

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

Meeting Minutes
Tuesday, September 1, 2020

Opening:

The Finance Subcommittee webinar was called to order at 10:00 A.M. on September 1, 2020 by Subcommittee Chair Bob Felts, Jr.

Subcommittee Members Present:

Craig Armstrong* Bob Felts, Jr.* James McFarlane*

Subcommittee Members Absent:

Dr. Etienne Rabe Dave Tomlinson

CDFA Staff and Guests:

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| Carl Baum* | Victoria Hornbaker* | Preetika Pratap* |
| Karina Chu* | Anmol Joshi* | Kelly Salinas* |
| Ryan Fong* | Casey Kramer* | Michael Soltero* |
| Alisha Garcia* | Mark McBroom* | Claudia Vasquez* |
| David Gutierrez* | Jana Miscevic* | Jennifer Willems* |
| Amelia Hicks* | Alex Muniz-Chavez* | |

*Participated via webinar

Opening Comments

Finance Subcommittee Chairman, Bob Felts, Jr., welcomed the Subcommittee, guests and staff participating in person and via webinar.

Review 2019-2020 Budget

Ryan Fong presented the fiscal year (FY) 2019-2020 budget. June 2020 has closed in the Financial Information System for California (FI\$Cal), but has not been totaled by Citrus Pest and Disease Prevention Division (CPDPD) staff. The Citrus administrative staff are waiting for July and August salary reports, and contract invoices. All expenditures will be reflected on the manual tracking once received by CPDPD. Based on the manual tracking system for June 2020 expenditures are currently \$1,491,531 and the yearly expenditure total is \$18,967,110.

Ryan presented the expenditure projections for FY 2019-2020. The expenditures are projected by using the straight-lined method. The straight-line method averages the amount spent per month to calculate a projected total to be expended for the remaining months of a FY. Bob Felts asked if there was an alternative method to straight-line for projecting expenditures. Victoria Hornbaker explained for most programs the straight-line method works, but a few programs require alternative methods. Straight-line helps in anticipating contracts or programs to charge the full amount once a year, while programs such as Boarder Treatment, which occurs twice a year require alternative methods.

Ryan then presented the information from the Balance Sheet and the Fund condition Statement (FCS) based on the manual tracking data. He reminded the Subcommittee of a General Fund

shift of \$5,000,000 from the AB 281 fund to the General Fund for the year. Based on manual tracking data, CPDPD anticipates \$38,184,348 in reserves. Bob asked if CPDPD has identified the interest rate from the state treasurer on all CPDPD accounts. Carl Baum explained the Financial Branch Office is working on closing finances for the end of the fiscal year. Mark McBroom asked the Subcommittee if the fund balance of \$45,907,350 included funds for the Citrus Health Response Program (CHRP) and AB 281 fund. Bob explained there is a lag in expenditures that might reduce the balance to \$38,000,000.

Review 2019-2020 Revenue

Alisha Garcia presented the FY 2019-2020 revenue. The revenue for the month of August 2020 is \$961,630.50 with a yearly total of \$17,268,084.95. The remaining balance for total projected revenue is \$101,915.05 which is expected to be reached by the end of September 2020. The Subcommittee asked if assessments are assessed when the fruit enters the packing houses.

Victoria explained that packing houses self-report monthly assessments to CPDPD. The citrus harvesting season is from October to January. Between that time packers send in their monthly assessments or notify if they have nothing to report. The Subcommittee asked when all the FY 2019-2020 assessments are due and when will assessments start coming in for FY 2020-2021. Assessments are based on the bin tonnage that is entered by packing houses. Kelly Salinas from the Citrus Research Board (CRB) mentioned that the citrus harvesting season is from October 1st to September 30th and packing houses report on forty-pound equivalent coming from the field. CRB sends seasonal data submitted for the year to packing houses in September and asks them to confirm their submittals. CRB then does an audit in January for seasonal submittals. Once the audit is complete, any submittals to CRB after the January audit is for the next FY.

Review 2020-2021 Crop Estimate

Ryan Fong presented the FY 2020-2021 Crop Estimate projecting 2,600,000 cartons. Bob explained that in reviewing revenue assessments there was a recommendation to reduce the assessment remittance rate from nine cents (\$0.09) to eight cents (\$0.08). This is to anticipate the use of reserves from revenue and remaining FY 2019-2020 budget balance. The Subcommittee members agreed that the reduction of the assessment rate could be discussed at the next full committee meeting. The Subcommittee expressed concern regarding \$38,000,000 in reserves and funds needed for the Division to continue to operate per year. Victoria explained the state recommends at least six months in reserves to keep a program operable.

Review 2020-2021 Proposed Budget

Victoria presented prior FY budgets and expenditures. The total budget for FY 2017-2018 was \$41,326,098 with \$33,275,902 in expenditures, the total budget for FY 2018-2019 was \$40,056,061 with \$29,864,223 in expenditures, and the total budget for FY 2019-2020 was \$40,487,145 and currently is \$18,728,606 in expenditures. The proposed budget for FY 2020-2021 is \$42,248,157 with an indirect cost of \$3,863,045 based on personnel services. The proposed budget includes a 9.23 percent reduction from permanent staff salaries due to furloughs, permanent staff full benefits, and seasonal staff wages. CPDPD is waiting for an actual calculation for indirect cost from the Budget Office. Carl Baum created a projection for indirect costs based on prior year indirect costs. The Budget Office calculates indirect costs based on a statewide process called the annual budget cycle. Once the Budget Office has the final indirect cost, the office will allocate a percentage of costs to CPDPD.

Victoria mentioned that Jennifer Willems created a banking analysis of government accounts to present to the Subcommittee. Based on the analysis, the Bank of the West would be the best option for CPDPD to transfer funds for program activities. Bob would like to know the interest rate for the state account from the Budget Office before further discussing private funding sources.

The meeting was adjourned at 11:08 A.M. The next Finance Subcommittee meeting will be held on October 6, 2020 at 10:00 A.M.