copiers	11,000	16,500
12 - Security Personnel		<u>30,000</u>
<b>Total Occupancy Related Expenses</b>	<b>142,192</b>	<b>374,000</b>

3 - MCB will lease new building from MBF

12 - Dependant on a new location and the need to secure multiple entrances/stairwells.

Total Expense Summary	2009-10	2010-11	2011-12	2012-13
13 - Occupancy	142,192	374,000		
14 - Other Expense	1,444,627	1,502,412		
<b>15 - Total Expense</b>	<b>1,586,819</b>	<b>1,876,412</b>	<b>1,951,469</b>	<b>2,029,527</b>

13 - Occupancy Expense for 2011 assumes new building and lease payment of \$240,000.

14 - 2011 Other Expense increase is 4% minus \$30,000 projected savings for CLE and events being held at new facility instead of offsite .

15 - Total expense for 2012 and 2013 is increased 4% annually

Footnotes with explanations for projected expenses will be forthcoming. Estimates are based on our current expenses.

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# **THE FUTURE OF YOUR BAR IS IN YOUR HANDS - A DUES INCREASE PROPOSAL**

## **WHY IS A DUES INCREASE NECESSARY?**

The Mecklenburg County Bar (MCB) staff and leadership have worked hard to maximize your dues dollars. However, since the last dues increase in 2001, the cost of business has risen dramatically, and the MCB is projecting a budget deficit in 2012. Membership services and programs have been expanded to accommodate a growing membership. We believe MCB non-dues revenue sources are at maximum return without further investment. In addition, the 4,300+ member Bar has outgrown the current Bar Center.

The MCB membership has increased nearly 2.5 times (1,800 members to 4,350 members) since we moved into the Bar Center in 1993. A 2008 analysis of the Bar Center's space usage indicated that at least 13,500 square feet of office and meeting space is needed – more than double the current 5,950 sq. ft. An MCB staff analysis conducted by the American Bar Association in 2008 showed that the current MCB staff size of 17 is significantly smaller than the suggested 26 staff members for a bar association with 4000+ members.

A dues increase will benefit the entire membership by enabling the MCB staff and leaders to continue to provide top-rate service and programs to a growing membership in a fiscally responsible way and move the Bar Center into a larger location.

## **HOW WOULD I BENEFIT FROM A DUES INCREASE?**

The Mecklenburg County Bar is a sophisticated metropolitan bar that has few equals in our region. Approaching nearly 100 years of service to our members, you will continue to benefit from being part of a bar that holds a prominent reputation.

You will also be able to take complete advantage of a new Bar Center. More than just a building, the Bar Center exists to help lawyers do their job. A new Bar Center will provide the Bar:

- Spacious and professional offices and meeting rooms available to MCB members free of charge during regular business hours.
- Expanded section, division and committee opportunities. The MCB and MBF have a total of 72 committees, sub-committees, sections, and divisions working to advance the Bar's mission. In a new Bar Center, multiple committees, LRS clients, CLE programs and members will be able to meet simultaneously.
- Networking opportunities. With a more spacious Bar Center, more networking opportunities and events for a larger audience will be offered to MCB members.
- Lawyer networking/coffee lounge. Members will be able to stop by the Bar Center, enjoy a cup of coffee and catch up with colleagues in a lawyer networking/coffee lounge.
- A state of the art, expanded onsite CLE and event facility. Currently MCB CLE programs and events can only be hosted at the Bar Center if we have 50 people or fewer – and that's packing people very tightly. Anything above 50 requires us to seek alternative locations at a premium cost.
- Free Wi-Fi. The Bar Center will offer Wi-Fi to its members visiting the Bar Center.
- Videoconferencing services. For use by MCB members during meetings and depositions.

## HOW MUCH MORE WOULD I PAY?

The MCB Board of Directors, with input from the Executive Committee, Bar Facilities Committee and MCB staff, anticipates proposing a \$75 increase for MCB members to vote upon at the Annual Meeting on May 20, 2010. The proposed amount is subject to change, but the Board does not anticipate proposing more than \$75.

## WHAT IS THE PROCESS FOR APPROVAL?

Only MCB members can approve a dues increase. The dues increase proposal must be approved by Board of Directors and then put to a vote by the membership at the 2010 Annual Meeting on May 20, 2010. The future of your Bar is in your hands.

## HOW WOULD THE NEW MONEY GAINED FROM A DUES INCREASE BE USED?

Given our current budget, if dues are increased by \$75, our best estimate indicates that approximately 70 percent of those funds would be used for a new Bar Center and 30 percent would be used for existing operations and programs.

A dues increase, effective in FY2011, of \$75 would yield approximately \$330,000 from 4,400 members. We estimate that a new Bar Center will cost an additional \$232,000 annually, or 70 percent of the new funds. For a detailed explanation of how these estimates were reached, please visit [www.meckbar.org](http://www.meckbar.org).

## WHAT WILL HAPPEN IF WE DON'T RAISE DUES?

If dues are not increased, the Bar will face a budget deficit in 2012. Programs and services will be reduced and we will not be able to move into a new Bar Center.

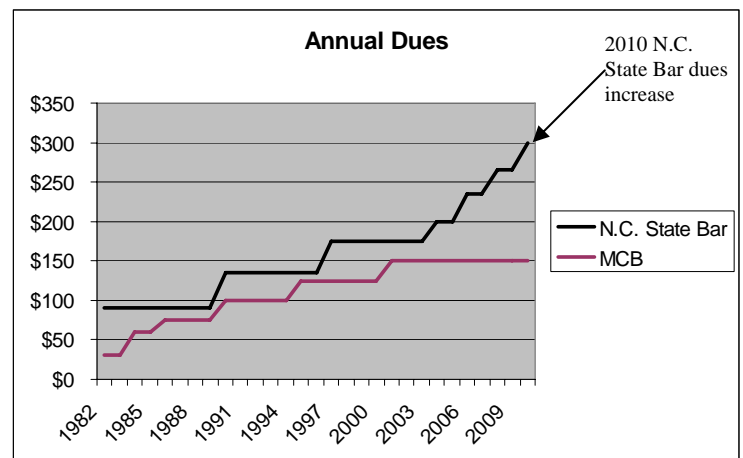
Since 2001, the cost of doing business has increased while dues have remained flat at \$150. According to the Department of Labor CPI inflation calculator, \$150 in 2001 has a value of only \$117 in 2009.

	Income	4 percent increase in expenses	*Annual Income / Loss
2011	\$1,655,092	\$1,650,291	\$4,801
2012	\$1,709,895	\$1,716,303	-\$6,408
2013	\$1,766,291	\$1,784,955	-\$18,664

## WHEN WAS THE LAST DUES INCREASE?

**MCB dues have not increased in nearly a decade.** Since 1991, dues have only increased a total of \$50. The MCB leadership and staff have worked diligently to keep expenses low and increase non-dues revenues.

The national average for length of time between dues increases is only 2.5 years, according to the ABA 2008 MCB Operational Review. We have waited four times longer than the national average to propose a dues increase.



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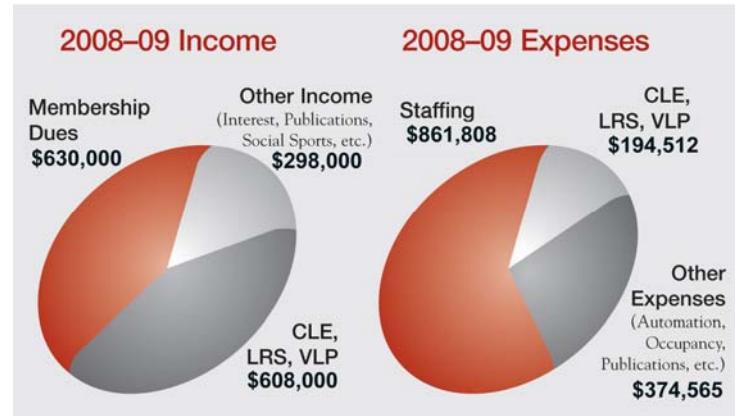
## WOULD THIS BE THE ONLY INCREASE FOR THE NEXT 10 YEARS?

An increase of \$75 is needed to make up for a decade without any increases to prevent a budget deficit, provide the services and programs utilized and desired by our members, and move the Bar into larger and more functional Bar Center. In an effort to remain fiscally responsible and ensure the Bar can meet the needs of an increasing membership, the Executive Committee and the Board of Directors are proposing a policy change that will require the Board of Directors to evaluate annually whether an increase in the dues should be presented for vote during that fiscal year. Currently each individual president must determine whether the Board should consider the need for a dues increase. An annual evaluation of the MCB dues will likely result in more frequent, smaller proposed dues increases to the membership.

## WHAT DO MY DUES SUPPORT?

In 2008-09, MCB dues supported only 42 percent of all MCB expenses. Other programs and services, primarily Continuing Legal Education programs, supported 58 percent of MCB expenses. We believe these sources of revenue are currently at maximum return without further investment.

Since 2001, MCB membership has increased 26 percent. As membership increases, the need for regulatory services grows, and existing programs and services must be expanded to serve a larger population.



## WHAT EFFORTS ARE BEING MADE TO CONTROL OVERHEAD?

The MCB has maximized non-dues income sources, primarily CLE programming, and kept expenses below budget, while working with a staff that is significantly smaller than the size recommended by the ABA for the programming and services offered to a bar with 4,300+ members. While the CLE revenue has tremendously increased non-dues revenues, expenses accompanying this programming have also increased. These expenses are primarily related to offsite facility rentals. A new Bar Center would minimize many of the offsite costs by hosting the majority of CLE programming and networking events such as Lawyers Luncheon Series onsite.

## WHY IS A DUES INCREASE NEEDED WHEN THE BAR HAS RESERVE FUNDS?

The MCB Finance and Operations Committee budgets conservatively each year so as to not put our members at risk of a budget deficit. A combination of the success of the MCB's CLE programming and the efforts of the MCB staff to reduce expenses has resulted in additions to the reserve funds on occasion.

The Bar's reserves are dictated by a formula that addresses the possibility of a future deficit and provides a reserve for future growth. The MCB Board of Directors has mandated that the reserve funds have a minimum of \$100,000. Because the MCB is a mandatory bar, the Board recommends the reserves hold at least 3 months worth of *Other Income* (all income except mandatory bar dues - CLE, Access Cards, Volunteer Lawyer Program, Advertising, Sponsorship, etc.).

Any funds above and beyond \$100,000 could be used for future growth, such as offsetting the cost of a new Bar Center. The reserve funds used would need to be replenished at a later date to meet the recommended three months of *Other Income*.

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## **WHY DOESN'T THE MCB OFFER A TIERED DUES STRUCTURE?**

As a subdivision of the N.C. State Bar, the MCB is required to follow the Rules and Regulations set forth by the N.C. State Bar and the N.C. General Statutes governing the State Bar and Judicial District Bars. The rules and regulations prohibit a tiered dues structure. A change would require legislative action that must be presented and lobbied for by those who are affected. The MCB continues to offer discounts on CLE programs to public interest attorneys who may be disproportionately affected by a dues increase. Attorneys in small/solo firms may take advantage of the conference rooms and onsite technology available at the Bar Center. In a larger Bar Center, these rooms will be more readily available.

## **WHAT PRODUCTS/SERVICES DO I RECEIVE FROM THE MECKLENBURG COUNTY BAR?**

**Bar Center** – Available to MCB members for meetings, conferences, depositions, and Continuing Legal Education programs free of charge during business hours. A bigger facility will allow for more meeting and conference space requests by our members to be accommodated.

**Bench & Bar** – Organized events and CLEs fostering the relationship between the courts and the Bar.

**Career Corner and Coffee Connections** – Career Corner is an online career guide to assist with job searching, interviewing, transitioning from law school to law firm, and exploring alternate careers. Coffee Connections are networking events designed to help further your career.

**Continuing Legal Education** – More than 150 accredited CLE programs are offered annually by the MCB, and more than 50 online CLE programs available on-demand at [www.meckbar.org](http://www.meckbar.org).

**Communications** – The monthly *Mecklenburg Bar News*, weekly Bar Blasts, [www.meckbar.org](http://www.meckbar.org) and annual MCB Membership Directory keep MCB members up to date on important announcements, MCB offerings, judge and lawyer profiles, and CLE opportunities and in-touch with one another.

**Community Outreach** – MCB members can participate in outreach opportunities focused on collaborating with the community on legal issues and needs.

**Diversity** – The MCB is actively working to retain and increase diversity within the Mecklenburg legal community.

**Grievance & Fee Dispute** – The MCB investigates potential professional code of conduct violations, and provides free fee mediation between clients and lawyers or lawyers and lawyers.

**Lawyer Referral Service** – An ABA-accredited service that has provided prescreened client referrals to its panel members, and a valuable service to the community, for more than 50 years.

**Memorials** – Memorial services in open court will be arranged for the families of deceased attorneys, when the family desires, by the MCB.

**Networking and Social Events** – Networking and social activities are scheduled throughout the year for MCB members, including monthly luncheons, Annual Meeting, Law Day, Law & Society, Holiday Gathering, basketball and softball leagues, and a golf tournament.

**Sections** – The MCB offers 10 Sections that provide members with opportunities to network and develop skills alongside attorneys who practice in the same area.

**Swearing In Ceremonies** – The MCB is the only bar in North Carolina to provide Swearing-In Ceremonial Court Sessions for 200+ new attorneys and their friends and family each year.

**Volunteer Lawyer Program** – Provides MCB members meaningful pro bono opportunities in the community.

**Young Lawyers Division** – Provides new lawyers organized opportunities to participate in MCB activities, and creates programs, community service and networking opportunities of value to new attorneys.

## **ALL OF MY QUESTIONS WEREN'T ANSWERED IN THIS DOCUMENT. WHO SHOULD I CONTACT?**

Any questions regarding the proposed MCB dues increase may be directed to MCB President Pat Kelly at 704/332-1181 or [pkelly@jahlaw.com](mailto:pkelly@jahlaw.com) or MCB Executive Director Nancy Roberson at 704/375-8624 or [nroberson@meckbar.org](mailto:nroberson@meckbar.org). Additional information and detailed financial projections can be found at [www.meckbar.org](http://www.meckbar.org).

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