

**CALIFORNIA AVOCADO COMMISSION
BOARD MEETING MINUTES
February 16, 2017**

A meeting of the California Avocado Commission (CAC) Board was held on Thursday, February 16, 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 (Swoboda Alt.)
Jason Cole
Jessica Hunter
John Lamb
Ed McFadden
Leo McGuire
Kellen Newhouse
Rick Shade
Steve Taft

MEMBERS ABSENT

Jim Swoboda

ALTERNATES PRESENT

Gary Clevenger
Robert Grether
Ohannes Karaoghlanian
Donny Lucy
Ryan Rochefort

ALTERNATES ABSENT

Bryce Bannatyne

CAC STAFF PRESENT

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

OFFICIALLY PRESENT

Ann Fang, MGO
Candace Hollar, MullenLowe
Linda Hurley, MGO
Nick Jennery, *Nick Jennery & Assoc.*
Ben Kardokus, CDFA
Scott Model, MullenLowe

GUESTS PRESENT

Jennifer Baker-Asiddao
Kristyn Dunlap
Marji Morrow
Steven Muro
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 9:10 a.m. with a quorum present.

Introductions - Item 1.B.

Monica Arnett, CAC director of finance and administration, introduced Linda Hurley and Ann Fang with CAC's auditing firm Macias, Gini & O'Connell (MGO), and noted that they would present the results of CAC's recently completed financial audit during the Treasurer's Report.

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. Hearing none, a motion was put forward.

MOTION:

*The CAC Board of Directors approves the Consent Calendar, Items 3.A through 3.E.
(McFadden/Lamb) MSC Unanimous*

MOTION 17-2-16-1

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

ITEM #4 TREASURER'S REPORT

Consider Acceptance of 2015-16 Audited Financial Statements – Item 4.A

Art Bliss, CAC treasurer, stated that the audited financial reports and supplemental documentation prepared by MGO were included in the board packet and asked Linda Hurley, MGO managing partner, to provide an overview of the audit results.

Ms. Hurley presented an overview of the annual audit process and procedures. She stated that MGO had issued an unmodified opinion as a result of their audit of the 2015-16 CAC financials, noting that there were no significant findings to report. She stated that the audited financial statements, supplemental information and auditor's report were relatively unchanged from previous years, but noted that in 2015-16 CAC had implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which resulted in a supplemental note revision to include the definition of fair value and the methodology used by management to value investments.

Ms. Hurley also reported that during the course of the audit it was identified that CAC's policy on obtaining competitive bids was required on purchases of \$25,000 or more, while CDFA guidelines recommend a formal bid policy be set for purchases in excess of \$5,000. She stated that CAC practice was in compliance with CAC policy, however wanted to bring the discrepancy in CAC and CDFA policy to the Board's attention.

Mr. Bellamore addressed the discrepancy between CAC and CDFA policy indicating that the Commission Board had been made aware of this previously and had at that time decided to keep CAC policy set at \$25,000. Mr. Bliss indicated that prior Finance Committee meetings the treasurer and other members of the committee select expenditures, of varying dollar values, to review and insure all is in order. It was noted that reducing the current CAC bid policy could result in additional undue burden on management and staff. Following discussion there was consensus that management should follow the CAC policy currently in place, with multiple bids required on purchases of \$25,000 or more.

MOTION:

*The CAC Board of Directors accepts the 2015-16 Audited Financial Statements as presented.
(Lamb/Carbone) MSC Unanimous*

MOTION 17-2-16-2

Mr. Bellamore commended Ms. Arnett, MGO and CAC staff on their efforts during the annual audit.

The 2015-16 Audited CAC Financial Statements and Supplemental MGO Required Communication Letters are included in the February 2017 Board Packet as EXHIBIT A, Item 4.A.

Consider Approval of Budget Amendment No. 1 – Item 4.B

Ms. Arnett stated that Budget Amendment No. 1 as presented revises beginning reserve balances to actual and incorporates anticipated revenues and expenditures for CDFA Specialty Block Grant projects that were recently awarded to CAC. The increase in grant program expenditures is fully offset by grant revenues, resulting in a zero-dollar net effect to the 2016-17 budget. The adjustment to the beginning reserve balance results in an increase to the projected ending reserves by nearly three million dollars, and is largely attributed to 2015-16 crop volume and value exceeding budgeted estimates, in addition to unexpended 2015-16 program funds in the amount of nearly one million dollars.

MOTION:

The CAC Board of Directors approves 2016-17 CAC Budget Amendment No. 1 as presented.

(Carbone/Caloroso) MSC Unanimous

MOTION 17-2-17-3

The CAC 2016-17 Budget Amendment No. 1 is included in the February 2017 Board Packet as EXHIBIT A, Item 4.B.

ITEM #5 HAB REPRESENTATIVE OBSERVATIONS

Charley Wolk addressed the Board, stating that as CAC's representative member on the Hass Avocado Committee (HAC) he had an obligation to report concerns he has with the Hass Avocado Board's (HAB) current operating procedures. He indicated that he had already raised his concerns with Emiliano Escobedo, HAB executive director, and Chris Henry, HAB chairman, and to date had not yet received any response, resulting in Mr. Wolk's request to add this item to the CAC agenda. Specifically, Mr. Wolk's concerns regarding HAB operating procedures were reported as follows:

- The HAB Executive Committee has been meeting without announcement or publication/distribution of an agenda.
- Current HAB budget included a line item of over \$1 million dollars for nutrition marketing research/publications/announcements and Mr. Wolk was told it was for press releases, which seemed an excessive budget for the scope of work.
- HAB is holding closed sessions during meetings without, in some case, noticing them on the agenda. In many cases if they are noticed, no reason is given for why HAB is holding a closed session, and upon return from closed session, no report given on the action that may have taken place during closed session.
- The HAB budget does not specifically call out a budget for staff payroll, including direct and indirect costs. Concern that with eight employees there are rising payroll costs for the organization, but difficult/impossible to gauge what the true cost is within the current structure of the HAB budget.

Mr. Wolk indicated that in some cases, HAB may be acting within the scope of federal law, and may not be required to uphold the same practices as CAC, however based on CAC's past experiences, adopting policies

and practices that allow for a more transparent organization should be HAB's best interest. Yet to this point, Mr. Wolk's concerns, questions and requests for information have gone unanswered, and therefore he has brought the issue to the CAC Board for direction on next steps.

Board discussion resulted in consensus that as a best practice HAB should attempt to operate in transparency, and that based on CAC's own history in this area, the Commission has an obligation to their growers to request that HAB address the concerns raised by Mr. Wolk. It was noted during discussion that the HAB Board consists of seven California producer members and that CAC should take a more active role in spending time with the HAB producer members to ensure that the members of both organizations are connected and operating in the best interest for the California avocado industry.

MOTION:

The CAC Board of Directors directs Tom Bellamore to send a letter to the Hass Avocado Board, with a copy to USDA, addressing all concerns raised by Charley Wolk regarding HAB's current operating procedures. (Caloroso/McFadden) MSC Unanimous

MOTION 17-2-17-4

ITEM #6 MARKETING REPORT

Jan DeLyster, CAC vice president of marketing, called the Board's attention to two supplemental handouts. The first document entitled *2015-16 CAC Business Plan Deliverables*, provided an overview of actual year-end performance against business plan deliverables. The second handout was the California Avocado Commission Dashboard which included key performance indicators for the period of November 2016 through January 2017. The Board was encouraged to review the documents and inform management if they had any questions.

The *2015-16 Business Plan Deliverables* handout is attached to the permanent copy of these Minutes and identified as EXHIBIT B.

The *California Avocado Commission Dashboard* is attached to the permanent copy of these Minutes and identified as EXHIBIT C.

Creative Execution: 2017 Consumer Advertising Campaign – Item 6.A

2017 Media Plan – Item 6.B

Candace Hollar and Scott Model representing CAC's consumer advertising agency, MullenLowe, presented details of the 2017 consumer advertising campaign. The report featured key learnings from the 2016 consumer advertising campaign which were used to help set the direction of the 2017 consumer marketing program activities. The MullenLowe team reported that the 2017 consumer marketing activities, including in-store radio, Pandora, California print and outdoor, digital/social and events, were scheduled to kick-off the beginning of April and would run through July. It was noted that the timing of print ads had been moved up to hit during the peak season of mid-April through mid-June. Samples of the consumer advertising creative and radio spots also were presented.

The CAC 2017 Consumer Advertising Campaign presentation is attached to the permanent copy of these Minutes and identified as EXHIBIT D.

The CAC 2017 Media Schedule handout is attached to the permanent copy of these Minutes and identified as EXHIBIT E.

ITEM #7 ORIENTATION SUMMARY AND NEXT STEPS

The CAC Board Orientation facilitator, Nick Jennery, distributed a recap of the Board orientation and strategic planning session that had taken place on February 15, reporting that while CAC is a well-honed organization, it is important that the Board continue to focus on providing leadership and direction for the industry, asking the right questions to set that direction and to periodically survey the Board members to garner feedback on the effectiveness of CAC's programs and operating processes. Mr. Jennery encouraged the Board review the draft Board Member Guide and to provide feedback to management to insure the document is relevant to current and future board members alike.

Mr. Jennery highlighted the core questions identified during the Board's strategic planning exercise and suggested that Board and management schedule time on future meeting agendas to engage in deeper discussion on the issues identified. Based on observations from the previous day's session,

Mr. Jennery recommended that in the short term, the Board should attempt to tackle the following areas:

- Board Member Guide – read and provide edits and suggestions to management
- Forecast – revisit an outlook for the industry over the next five years, which will provide a discussion foundation for determining CAC's future role
- Succession Planning – using CAC's desire to enhance its relevance, determine the qualities, qualifications and experience of desirable candidates for key management positions to ensure organization is aptly suited for the future.

Mr. Shade stressed the importance of the items Mr. Jennery raised and suggested that the Board form task force teams to tackle the questions and set direction for next steps. There was unanimous consensus for the formation of the task force teams and Mr. Shade indicated that he would work with Mr. Bellamore to assign each member and alternate to a task force and that further information on next steps would be sent following the meeting.

The CAC Board Orientation Session Recap is attached to the permanent copy of these Minutes and identified as EXHIBIT F.

The Draft Board Member Guide is attached to the permanent copy of these Minutes and identified as EXHIBIT G.

ITEM #8 PRESIDENT'S REPORT

The Role of the Commission in 2018 and Beyond – Item 8.A
Board/Management Succession Planning – Item 8.B

Mr. Bellamore continued the discussion stemming from the orientation/strategic planning session recap to provide this time to allow the Board the opportunity to have a deeper discussion regarding forecasting, allocation of CAC resources into the future and succession planning. Board discussion resulted in consensus that the role of the Commission in the future, including allocation of resources, should be closely tied to industry forecasts, and that should then provide further direction for the purpose of succession planning.

Mr. Shade indicated that the task force teams would begin work in these areas following the February meeting and discussion would continue at the next Board meeting.

Office Improvements – Item 8.C

Mr. Bellamore reported that the office modernization project was currently in process, with the office now reflecting the fresh look and feel of the new corporate and marketing brands. He pointed out that management had gone as far as possible on the existing budget, however it became obvious, after the painting was completed, that the carpeting, baseboards and fixtures should also be replaced to complete the project. Mr. Bellamore noted that management had spoken with the landlord to inquire their willingness to share the cost for additional office improvements, and an option to extend the lease for an additional two years, in exchange for two months of rent abatement (approximately \$12,000-\$14,000 value), was offered. Because the cost to complete the office improvements exceeded the current Board approved budget, Mr. Bellamore was bringing it before the Board for direction on how management should proceed.

The Board praised the office renovations completed to date and were supportive of finishing the necessary improvements. They discussed the landlord's rent abatement offer and there was consensus not to pursue the offer at this point, since a similar offer could be negotiated once the lease term was closer to expiration.

MOTION:

The CAC Board of Directors approves completion of the Irvine office improvements, including new carpet, baseboards and fixtures, in an amount not to exceed \$36,500.

(Newhouse/McFadden) MSC Unanimous

MOTION 17-2-17-5

ADJOURN FOR LUNCH

Mr. Shade adjourned the Board for lunch at 12:00 p.m. and reconvened the meeting at 12:35 p.m.

ITEM #9 HASS AVOCADO BOARD REPORT

Mr. Escobedo provided an update on HAB programs/activities, including:

- 2017 U.S. volume, domestic and imported, was currently estimated to be 2.25 billion pounds, a decrease from the initial projection of 2.75 billion pounds. The updated volume projections decrease the 2017 projected HAB revenues requiring HAB to put their sustainability project on hold due to lack of funding.
- After many years of nutrition research, avocados now qualify for the heart healthy check, a major success for the industry.

- The HAB Governance Committee has developed a comprehensive nomination packet to accompany the announcement of the upcoming HAB elections. There are currently three producer and two import member seats, along with the same number of respective alternates, which will be filled through the 2017 HAB Election process.
- HAB's Assessable Producer and Importer Committee is currently examining the feasibility of HAB implementing a producer/importer exemption similar to what CAC has done. The Committee's recommendation will be presented at the HAB March meeting for consideration.
- Access for avocados from Jalisco still has not yet been granted and due to politics outside of the avocado industry's control, it is uncertain when the agreement granting access will be signed.

Following Mr. Escobedo's report there was discussion about how CAC and HAB Boards can better network, communicate and integrate. Mr. Escobedo invited the CAC Board to attend HAB meetings and dinners as an opportunity to engage with HAB board members and staff. There was a question regarding how HAB conducts industry outreach to their constituents, to which Mr. Escobedo stated that industry engagement was a HAB strategic priority and that they now have a list of producer and importer members and would be conducting round table discussions and sending surveys to those groups to better understand how constituents would like to receive information from HAB.

WATER UPDATE

Mr. Wolk announced that he and Ken Melban, vice president of industry affairs, are still working hard on water issues, specifically more affordable pricing. He stated that they would be meeting with Metropolitan Water District (MWD) senior staff in March to discuss rate structure and he was optimistic they may see relief in those rates.

ADJOURN MEETING

Mr. Shade reminded the Board of the CAC Annual Meetings scheduled for March 28-30. He stated that members of the Executive Committee meeting would be attending all three meetings and that members and alternates should make every effort to attend the meeting in their respective areas.

Mr. Shade adjourned the meeting at 12:55 p.m. The next Board meeting will be held on Thursday, May 18, 2017 in Irvine, California.

The Atlantic article entitled *The Political Saga of Avocados* was provided as an informational item during this meeting and is attached to the permanent copy of these Minutes and identified as EXHIBIT H.

Respectfully submitted,

April Aymami, CAC Industry Affairs Manager

California Avocado Commission
Board Meeting Minutes
February 16, 2017

I certify that the above is a true statement of the Minutes of February 16, 2017 approved by the CAC Board of Directors on May 18, 2017.

Jason Cole, CAC Board Secretary

EXHIBITS ATTACHED TO THE PERMANENT COPY OF THESE MINUTES

- EXHIBIT A February 2017 Board Packet
- EXHIBIT B 2015-16 Business Plan Deliverables Handout
- EXHIBIT C California Avocado Commission Dashboard
- EXHIBIT D CAC 2017 Consumer Advertising Campaign Presentation
- EXHIBIT E CAC 2017 Media Schedule Handout
- EXHIBIT F CAC Board Orientation Session Recap
- EXHIBIT G Draft Board Member Guide
- EXHIBIT H The Atlantic article entitled *The Political Saga of Avocados*
- EXHIBIT I February 16, 2017 Board Meeting AB 2720 Roll Call Vote Tally Summary



CALIFORNIA AVOCADO COMMISSION

AB 2720 Roll Call Vote Tally Summary

To be attached to the Meeting Minutes

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| Meeting Name: <i>California Avocado Commission Regular Board Meeting</i> | Meeting Location: <i>California Avocado Commission 12 Mauchly, Suite L Irvine, CA 92618</i> | Meeting Date: <i>February 16, 2017</i> |
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| <i>Attendees Who Voted</i> | <i>MOTION 17-2-16-1</i> | <i>MOTION 17-2-16-2</i> | <i>MOTION 17-2-16-3</i> | <i>MOTION 17-2-16-4</i> | <i>MOTION 17-2-16-5</i> |
|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| John Burr | NOT PRESENT | NOT PRESENT | NOT PRESENT | Yea | Yea |
| Ryan Rochefort (Burr Alt.) | Yea | Yea | Yea | | |
| Jessica Hunter | Yea | Yea | Yea | Yea | Yea |
| Kellen Newhouse | Yea | Yea | Yea | Yea | Yea |
| Leo McGuire | Yea | Yea | Yea | Yea | Yea |
| Art Bliss | Yea | Yea | Yea | Yea | Yea |
| John Lamb | Yea | Yea | Yea | Yea | Yea |
| Jason Cole | Yea | Yea | Yea | Yea | Yea |
| Ed McFadden | Yea | Yea | Yea | Yea | Yea |
| Tyler Cobb | Yea | Yea | Yea | Yea | Yea |
| Rick Shade | Yea | Yea | Yea | Yea | Yea |
| Steve Taft | Yea | Yea | Yea | Yea | Yea |
| Gary Caloroso | Yea | Yea | Yea | Yea | Yea |
| Gene Carbone | NOT PRESENT | Yea | Yea | Yea | Yea |
| Donny Lucy (Carbone Alt.) | Yea | | | | |
| Robb Bertels | Yea | Yea | Yea | Yea | Yea |
| Nina Ames | Yea | Yea | Yea | Yea | Yea |
| Outcome | Unanimous | Unanimous | Unanimous | Unanimous | Unanimous |