

**CALIFORNIA AVOCADO COMMISSION  
FINANCE COMMITTEE MINUTES  
January 21, 2010**

A meeting of the Finance Committee of the California Avocado Commission (CAC) was held on Thursday, January 21, 2010 at 8:30 a.m. at Commission headquarters in Irvine, California, with the following people present:

**MEMBERS PRESENT**

Ben Holtz, Chairman  
Gene Carbone  
Ohannes Karaoghlanian  
Gary Woodworth  
Donna Singmaster

**GOVERNMENT PRESENT**

Dennis Manderfield, CDFR  
Maureen Pello, USDA

**STAFF PRESENT**

Tom Bellamore  
Aria Lukman

**MEMBERS ABSENT**

John Lamb  
Ed McFadden

**GUESTS PRESENT**

Don Reeder  
Tom Pecht  
Bob Schaar

**CALL TO ORDER**

Finance Committee Chairman Ben Holtz called the meeting to order at 8:30 a.m. with a quorum present.

**COMMITTEE ROLE AND EXPECTATIONS**

Mr. Holtz began by sharing his perspective on the Committee's role and expectations for fiscal year 2009-10. Mr. Carbone brought up the need to perform a comprehensive risk assessment and review of policies and procedures after the reorganization of CAC accounting and finance department, especially considering the smaller staff size and constraints in segregating accounting and finance duties. He would summarize his suggestions in a memo to the Finance Committee for its review. He also suggested that the Finance Committee perform a formal review of CAC's finances at its future meetings.

**COMMITTEE ACTIVITY CALENDAR**

Mr. Holtz polled the committee about meeting dates and times. Mr. Karaoghlanian suggested that agreement first be reached on a committee workplan for the year. A tentative calendar and activity schedule was reviewed. After some discussion, the Committee members agreed to meet the days before the board meetings. Mr. Carbone added that by doing so, the Committee would have enough time to perform its duty to review the financials in advance of the board meetings. Mr. Pecht stated that holding meetings the afternoon before Board day worked well last year for the By Laws Committee. Mr. Holtz closed the discussion by reading the proposed meeting dates and saying that dates and times could be adjusted. Mr. Holtz also suggested—and the Committee agreed—that when necessary, he would call the Committee to meet in the

months when there wasn't a board meeting. The Finance Committee Calendar is attached to the permanent copy of these Minutes and identified as Exhibit A.

### **PROCESS FOR REPORTING BUDGET UPDATES**

Mr. Holtz moved to the next topic and invited Mr. Lukman to set the context of the discussion. Mr. Lukman started by explaining the assumptions that management had been using to implement programs. He pointed out that the Board approved a business plan and budget at the start of every fiscal year and management implemented the programs. During the year, there were changes in market conditions and factors that affect CAC's operation. Management responds to these challenges by adjusting its programs, and that might cause a deviation from planned budget. In most cases, these tactical changes in program implementation do not require "new" money from reserves or affect line item changes within a category. Sometimes management would go to the Board to get preapproval, particularly if a program was controversial or involved a matter sensitive in nature. More often, management had to react quickly to a situation that required attention, informing the Board at first opportunity about what transpired. This did not mean that the Board lost control or was prevented from performing its oversight function. Management was still required to inform the Board through financial reporting at every meeting and be ready to justify every variance on the statement. CAC also implemented various oversight policies such as posting its check register online and submitting any commitments over \$7,500 to the Chair, Vice-Chair or Treasurer.

Mr. Lukman gave an example of a tactical change. Last year, management decided to cancel participation at a planned event and to use the allotted budget to attend a different event instead. Mr. Karaoghlanian argued that in cases like that, the Board would not be qualified to make a decision about the merits of a particular event, and management should appropriately have the flexibility to make decision without having to go to the Board for preapproval. Mr. Bellamore pointed out that management would seek preapproval on any substantial changes to the budget or those issues or programs known to be controversial in nature.

Mr. Woodworth and Mr. Carbone offered their opinions on the issue. Mr. Lukman added that if CAC constantly revised the budget to reflect the actual figures, the budget-actual variances would become less meaningful. After further discussion, the Committee came to a consensus that as long as the bottom line of the budget did not change and that the categories stayed within budget, management should have the flexibility to manage the programs and make tactical changes to the line item budgets. Mr. Bellamore and Mr. Lukman appreciated the clarification and reiterated that decision on this matter would not affect management's reporting of its financials to the Board. Mr. Holtz expressed his intention to present this issue to the Board meeting and his hope that the Board would come to a consensus which would give a clearer guidance to management regarding the issue.

### **ADJOURN**

Mr. Holtz adjourned the meeting at 9:05 a.m.

Respectfully submitted,

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