



**CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)
SHIPPING POINT INSPECTION ADVISORY COMMITTEE (SPI)**

**April 5, 2023, Meeting Minutes
2600 Sand Dunes Drive, Monterey, CA 93940**

MEMBERS PRESENT

Louis Pandol
Christine Ivory – Chair
Patrick Smith

INTERESTED PARTIES

James Leggett, United
States Department of
Agriculture (USDA),
Agricultural Marketing
Service (AMS)

CDFA REPRESENTATIVES

Marcee Yount
Kevin Batchelor
Theresa Stewart
Roxann Bramlage
Mitch Randhawa
Sarah Cardoni
Thomas Osborn

MEMBERS ABSENT

None

ITEM 1: CALL TO ORDER

The meeting was called to order at 10:00 a.m. by Christine Ivory, Chairperson.

ITEM 2: INTRODUCTIONS/ROLL CALL

Roll was called by Sarah Cardoni, a quorum was established, and self-introductions were made.

ITEM 3: PUBLIC COMMENTS

There were no public comments.

ITEM 4: REVIEW OF MEETING MINUTES

Chair Ivory requested a motion to approve the May 24, 2022 Meeting Minutes as presented.

MOTION: Patrick Smith moved to approve the May 24, 2022 Meeting Minutes as presented. Louis Pandol seconded the motion. The motion passed unanimously, with no abstentions.

ITEM 5: COMMITTEE VACANCY AND TERMS REPORT

Cardoni provided the Vacancy and Terms Report. Current vacancies include: six members who are a shipper of fruit and vegetables using the inspection certification services of CDFA; one public member; and nine alternate members. Cardoni also provided the names of members who will be eligible for reappointment as of December 31, 2024.

ITEM 6: REVIEW OF THE PROPOSED FISCAL YEAR 2023/24 BUDGET

Kevin Batchelor presented the Proposed Fiscal Year (FY) 2023/24 Budget. The total for Personal Services is \$2,518,476; Operating Expenses and Equipment totaling \$18,047,116; Departmental expenses totaling \$2,336,449; and a \$200,000 Gas Tax credit, for a Total Program Budget of \$22,702,042.

Batchelor reported a \$700,000 increase in budget authority that was granted through a budget change proposal for additional food safety auditing staff. The Cooperative Agricultural Support Services Authority (CASS) had difficulties with recruitment and retention of staff that meet specific educational criteria and will now be recruited at the state level. Because some responsibilities have been shifted back to CDFA, there will be a reduction in the CASS contract forthcoming. Lastly, two Environmental Scientists were recently hired and may impact next year's CASS contract. Operating Expenses and Equipment have remained consistent; however, costs will increase for travel for the additional Environmental Scientists.

There has been a consistent 9% annual increase in the CASS contract and can be attributed to minimum wage increases. Many regions of the state are becoming increasingly difficult to recruit seasonal staff. For example, the starting wage for cherry inspectors is \$20 per hour and the Lodi SPI District Office still sees challenges each year maintaining adequate staffing levels for the season. Other entities to partner with have been looked at as current and future contracts must meet these demands. Operating processes were adapted to meet industry needs but cannot continue as shifting work and increasing the CASS contract 9% each year is unsustainable.

Batchelor highlighted budget trends and noted a \$200,000 increase in the Federal Government Fees line item. There was a 5% increase in the fee that CDFA pays to be able to conduct United States Department of Agriculture (USDA) inspections. This paired with the increase in revenue that came about from the influx of solicitations last year caused an increase in fees paid to USDA. The \$1,400,000 proposed for FY 2023/24 will sustain the program through the next cooperative agreement that begins in October.

The SPI Program accounting software Visual Account Mate (VAM) was updated, and the platform is now very secure. This will allow for National Commodity Inspection Program (NCIP) data to be uploaded directly into the system, thus eliminating the need for data entry staff. The program is seeking an increase in budget authority of \$385,000 to seek this enhancement to VAM.

MOTION: Louis Pandol moved to approve the Proposed CDFA FY 2023/24 Budget as presented. Chair Christine Ivory seconded the motion. The motion passed unanimously, with no abstentions.

i. Fund Condition Update

Batchelor presented the Fund Condition Update. As of January 31, 2023, the SPI Program's beginning fund balance was \$20,438,601. Total revenue was \$12,497,263, and available cash was \$32,935,864. Total expenditures were \$12,142,695, cash adjustments were \$642,040, with an ending operating reserve balance of \$20,151,129.

ii. Fee Schedule Revision

Batchelor discussed the Fee Schedule. In April 2020, it was recommended to the Committee a fee increase to a rate of \$46 per hour based on expenditure and revenue projections as it was anticipated that the year would end with \$13 million in revenue.

The significant revenue increase that resulted from the implementation of the Tomato Suspension Agreement (TSA) inspections eliminated the need to increase fees at that time in light of deficit spending. Revenue peaked in FY 2020/21 at \$20.8 million with the onset of TSA inspections but has been on a decreasing trend, with \$18 million in FY 2021/22, and \$18 million projected for FY 2022/23. If the current budget is fully expended, \$4 million will be needed from the reserve, leaving a starting reserve for next year at \$16 million. At that rate, holding all equal, the reserve would be exhausted in three years.

Chair Ivory asked what the target amount is for a healthy reserve. Batchelor responded that a six-month operating budget is ideal, but the program has been operating with a one-year reserve balance. A 10% reduction in fees to bring down reserve levels was adopted in FY 2011/12. In 2020, the reduction in fees was suspended after nine years. There has been a need to revisit fees but was never acted upon given the vulnerable state of the economy associated with the Covid-19 Pandemic. The program recommends the Committee consider a 10% increase in inspection fees, from an hourly rate of \$46 to \$50, beginning July 1, 2023. An alternative could be to revisit the fee adjustment in six months after the program gets a better idea of what the seasons will be like. A concern with waiting one year to adjust fees is that a 20% increase would be necessary to rebuild the reserve.

Another change in procurement is coming and because these are not typical users of SPI Program services, there will be significant initial costs. The program recommends that all future inspections are at an hourly rate of \$100 instead of \$46 to recover costs for these short-term customers. James Leggett, USDA Federal Program Manager, agreed that building an inspection team from the ground up takes a lot of effort and warrants the need to increase the fee for these customers. Batchelor noted that the increase will match the federal inspection rate to cover those additional costs to operate and perform those inspections. These inspections are a two-to-three-month cycle for each commodity, such as citrus, and coincide with peak seasons and require additional supervision.

Chair Ivory inquired about revisiting fees again if there were improvements to the reduction rate of the reserve. Batchelor replied that should the program be in a position to far exceed what is needed a meeting can be called early to adjust the fee rate in anticipation of the budget meeting. Louis Pandol suggested a teleconference be scheduled once the fiscal year closeout numbers are in to review the fund condition.

MOTION: Louis Pandol moved to increase the base inspection fee hourly rate from \$46 to \$50 to begin July 1, 2023, or by the closest corresponding percentage rate on a per unit basis. Chair Christine Ivory seconded the motion. The motion passed unanimously, with no abstentions.

ITEM 7: PROGRAM UPDATES

Mitch Randhawa presented commodity reports for almonds, avocados, table grapes, and tomatoes. For incoming almonds, 8,900 inspection certificates were issued, down 1,900 certificates from the previous season. Almond exports have declined by approximately fifty percent, with 31,000 inspections completed in the previous season

and 18,000 inspections completed so far for this season: a 130,000-ton decrease. Avocados are being inspected in the Los Angeles region at this time with 16 tons of fruit inspected so far this season. Table grape marketing order inspections begin April 10th in the Bakersfield and Dinuba SPI Districts. It is expected that there will be a slow for table grapes in the Coachella SPI District. Lastly, tomatoes inspected under the Tomato Suspension Agreement and Section 8e requirements of imported tomatoes from Mexico are significantly down in the San Diego area with 1,800 inspections completed last year and 1,000 inspections completed so far this year.

Theresa Stewart presented commodity reports for cherries, kiwis, and onions. These commodities have had decreased inspections due to extreme weather and staffing issues. Inspection certificates issued this year were 1,677 for cherries, 1,165 for kiwis, and 3,778 for onions.

Randhawa discussed the new inspection software National Commodity Inspection Program (NCIP). The software was deployed last year in March in the San Diego SPI District only and is being used to conduct import, export, and shipping point inspections. Presently, 15 commodities can be inspected using NCIP. The software will be deployed in the El Centro District to inspect imported onions. Next steps are to provide training to other SPI districts and utilize NCIP statewide. A long-term goal is using this system for domestic table grapes and cherries to simplify the process for inspection staff.

ITEM 8: NEXT MEETING/AGENDA ITEMS

The next meeting will be a teleconference held in the fall to discuss the FY 2023/24 Budget year-end closing numbers.

ITEM 9: ADJOURNMENT

The meeting was adjourned at 11:34 a.m. by Chair Ivory.

Respectfully submitted by:

Kevin Batchelor, Program Supervisor
Inspection and Compliance Branch
Inspection Services