

**CALIFORNIA AVOCADO COMMISSION**  
**FINANCE COMMITTEE MINUTES**  
**August 15, 2018**

A meeting of the Finance Committee of the California Avocado Commission (CAC) was held on Wednesday, August 15, 2018 at 4:30 p.m. at the Kona Kai Resort in San Diego, CA, with the following people present:

**MEMBERS PRESENT**

Robert Grether, Chairman  
John Lamb  
Rick Shade, CAC Chairman

**MEMBERS ABSENT**

Gene Carbone

**STAFF PRESENT**

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

**GUESTS PRESENT**

Marlene Betts, USDA  
Barbara Malone

**Item #1: CALL TO ORDER**

Finance Committee Chairman Robert Grether called the meeting to order at 4:30 p.m. with a quorum present.

**Item #2: PUBLIC COMMENT**

None.

**Item #3: MINUTES**

The Committee reviewed the minutes from the May 17, 2018 meeting and the following motion was offered:

**MOTION:**     *The Finance Committee approves the May 18, 2017 Finance Committee Meeting Minutes as presented. (Lamb/Grether) MSC Unanimous*     **MOTION 18-8-15-1**

**Item #4A: 2017-18 FINANCIAL UPDATES**

The Committee reviewed the 2017-18 Financial Statements as included in the August 15, 2018 Finance Committee Packet. Discussion ensued and the following points were made:

- Monica Arnett called the Finance Committee's attention to lower than anticipated revenue for the 2017-18 fiscal year due to a smaller than projected total crop volume. Tom Bellamore added that CAC spending would not be restricted as a result of the lower volume due to the high level of reserves.

- John Lamb inquired as to what the projected ending crop volume was estimated to be. Ms. Arnett responded that CAC is utilizing 300 million pounds for CAC's ending reserves projection.
- Mr. Lamb inquired as to what the effect of higher prices at the end of the season would have on the annual average price. Ms. Arnett commented that the average price through June was \$1.07 per pound and that a price of \$1.20 per pound would need to be maintained for the remainder of the season to average to CAC's estimate of \$1.10 per pound.

*The 2017-18 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 2018 as included in the Finance Committee Meeting Packet with no significant comments to note.

#### **Item #4C: UPDATE ON THE CADO EXHIBIT**

Mr. Bellamore provided an update on the CADO exhibit that was anticipated to open in June 2018. He disclosed that construction logistics have been impressive so far but total sponsorship dollars are lacking for the exhibit to reach completion. He noted that both himself and Jan DeLyser have been engaged in weekly status update conversations with the exhibit creators and have made multiple site visits during the course of construction. Payments were provided by CAC based on the developmental milestones as outlined in the exhibit contract, and Ms. DeLyser provided a description to the Financial Committee of how specifically these funds were allocated.

Ms. DeLyser commented that pop-up museums are still very relevant and both she and Mr. Bellamore are hopeful for the exhibit to open in early spring of next year to help build anticipation of the season's crop. She mentioned that there is a possibility that a much smaller installment of the exhibit could open off-season in Scottsdale in order to engage consumers and raise the remaining funding necessary to open in San Diego.

Both Mr. Bellamore and Ms. DeLyser accepted full responsibility for the risk of CAC's investment of funds, and acknowledged that financial agreements to cover the entirety of the project should have been reviewed and verified before CAC provided a sponsorship commitment. Mr. Bellamore recommends against pursuing legal recourse at this time, giving the project additional time to open. The Finance Committee was in consensus that the sponsorship and exhibit concept was discussed and approved by the CAC Board including the potential risk involved.

#### **Item #4D: 2019 CROP SITUATION**

The Committee discussed the potential 2018-19 crop condition and the following points were made:

- CAC Board Chairman Rick Shade disclosed that he's received feedback from field representatives that the crop volume could potentially be in the 100 million pound range.

- Ms. DeLyser shared that the Marketing Committee discussed next year's crop and the consensus was that the crop appeared to be "spotty" with some regions and trees showing great potential while others appear to be stressed from the heat and fire conditions throughout the season.

#### **Item #4E: 2018-19 BUDGET AND ASSESSMENT RATE DISCUSSION**

Discussion regarding the 2018-19 budget and assessment rate began with Ms. Arnett presenting CAC's current financial position and projected ending reserve balance for the 2017-18 fiscal year. The calculations presented estimated that the 2017-18 crop size would total 300 million pounds with forecasted ending reserves of \$9.25 million, assuming an average price of \$1.10 for the remainder of the season. This ending reserve balance would be \$3.3 million less than the original 2017-18 projection.

Ms. Arnett presented management's recommended assessment rate and budget for the 2018-19 fiscal year which proposed an assessment rate of 2.30% based on a 250 million pound crop at an average price of \$1.15 per pound. Projected total budgeted expenditures are estimated at \$13.7 million with \$9.0 million, or 66%, allocated to the Marketing department. This level of spending would result in a 2018-19 ending reserve balance of \$7.1 million.

Comments from Committee members indicated that crop size could potentially be smaller and a decrease in the Marketing budget and/or an increase in the assessment rate 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.

After additional discussion, the Committee agreed that management's recommendation regarding the crop volume and budget would need to be evaluated further after the crop field meetings conducted in September that would provide additional insight to the total crop volume.

*The 2017-18 Reserves Projection and Multi-Year Budget Planning document is attached to the permanent copy of these Minutes as identified as Exhibit B.*

#### **Item #4F: CONSIDER RESERVE ALLOCATIONS**

Mr. Bellamore commented that the potential lower ending reserve balance does not provide much consideration to preserve any allocation of funds moving into the 2018-19 fiscal year. Mr. Lamb suggested that CAC request a line of credit increase during the renewal process next year to offset any potential cash flow shortages.

#### **ADJOURN**

Chairman Grether adjourned the meeting at 5:40 p.m.

Respectfully submitted,

---

Monica Arnett, Director of Finance and Administration

**EXHIBITS ATTACHED TO THE PERMANENT COPY OF THESE MINUTES**

- EXHIBIT A 2017-18 Financial Update Packet
- EXHIBIT B 2017-18 Reserves Projection and Multi-Year Budget Planning document
- EXHIBIT C August 15, 2018 Finance Committee Meeting AB 2720 Roll Call Vote Tally  
Summary