

14th District Agricultural Association

SANTA CRUZ COUNTY FAIR

Established 1885



FINANCE COMMITTEE MEETING MINUTES

Finance Committee Meeting
2601 East Lake Avenue, Watsonville, CA
Tuesday, December 13, 2011
The Board Room

Approved by: _____

Date: _____

CALL TO ORDER: 11:10 AM

DIRECTORS PRESENT: Patrice Edwards, Chair; Loretta Estrada, Director; Jody Belgard-Akimoto, Director.

DIRECTORS ABSENT/EXCUSED: None.

OTHERS PRESENT: Emily Grunewald, Staff; Blanca Boyd, Staff; John Prentice, Ocean Speedway. David Kegebein; Lynn Grossi; Dawn White; Ann Ernst; Jon Chown; Register Pajaronian; Eric Zamost; Steve Stagnaro, Publicity; Bruce Oneto, Board member.

PUBLIC COMMENT:

David Kegebein: Mr. Kegebein noted that most public meetings provide copies of the materials to be considered during the meeting but stated that today's materials were only available in the office for a price. He also noted that the bar graphs in the financials for actual versus budget should include a similar comparison with the prior year.

Ms. Grunewald clarified that per direction from the AG's office, in order to cover the rising paper, printing and labor costs, Board and Committee materials now cost 25 cents per page but that emailed copies are free. Agendas are posted on-line, but the office does not currently have the capability to post a complete Board packet on-line without revamping the website.

FINANCIALS:

- 1. Review October and November 2011 Financials with Recommendations to the Board of Directors.**

Balance Sheet, October: Director Estrada questioned the discrepancy in the retained earnings line item with net reserve for operations in 2011 as \$45,157; however, in 2010, it is noted to be \$2,420,010. Ms. Grunewald offered to contact Sacramento about this but suggested that this is likely due to the coding adjustments made to the capital improvement line items that Mr. Ridgeway has had Staff do.

Lewis Ridgeway, CPA, Summary: Director Edwards distributed copies of Lewis Ridgeway's summary to the Committee and those present and expressed hope that this picture of where we are at today will help plot where we go in the future. Per this report, as of November 30, 2011, we have a loss of \$455,518 compared to a loss of \$171,842 in 2010 and that we have depleted our working capital to a dangerously low level, particularly if the master plan funds are considered to be restricted. Per consultation with F&E, Director Edwards noted that these funds can be deemed unrestricted if a Board motion is made in this regard and that a plan should then be put in place to replenish those funds with a proposed timeline as

well. This decision would also then have to be approved by F&E. Director Belgard-Akimoto noted that there are some outstanding invoices that should be paid against the Master Plan funds, and that she has requested that Sacramento provide a separate running tab for these funds so that the Board can see how it is being distributed and what bills are pending against it. With outstanding bills for the Master Plan paid, this balance will be approximately \$87,000. Director Belgard-Akimoto noted that the leave liability numbers are still incorrect but that what is listed is a sum total for all employees. The total for current accounts payable, as of November 30, 2012, is \$130,965, including almost \$34,000 owed to the Department of Justice. An updated accounting as of today was also provided to Director Edwards by Staff, and a few of these outstanding bills have indeed been paid, totally approximately \$80,000, which has been moved from the LAIF account. There was some discussion about the dates the invoices were paid, and it was suggested that the date paid be added to the spreadsheet in order to clarify this.

Ms. Grunewald clarified that there was a glitch in the computerized check writing system and that the large number of duplicated checks were dealt with and accounted for. Also thankfully, the bank did not charge us for the stop payment fees. Ms. Grunewald noted that the glitch has not been identified exactly, but the program has been rebooted and since then, there have been no more duplicate checks.

Anne clarified that the monthly fees paid to CFSA which includes charges at \$50 per hour to process our invoices and payroll also includes property and liability insurance for a total of approximately \$10,000 per month. Director Edwards noted that she will be working with Anne to break out the total hourly charges we pay to CFSA so that the Committee can determine whether Mr. Ridgeway's recommendation to use CFSA for more of an oversight role would be prudent or whether we should invest in bringing this accounting back in-house. It has been recommended that payroll continue to remain with CFSA regardless so that the insurance piece stays in place for that.

Dave Kegebein: Mr. Kegebein suggested that given the fact that the office is currently without a Fair Manager for oversight that the current overall accounting structure remains as status quo but that some of the in-house issues be addressed, and the Finance Committee concurred that no major financial structural changes would be prudent at this time.

Dawn White: Ms. White noted that a significant portion of the loss this last year was due to an approximately \$135,000 increase in administrative costs and that maintenance costs were not significantly greater than in past years as many had been led to believe. Director Edwards speculated that this was largely due to the number of 19-day employees hired by the previous Fair Manager. Director Edwards noted that the Board had taken note of this trend and had expressed disapproval for the number of people being paid on the Fairgrounds doing tasks previously done by more qualified volunteers. John Chown noted that a considerable portion of the maintenance expenses were moved into the capital improvement line items, so those figures cannot be compared accurately.

In response to Mr. Ridgeway's suggestion about the level of detail provided to the Finance Committee versus the Board, Director Edwards noted that this may require a Finance sub-committee to meet 10-12 days before the Board meeting in order to formulate what is presented to the Board. However, Director Belgard-Akimoto noted that the logistics of getting the financials in time for the Committee meeting will be an issue to contend with as well. Ms. White suggested that a profit and loss report may be a more appropriate presentation for the Board's review, and she offered to sit on the sub-committee.

Director Edwards reported that we have received an extension until January 15, 2012 to submit the 2012 budget, and that the Board should follow Mr. Ridgeway's advice in carefully crafting reality-based, conservative operating and capital budgets with Board oversight by a committee. Other sub-committees that the Board might want to consider forming include a finance sub-committee as noted above, a committee to help with marketing interim rentals, a committee to help with sponsorships, and a committee to help with maintenance decisions.

Dave Kegebein: Mr. Kegebein noted that it is really the Board's responsibility to act as oversight for the committees as structured by management and not to develop the committees themselves. Director Edwards concurred and suggested that a Board member at least be a part of each of these committees and not necessarily run them.

A discussion was held on how the CDs can be accessed. Director Belgard-Akimoto noted that the signatories will be changed with the new officers coming in and Ms. Grunewald noted that she believed a Board motion needs to be on record before they can be cashed.

Director Belgard-Akimoto clarified that two lump sums have been moved from the LAIF account to pay bills, and therefore the stated balance of \$145,200 is not current.

Review Open Invoices: Director Edwards suggested that the Committee review the open invoices and prioritize them for payment over the next 30, 60 and 90 days against projected income through April 2012 as well as determine what might be negotiated in a friendly way against in-kind contributions.

Ms. Grunewald noted that an effort is being made to get contracted payments in at least a month before scheduled events instead of at the last minute. Director Edwards expressed concern that there may be outstanding invoices that we are not aware of.

Dawn White: Ms. White suggested that the line items be reviewed for what can be cut or reduced in the future, and it was clarified that today the Committee is planning to review bills for services already provided and need to be paid for.

Director Estrada questioned whether the trailer for Preferred Plumbing should be paid as well as the bill for two ladies to walk around the Fairgrounds for five hours with Mr. Bethke, particularly since the expenditure of the latter came after the Board directed Staff to freeze all unnecessary spending.

Dave Kegebein: Mr. Kegebein inquired whether individual Board members have the jurisdiction to stop payment on individual checks or whether that is a larger issue to be taken up with management.

Director Edwards concurred that accounting practices is the larger issue, as outlined in #5 of Mr. Ridgeway's report. She further noted that all bills need to be sent to CFSA so that the Board has an accurate and current financial picture.

Ms. Grunewald clarified that until the last few months, all bills were indeed sent to CFSA and were paid promptly; however, with the current financial crisis, management had to be selective about what was sent to CFSA for payment since the instruction had been given to pay bills immediately as they are sent there.

Director Edwards clarified that alternate instructions can be given to CFSA to not pay bills immediately but still keep an accounting of what needs to be paid so that we know what our liabilities are.

Anne Ernest: Ms. Ernest noted that some bills indeed have arrived as a surprise, such as those from Preferred Plumbing, but that she is not aware of any further outstanding bills that have not been reported other than those that have just arrived in the mail in the last day or two.

Director Oneto inquired about an outstanding invoice for [Van Der Stere Engineering] dated November 19, 2010, and it was suggested that Anne Ernest research this.

Director Estrada inquired about what time frame the petroleum bill covers, and Ms. Grunewald clarified that to her understanding it is only billed when we need the fuel. However, Director Edwards asked about comparison numbers with the previous year since the amount seems to be rather high and since the use of fuel has been a source of concern in the past.

Contracts: A discussion was held regarding contracts for the 2012 Fair, and Ms. Grunewald clarified that those contracts exceeding \$5000 will be coming before the Board for approval and that Mr. Zaro has only asked that we book the walk-around acts and a few others. Mr. Stagnaro further noted that Mr. Zaro needs to know whether he is the entertainment director for next year and what his budget is so that he can start booking acts at the WFA convention at the beginning of January. Director Edwards suggested that approval of the Marketing and Entertainment Directors should really occur in October so that they have proper authority to book events and start marketing; however, both gentleman have historically acted in good faith and proceeded as though they have contracts. Staff noted that Mr. Zaro will have his budget in hand though before the WFA convention. Director Oneto suggested that the Board have a meeting the first week in January to settle this budgeting issue, because if we give Mr. Zaro the go ahead to book acts per usual it will be with funds that we do not have and that we need to plan for how to pay for them. Director Oneto further noted that if we have 80% of the community's support to move forward that things will fall into place. Ms. Grunewald noted that the Board has already approved the contract for the sea lions and that the contracts have been approved for Michael Mezmer, Nancy MacLean as a stage act, Fables of the West as a walk-around cowboy act, and wrestling as the Sunday event. Mr. Stagnaro suggested that whatever lump sum the Board decides on for entertainment to give that guideline to Mr. Zaro and let him make the micromanagement choices as to how to spend it. Mr. Stagnaro also noted that a soft figure can go into the budget for marketing in January but that he does not really need a hard number until July, so that figure can be adjusted down if need be between now and then.

Director Edwards re-capped the decisions made today:

1. A committee will be formed with two Board members to work on the 2012 budget.
2. A committee will be formed with two Board members to review the financial process and how that integrates with CFSA.
3. A motion will need to be made to withdraw funds from the CDs and move them into the working capital.
4. That the Board considers breaking into some sub-committees over the next two to three months to review rentals, sponsorships, maintenance, finance and marketing.
5. That Mr. Ridgeway's report be distributed to the Board for their review as a summary document of our current financial picture.

MINUTES: Director Estrada moved and Director Belgard-Akimoto seconded the motion to approve the Minutes of the November 15, 2011 Finance Committee meeting as presented. The motion was carried.

ADJOURNMENT: The meeting was adjourned at approximately 12:58 PM.

