

**CALIFORNIA AVOCADO COMMISSION
FINANCE COMMITTEE MINUTES
AUG 19, 2010**

A meeting of the Finance Committee of the California Avocado Commission (CAC) was held on Thursday, Aug 19, 2010 at 7:45 a.m. at California Avocado Commission (CAC) Conference Room in Irvine, California, with the following people present:

MEMBERS PRESENT

Ben Holtz, Chairman
Ed McFadden
Gary Woodworth
Gene Carbone
John Lamb
Ohannes Karaoghlanian

GOVERNMENT PRESENT

Dennis Manderfield

STAFF PRESENT

Tom Bellamore
Aria Lukman
Jan DeLyser
Stacia Kierulff

MEMBERS ABSENT

Donna Singmaster

GUESTS PRESENT

Don Reeder
Bob Schaar

CALL TO ORDER

Finance Committee Chairman Holtz called the meeting to order at 7:51 a.m. with a quorum present.

MINUTES

The Committee approved the following minutes:

MOTION: *The Finance Committee approves the Jun 17, 2010 Committee Minutes as presented. (McFadden/Karaoghlanian) MSC*

2009-10 FINANCIAL UPDATES

Mr. Lukman reported that as of July 31, 2010, CAC's cash and short-term investment was \$2,002,098 and reserves were \$5,343,063. The cash balance included the cash and investment held for Avocado Inspection Program (AIP). He also reported that as of August 17, 2010, CAC had approximately \$3 million cash in the bank. Mr. Lukman presented the most recent revenue projection and said that if the fourth quarter price-per-pound averaged 70 cents, actual revenue would exceed original projections and CAC would end the fiscal year with \$5.8 million in reserves. If there were unspent funds at the close of the fiscal year, the ending reserves would be higher than \$5.8 million.

Responding to Mr. Lamb's question, Mr. Bellamore explained that, in May, after seeing the actual revenue trending higher than originally projected, management contemplated additional marketing spending but decided that additional spending would not be necessary. Ms. DeLyser commented that management would rather have stronger

reserves to start the next fiscal year that would allow for an earlier start on creative production.

Mr. Carbone suggested that the whole office build-out expenditures should be capitalized. Mr. Lukman explained that a portion of the expenditure was spent on things like chairs did not meet the capitalization criteria and therefore was not capitalized.

Responding to Mr. Lamb's question, Mr. Lukman explained that most expenditures such as advertising, public relations, production research and pension were accrued monthly.

2010-11 BUDGET AND ASSESSMENT RATE

Mr. Bellamore presented a PowerPoint presentation (attached to the permanent copy of these Minutes) to illustrate the planning and budgeting process for fiscal year 2010-11. Included in the presentation were CAC's strategic priorities and the budget proposed to address those priorities. Mr. Bellamore also presented a preliminary revenue projection using several assumptions including total crop size of 275 million lbs. (including 15 million lbs. carry-in), 1.95% assessment rate, and \$5.5 million beginning reserves. He explained that the figures were preliminary and served as a starting point necessary for projecting resources available for 2010-11 activities. Based on the strategic plan and revenue projection, Mr. Bellamore said that the management proposed a 2010-11 spending range of \$11-13 million.

The Committee discussed the various assumptions management used and how the different scenarios would affect the revenue projection and budget. Mr. Karaoghlanian suggested that one thing to consider was the break-even point of growers' operation, which was the total bearing acreage multiplied by the average yield per acre divided by the projected crop size. Mr. Holtz asked Mr. Karaoghlanian to bring the calculation to the next finance committee meeting. Mr. Woodworth offered his analysis on 10-year and 5-year average crop sizes and prices, which were 372 lbs. and 88 cents for 10-year averages and 366 lbs. and 86 cents for 5-year averages.

POSTING OF BOARD MEMBERS' EXPENSES ON CAC'S WEBSITE

Mr. Reeder suggested that, if a summary of board members' expenses is to be posted publicly, a system be developed to address inappropriate spending. Several Committee members felt that a summary of board members' expenses, if posted without context and supporting documents, could be misleading. The Committee agreed that the current oversight system where all board members' expenses were reviewed and approved by Executive Committee members was sufficient and recommended that the summary of expenses not be publicized.

CLARIFICATION ON CAC'S NEW INTERNAL CONTROL POLICY

Mr. Lukman explained that there was a mistake in the presentation of the Internal Control policy that the Board approved in June. Telecommuting Policy and Procedures was

mistakenly listed as one of the existing policies being replaced by the new Internal Control policy. Mr. Holtz asked that staff present the correction to the Board at today's board meeting.

OPENING OF A NEW INVESTMENT ACCOUNT

Mr. Lukman asked the Committee's approval for opening a new account with Wells Fargo bank to invest CAC's excess funds. After discussing it, the Committee decided to recommend that the Board give staff authorization to open the new bank account.

PUBLIC COMMENT

Mr. Lukman informed the Committee that staff had prepared budget amendment #2 which consisted of changes made through board's actions through August 19, 2010. The only two changes from budget amendment #1 were the \$1,000 sponsorship for Centre for Agricultural Bioscience International (CABI) publication and \$20,000 for office build-out (only \$11,000 was expensed immediately this year). These changes were approved by the Board in November 2009 and June 2010 respectively. Mr. Lukman also informed the Committee that staff would submit the budget amendment #2 to the California Department of Food and Agriculture (CDFA).

The Finance Committee handout is attached to the permanent copy of these Minutes and identified as Exhibit A.

ADJOURN

Chairman Holtz adjourned the meeting at 9:00 a.m.

Respectfully submitted,

Aria Lukman, Finance & Accounting Manager