

CALIFORNIA AVOCADO COMMISSION
FINANCE COMMITTEE MINUTES
August 16, 2017

A meeting of the Finance Committee of the California Avocado Commission (CAC) was held on Wednesday, August 16, 2017 at 3:30 p.m. at the CAC Corporate Office in Irvine, CA, with the following people present:

MEMBERS PRESENT

Art Bliss, Chairman
Gene Carbone
Robert Grether
John Lamb
Kellen Newhouse
Rick Shade, CAC Chairman

STAFF PRESENT

Monica Arnett
April Aymami
Tom Bellamore
Jan DeLyser
Ken Melban
Tim Spann

MEMBERS ABSENT

None

GUESTS PRESENT

Marlene Betts, USDA

Item #1: CALL TO ORDER

Finance Committee Chairman Art Bliss called the meeting to order at 3:30 p.m. with a quorum present.

Item #2: PUBLIC COMMENT

None.

Item #3: MINUTES

The Committee reviewed the minutes from the May 18, 2017 meeting and the following motion was offered:

MOTION: *The Finance Committee approves the May 18, 2017 Finance Committee Meeting Minutes as presented. (Carbone/Lamb) MSC Unanimous* **MOTION 17-8-16-1**

Item #4A: 2016-17 FINANCIAL UPDATES

The Committee reviewed the 2016-17 Financial Statements as included in the August 16, 2017 Finance Committee Packet. Discussion ensued and the following points were made:

- Monica Arnett called the Finance Committee's attention to higher than anticipated revenue for the 2016-17 fiscal year. Ms. Arnett explained that the revenue surplus was mostly due to a higher crop value than originally budgeted, and that no funds in excess of the original budget would be spent.

- Chairman Bliss inquired as to why the HAB assessment was significantly lower than the CAC assessment. Ms. Arnett explained that the HAB assessment is based off of volume only whereas the CAC assessment is based off of volume and value of the current year crop.
- Gene Carbone inquired as to whether appropriate expenses to the Pine Tree Ranch demonstration grove would be capitalized. April Aymami commented that tree plantings, irrigation, and land improvement expenses are currently being shown on the Income Statement for transparency purposes but would be capitalized and depreciated at the end of the year.
- Mr. Carbone inquired as what the total cost of the improvements made to the CAC Irvine office were and whether those expenses would be capitalized. Ms. Arnett disclosed that the project totaled almost \$85,000 and explained that they qualify to be capitalized and depreciated over the remainder of the office lease or could remain as an expense in the current year. After discussion the consensus among the Committee was to leave the project as an expense.

The 2016-17 Financial Update Packet is attached to the permanent copy of these Minutes as identified as Exhibit A.

Item #4B: CASH DISBURSEMENT AUDIT

The Committee reviewed the disbursement registers for May through July 2017 as included in the Finance Committee Meeting Packet with no significant comments to note. Ms. Arnett commented that disbursements were sorted by vendor for ease of review as requested by the Committee.

Item #4C: 2017-18 BUDGET AND ASSESSMENT RATE DISCUSSION

Discussion regarding the 2017-18 budget and assessment rate began with Ms. Arnett presenting CAC's current financial position and projected ending reserve balance for the 2016-17 fiscal year. The calculations presented estimated that the 2016-17 crop size would total 210 million pounds with forecasted ending reserves of \$9.9 million, assuming an average price of \$1.40 for the remainder of the season. This ending reserve balance would be \$2.5 million greater than the original 2016-17 projection.

Ms. Arnett presented management's recommended assessment rate and budget for the 2017-18 fiscal year which proposed an assessment of 2.3% based on a 365 million pound crop at an average price of \$1.10 per pound. Projected total budgeted expenditures are estimated at \$14.5 million with \$9.5 million, or 66%, allocated to the Marketing department. This level of spending would result in a 2017-18 ending reserve balance of \$11.9 million.

Comments from Committee members indicated that crop size could potentially be larger and an increase in the Marketing budget should be considered. Mr. Bellamore commented that the crop volume estimate provided by management could be adjusted but should be used at this point of the season to provide context to any desired changes to the assessment rate and provide a reasonable

level of spending to help build the Marketing budget. He also reminded the Committee that crop field meetings would be conducted in September that would provide additional insight to the total crop volume.

After additional discussion, the Committee agreed that management's recommendation regarding the assessment rate and crop volume appeared conservative but reasonable.

The 2016-17 Reserves Projection and Multi-Year Budget Planning document is attached to the permanent copy of these Minutes as identified as Exhibit B.

ADJOURN

Chairman Bliss adjourned the meeting at 4:35 p.m.

Respectfully submitted,

Monica Arnett, Director of Finance and Administration

EXHIBITS ATTACHED TO THE PERMANENT COPY OF THESE MINUTES

- EXHIBIT A 2016-17 Financial Update Packet
- EXHIBIT B 2016-17 Reserves Projection and Multi-Year Budget Planning document
- EXHIBIT C August 16, 2017 Finance Committee Meeting AB 2720 Roll Call Vote Tally
Summary