

**CALIFORNIA CITRUS PEST AND DISEASE PREVENTION COMMITTEE
FINANCE SUBCOMMITTEE MEETING**

Meeting Minutes
Tuesday, April 4, 2023

Opening:

The Finance Subcommittee webinar was called to order at 9:00 A.M. on April 4, 2023, by Subcommittee Chair Bob Felts, Jr.

Subcommittee Members Present:

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| Bob Felts, Jr.* | John Gless, Sr.* | James McFarlane* |
| Dave Tomlinson* | Keith Watkins* | Jared Plumlee* |

Subcommittee Absent:

CDFA Staff and Guests:

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| Carl Baum* | Anmol Joshi* | Patty Tran* |
| Alisha Garcia* | Alex Muniz* | Nilan Watmore* |
| David Gutierrez* | Keith Okasaki* | Jason Wu* |
| Victoria Hornbaker* | | |

*Participated via webinar

Opening Comments

Finance Subcommittee Chairman, Bob Felts, Jr., welcomed Subcommittee members, guests and staff participating via webinar.

2022-23 Budget and Expenditures

Jason Wu presented the Citrus Pest and Disease Prevention Division (CPDPD) FY 2022-23 approved budget and expenditures. December 2022, January 2023, and February 2023 have closed in the Financial Information System for California (FI\$Cal). December 2022 closed with \$3,918,130 in expenditures, January 2023 closed with \$3,155,607 in expenditures, and February 2023 closed with \$3,054,355 in expenditures. The FY 2022-23 year-to-date total is \$23,878,067 with a remaining balance of \$20,571,687. James McFarlane asked about the general increase in expenditures for treatment activities. Victoria Hornbaker answered that prices and rates have increased significantly for new treatment contracts. Due to these increases, a cost analysis was conducted for self-treatments versus contracted treatments for small treatment areas and found that self-treatment was substantially less expensive. Bob asked about the high expenditures in Budget 17. Alisha Garcia answered that vehicle, telephone, and other various expenditures charge directly to Budget 17 and are then dispersed into the correct line items, which takes time to process and reflect on presentations. Carl Baum explained that starting next FY, Administration will have its own specific budget line item that is separate from Budget 17. This will allow the Administration costs to be reflected accurately without the influence of other various charges such as indirect and Pro Rata.

Bob asked if the indirect and Pro Rata is charged monthly or as a lump sum. Carl answered that indirect costs are charged monthly and Pro Rata is a lump sum that is charged at the beginning of the FY. Bob noted that after the close of February 2023, the year-to-date expenditures were trending similarly to the prior FY and asked for any comments on that. Victoria and Carl explained that it is largely due to when invoices from contractors and counties come in.

Review 2022-23 Revenue

Jason presented the FY 2022-23 revenue. From the previous meeting, CPDPD received \$4,291,900 in revenue bringing the year-to-date total of revenue received to \$5,846,013. This converts to a year-to-date total of approximately 83,514,471 cartons.

Fund Condition Statement Audit Final Findings

Bob stated that he and Keith Watkins had a meeting with Victoria, Carl, and David Gutierrez to discuss the Fund Condition Statement (FCS). Carl announced that the FCS audit is complete. An approximate \$10 million credit was anticipated to come to CPDPD as a lump sum move to CPDPD's General Fund appropriation, however the amount had been fully realized by the end of FY2017-18 via direct charges. Prior to FY 2019-20, CPDPD was a part of the Pest Detection/Emergency Projects (PDEP) branch and shared program funding, including the one-time \$10 million appropriation. It was the sole prerogative of PDEP as to how to expend the funds. The audit revealed that expenditures were being charged directly to the fund every month so at the close of FY2017-18, the \$10 million credit was fully realized. Also, during this time, PDEP was using an accounting system that was not authorized by the State and was providing reports to the subcommittee based on that system. The system was created by a single employee who is no longer with CDFA. When the employee left, all the financial data and information in this system were lost. Without access to this system, CPDPD staff cannot audit the reports the subcommittee was given for accuracy. In addition, nobody who was managing the money in FY 2017-18 still works for the State. Unless PDEP kept records, there is no way for CPDPD to know how the one-time \$10 million appropriation was spent by PDEP.

Jared Plumlee asked if the grower's account from assessments was separate from the Agriculture Fund (Ag Fund). Victoria explained that for most programs that collect revenue through assessments, the revenue goes into the Ag Fund. The amount within the Ag Fund that belongs to CPDPD is known from assessment tracking. Jared asked if there would be any benefit to having an account for growers separate from the Ag Fund. Victoria answered that it would add some work for CPDPD staff, but it could be discussed at a later time. Bob explained that CPDPD has great revenue tracking, and the issue is the potential that CPDPD paid for expenditures that were incurred by PDEP.

Carl stated that before CPDPD became its own division, it had to share resources with other programs whereas now, CPDPD has dedicated resources and has no financial or administrative ties to PDEP. He also explained the year-end-close disencumber cycle for contingency agreements. Contingency agreements must be liquidated out of the system and then added back in the new year. The reason for this is the total amount of

all the remaining agreements is larger than the authority CPDPD has from the Legislature. Therefore, moving forward, the FCS will continue to show a massive credit at the end of the FY to reflect disencumbrances to bring CPDPD within its authority and a reversal of the credit in the new FY when the agreements are added back in. For the next round of agreements and budgeting, CPDPD will try to make better estimates to mitigate the large shifts on the FCS. Carl stated that the CPDPD's revenue from recent years has fallen short of projections. This is another factor for the decrease in fund balance on the FCS. However, there is an ongoing project to liquidate a large number of past agreements that would increase the fund balance by a significant amount. Bob recalled that the FY21-22 carry-in was \$18.9 million.

Review NASS Valencia Projection

Jason announced that the National Agricultural Statistics Service (NASS) forecast for Valencia oranges is 16.2 million cartons which is 1.8 million less than the subcommittee's projection at 18 million cartons. Keith pointed out that the NASS projection shows that the average set per tree has increased from the prior year, but the amount of bearing acres has decreased by 1,000 acres from the prior year. Bob added that he noticed an increase in size of the Valencia's that are growing and feels comfortable with the subcommittee's projection. Subcommittee members agreed. Keith asked about the timeline for setting the assessment rate for the upcoming year. Victoria answered that the assessment rate is usually set around August and September, then it is re-evaluated in October and November for potential adjustments. Victoria mentioned that there will be an interim meeting in June to focus on budgeting for the upcoming FY starting July 1, 2023. Bob added that he would like to discuss the assessment rate at the interim meeting.

The meeting was adjourned at 10:03 A.M. The next Finance Subcommittee meeting will be held on June 13, 2023, at 9:00 A.M.