

CALIFORNIA AVOCADO COMMISSION
BOARD MEETING MINUTES
October 12, 2017

A meeting of the California Avocado Commission (CAC) Board was held on Thursday, October 12, 2017 at the CAC office, 12 Mauchly, Suite L, Irvine, CA 92618, with the following people present:

MEMBERS PRESENT

Nina Ames
Robb Bertels
Art Bliss
John Burr
Gary Caloroso
Gene Carbone
Tyler Cobb
Jason Cole
Jessica Hunter
John Lamb
Ed McFadden
Leo McGuire
Kellen Newhouse
Rick Shade
Steve Taft

MEMBERS ABSENT

ALTERNATES PRESENT

Bryce Bannatyne
Gary Clevenger
Donny Lucy
Bradley Miles
Ryan Rochefort

ALTERNATES ABSENT

Robert Grether
Ohannes Karaoghlanian

CAC STAFF PRESENT

Monica Arnett
April Aymami
Tom Bellamore
Zac Benedict
David Cruz
Jan DeLyser
Angela Fraser
Ken Melban
Tim Spann
Connie Stukenberg

OFFICIALLY PRESENT

Marlene Betts, USDA
John McGuigan, HAB
Ben Kardokus, CDFA

GUESTS PRESENT

Elaine Bannatyne
Wayne Brydon
Will Carleton
Daniel Chinchay
Dave Fausset
Candace Hollar
Jennie Moore
Marji Morrow
Steven Muro
Barbara Peirce
Lori Small
Rebecca Wojcicki
Charley Wolk

ITEM #1 CALL TO ORDER

Roll Call/Establish Quorum - Item 1.A.

Rick Shade, CAC chairman, called the meeting to order at 8:30 a.m. with a quorum present.

Introductions - Item 1.B.

Mr. Shade welcomed Marlene Betts of the U.S. Department of Agriculture (USDA), as well as John McGuigan, director of industry affairs for the Hass Avocado Board (HAB). He introduced Daniel Chinchay with Walmart and Dave Fausset with Del Monte.

ITEM # 2 OPPORTUNITY FOR PUBLIC COMMENT

There was no public comment.

ITEM # 3 CONSENT CALENDAR

Mr. Shade introduced the consent calendar items and asked for questions or comments. It was clarified that approval of the Production Research Committee (PRC) Report in the Consent Calendar was only an acknowledgment of the written report and not approval of the PRC's recommendations. Discussion and approval of the PRC recommendations would take place during the review of the budget and business plan. With no further comments, the following motion was put forward:

MOTION:

The CAC Board of Directors approves the Consent Calendar, Items 3.A through 3.C.

(McFadden/Bertels) MSC Unanimous

MOTION 17-10-12-1

The Consent Calendar is included in the October 2017 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Items 3.A and 3.C.

ITEM #4 CLOSED SESSION

President's Performance Review pursuant to Section 11126(a)(1) of the California Government Code – Item 4.A

Mr. Shade called the Closed Session to order at 8:35 a.m.

Return to Open Session & Report of Action Taken, if any, in Closed Session – Item 4.B

The Board returned to the general session at 9:45 a.m. and Mr. Shade reported they had reviewed the performance evaluation and compensation package for CAC President Tom Bellamore and an adjustment to Mr. Bellamore's compensation was approved.

ITEM #5 TREASURER'S REPORT

Consider Approval of Letter of Engagement from Macias Gini & O'Connell for Financial Audit Services - Item 5.A

Art Bliss, CAC treasurer, stated that the Finance Committee reviewed the letters of engagement provided by Macias Gini & O'Connell (MGO) for financial audit services and recommended that the Board approve them as presented. Mr. Bliss noted that during the committee meeting it was explained that while CAC has used the same audit firm for a number of years, the firm partners and audit team are changed out on a regular basis.

MOTION:

The CAC Board of Directors approves the MGO Letters of Engagement for Financial Audit Services as presented.

(Lamb/McFadden) MSC Unanimous

MOTION 17-10-12-2

The Letters of Engagement from Macias Gini & O'Connell are included in the October 2017 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 5.A.

Consider Finance Committee Recommendation on 2017-18 Budget and Assessment Rate - Item 5.B

Mr. Bliss reported that the Finance Committee recommends that the Board adopt management's recommended budget as presented and assessment rate of 2.3% for the 2017-18 fiscal year.

ITEM #6 PRESIDENT'S REPORT

Consider Approval of 2017-18 Proposed Action Plans and Budgets– Item 6.A

Monica Arnett, CAC director of finance and administration, presented CAC's current financial position for 2016-17 which reflected a projected ending reserves balance of approximately \$10.28 million, a variance of nearly \$3 million over original projections.

Mr. Bellamore then presented management's proposed 2017-18 budget, highlighting that, as a result of recent field meetings, the crop size had been increased by 10 million pounds from the numbers presented in August, but was still a conservative estimate at 375 million pounds. The proposed budget is based upon a projected price of \$1.10 per pound. Management's proposed assessment rate of 2.3 percent remained unchanged. He noted that the proposed budget of \$15.7 million included \$10.5 million for marketing programs, an increase of \$1 million over what was presented in August.

Management highlighted new marketing programs in the proposed 2017-18 Business Plan, with the goal of stretching the season longer and with targeted customers and consumers from Denver to the West Coast. Specific new programs included a partnership with a meal delivery service, sponsorship of the Center for Produce Safety initiative and pop-up avocado museum concept. It was also noted that within the industry affairs budget, work on developing California's sustainability story would continue with the goal of better understanding what is important to customers, consumers and growers.

The Board discussed the draft business plan activities and management addressed questions regarding proposed projects and budgets. On a research project with the objective of updating the current crop coefficient for avocado, concern was raised regarding CAC solely funding the project when it appeared the project should be eligible for grant funds through numerous agencies. While there was some support for the project, during board discussion there was a hesitancy to move forward at this time, and direction was given that management should work with the PRC to further explore grant opportunities for funding the project.

MOTION:

The CAC Board of Directors approves the draft 2017-18 Business Plan and Budget with removal of the crop coefficient research project, and authority given to the President to identify and utilize available funds in both the 2016-17 and 2017-18 fiscal year budgets to make adjustments to the salary line item, as necessary. (Lamb/McFadden) MSC Unanimous

MOTION 17-10-12-3

The CAC Current Financial Situation and Proposed 2017-18 Budget presentation is attached to the permanent copy of these Minutes and identified as EXHIBIT B.

The 2017-18 CAC Business Plan – DRAFT is attached to the permanent copy of these Minutes and identified as EXHIBIT C.

ITEM #8 ESTABLISH ASSESSMENT RATE FOR 2017-18 FISCAL YEAR

With discussion already taken place during the President's Report, there was no further discussion regarding the assessment rate and the following motion was offered:

MOTION:

The CAC Board of Directors moves to set the 2017-18 Assessment Rate at 2.30% of the gross dollar value of sales for all varieties during any full or partial month the Federal Hass Avocado Promotion, Research, and Information Order (Order) is in effect, and at 4.41% of the gross dollar value of sales for all varieties during any full month the federal assessment under the Order is not in effect.

(McFadden/Burr) MSC Unanimous

MOTION 17-10-12-4

Consider Funding Request for Avocado Brainstorming 2018 – Item 6.B

Mr. Bellamore referred to the Board Packet write-up covering the events that had recently transpired regarding the postponement of the Avocado Brainstorming 2017 until May of 2018. He indicated that funds paid for the event in 2016-17 fiscal year had been returned to CAC, since the program did not take place within that fiscal year, and that the organizers have once again submitted their request for funding to CAC for the event that will take place during the 2017-18 fiscal year.

The Board discussed the funding request with concerns raised regarding CAC being asked to financially contribute a disproportional share (based on production volumes) of the funding, as well as a reduced confidence that the event would take place in 2018, as indicated, or if it would experience continued delays. Management confirmed that they had discussed with the organizing committee the logistical difficulties experienced early on and they had been overcome and a venue had been secured for the week of May 28, 2018.

MOTION:

The CAC Board of Directors approves funding of \$10,000 for the 2018 Avocado Brainstorming event.

(Cobb/Caloroso) MSC Unanimous

MOTION 17-10-12-5

The Funding Request for Avocado Brainstorming 2018 is included in the October 2017 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 6.B.

ITEM #7 CHAIRMAN'S REPORT

Mr. Shade acknowledged two outgoing board members, Art Bliss and John Burr, for their service to the industry as long time Commissioners. He noted that Mr. Bliss had served as the CAC treasurer for the past three years and that both Mr. Bliss and Mr. Burr had served on CAC's PRC. Mr. Shade also issued his congratulations to District 2 Commissioner, Kellen Newhouse, on his recent marriage. Lastly, he thanked all of the many Board members who had volunteered at the recent Carpinteria AvoFest.

Consider Approval of Succession Plan – Item 7.A

John Lamb, Succession Task Force member, stated that Mr. Bellamore had incorporated the comments received at the August meeting into the final succession plan, presented to the Board for approval. Mr.

Bellamore indicated that the specific changes made were with regard to the educational requirements for the senior marketing position and the inclusion of additional search firms and of sample fee structures for an executive search.

Mr. Lamb reminded the Board that the succession plan was a living document and that future Boards could make revisions, if necessary, but that what the task force had prepared for approval was a great starting framework.

MOTION:

The CAC Board of Directors approves the California Avocado Commission Succession Plan, October 2017 as presented.

(Lamb/Cobb) MSC Unanimous

MOTION 17-10-12-6

The California Avocado Commission Succession Plan, October 2017 is included in the October 2017 Board Packet and is attached to the permanent copy of these Minutes and identified as EXHIBIT A, Item 7.A.

ITEM #9 HASS AVOCADO BOARD REPORT

Mr. McGuigan, Hass Avocado Board (HAB) director of industry affairs reported that at the August meeting the HAB Board had approved a 2018 budget based on total U.S. volume of approximately 2.5 billion pounds. He commented that HAB was currently exploring a project to better understand global avocado supply and demand.

Ms. Betts reported that USDA was in a holding pattern and that there had been no movement on appointments from HAB's recent election, with no change expected in the foreseeable future.

INDUSTRY UPDATES

Dr. Tim Spann, CAC research program director, reported that the avocado lace bug had been found in commercial avocado groves in San Diego County and that CAC was working with Dr. Mark Hoddle to better understand if this was movement of known existing populations, or if it was a new introduction. Dr. Hoddle's work in this area required nominal funding in the amount of \$6,500, which would be paid out of the 2016-17 budget. Dr. Spann stated that once the initial investigation had been completed, he would report back to the Board on the status and next steps.

Charley Wolk, chairman of the CAC Water Committee, reported that the Metropolitan Water District (MWD) Board of Directors had voted to approve funding its share of the California Water Fix Project. Because the Westland Water District Board, a significant contributor, voted in opposition of funding the project, conversations will need to be continued to determine how the project will proceed.

Mr. Wolk also reported that the California Supreme Court denied hearing the appeal case between MWD and San Diego County Water Authority (SDCWA), which results in it going back to the appellate court to settle. CAC will watch the results of this closely and any potential impacts it may have on agricultural water rates.

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Mr. Wolk stated that following the news of this decision, Metropolitan Water District of Orange County had sent a letter out to water agencies urging the agencies to stop fighting and come together to try and address the water issues facing Southern California.

ADJOURN MEETING

Mr. Shade adjourned the meeting at 11:45 a.m. The next Board meeting will be held on Thursday, November 16, 2017 in Irvine, California.

Respectfully submitted,

April Aymami, CAC Industry Affairs Director

I certify that the above is a true statement of the Minutes of October 12, 2017 approved by the CAC Board of Directors on November 16, 2017.

, CAC Board Secretary

EXHIBITS ATTACHED TO THE PERMANENT COPY OF THESE MINUTES

- EXHIBIT A October 2017 Board Packet
- EXHIBIT B CAC Current Financial Situation and Proposed 2017-18 Budget Presentation
- EXHIBIT C 2017-18 CAC Business Plan – DRAFT
- EXHIBIT D October 12, 2017 Board Meeting AB 2720 Roll Call Vote Tally Summary

