

FINAL MINUTES

Virginia Agricultural Council
The Martha Washington Inn
Abingdon, Virginia
August 25 - 26, 2016

The Virginia Agricultural Council held their official annual meeting on August 25 & 26, 2016, at The Martha Washington Inn in Abingdon, Virginia. The meeting's purpose was to review the final grants approved for the upcoming fiscal year, the Council's financial status and view first hand projects funded by the Council.

Thursday August 25, 2016

The meeting was called to order at 8:30 a.m., by Chairman T.D. Watkins.

Members present were:

| | |
|-------------------------------|-----------------|
| Joseph Barlow | Jason Bush |
| Kathy Coffee | Alan Worrell |
| John R. Hall, III | Ashley Hardesty |
| Cecil "Sonny" Meyerhoeffer | Mark Newbill |
| Tscharner "T.D." Watkins, III | Lynn St. Clair |
| Commissioner, Sandy Adams | |

Council Members absent: Phil Glaize, Kimberley Nixon, Jeff White, Travis Croxton

In attendance:

VA Tech, Dr. Saied Mostaghimi
VDACS, VDACS, Deputy Commissioner, Charles Green
VDACS, Director of Administrative and Financial Services, Jennifer Cavedo
VDACS, Administrative and Financial Services, Margie Gehler
VDACS, Don Ayers, retired Executive Director VAC
VDACS, Larry Harris, Executive Director VAC

Chairman Watkins began the meeting at 8:30 am and welcomed everyone in attendance. Chairman Watkins expressed his appreciation and gratitude to Jason and Paige Bush for their assistance with the arrangements for the tours and with other details. Chairman Watkins asked that each person in attendance introduce themselves. He introduced, Larry Harris as the new Executive Director of Virginia Agriculture Council. Mr. Harris has been with the state 39 years and recently retired from VDACS. He was the Director of Facilities in charge of building projects and statewide facilities and farmer's markets maintenance programs. Larry will be taking over starting in September.

Chairman Watkins asked Commissioner Adams to give an agency update to Council members. Commissioner Adams discussed recent trends and topics that included an increase in staff turnover and pollinator protection policy. She also thanked all Council members for their service and dedication.

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Chairman Watkins asked Dr. Saied Mostaghimi with Virginia Tech to provide Council members with an update on Virginia Tech. Dr. Mostaghimi thanked Council members for inviting him to the meeting. He noted that classes had begun and three departments Crop and Soil Environmental Sciences (CSES), Plant Pathology, Physiology and Weed Science (PPWS) and Horticulture have begun the merge into one large department which will be known as The School of Plant and Environmental Science. He informed Council members of the initiative that has begun to update all of the technology and equipment at all of the statewide AREC's. The goal is to be complete by the fall of 2017. There are current discussions with VT administration regarding the appropriate amount needed for this purpose and will involve the agricultural industry in discussing the next steps.

Minutes from the March 2016 meeting were discussed. Chairman Watkins asked for a motion to approve the minutes. Kathy Coffee motioned to accept the minutes as presented and Alan Worrell seconded the motion. The motion passed by unanimous vote of Council.

Chairman Watkins asked Jennifer Cavedo to review the financial reports with the Council. Ms. Cavedo began by discussing the FY 2015-2016 Year End Financial Statement.

Ms. Cavedo presented the financial condition of the Council through June 30, 2016. The beginning cash balance as of June 30, 2015 was \$386,329.80, revenues were \$364,744.14 and expenditures were \$318,354.29 which brought the YTD balance to \$432,719.65.

| Virginia Agricultural Council Financial Statement for July 1, 2015 - June 30, 2016 Revenue & Expenditures | | | |
|--|-------------------------------|-------------------|---------------------|
| Cash balance - June 30, 2015 | | | \$386,329.80 |
| <u>Add: Revenues</u> | | | |
| | Feed Tonnage | \$255,509.37 | |
| | Seed | 35,812.34 | |
| | Fertilizer Tonnage | 45,046.44 | |
| | Lime Tonnage | 24,894.97 | |
| | Motor Fuel | 1,182.66 | |
| | Interest and Miscellaneous | <u>2,298.36</u> | |
| Total Balance and Receipts | | \$364,744.14 | \$751,073.94 |
| <u>Less - Expenses</u> | | | |
| | Postal/Printing/Miscellaneous | \$4,809.11 | |
| | Travel - Members Meeting | | |
| | Expenses | 15,261.20 | |
| | Management Expenses | 15,068.87 | |
| | Grant Expenditures | <u>283,215.11</u> | |
| | | \$318,354.29 | |
| Cash Balance - June 30, 2016 | | | <u>\$432,719.65</u> |

Ms. Cavedo's next presentation slide addressed the Seed Fund Balance. At the last Council meeting members voted to adopt the same accounting methodology as non-seed fund to the seed fund. This slide represented the seed fund financial statement for the year. The beginning balance as of June 30, 2015 was \$60,703.65 added was revenue of \$35,812.34 and less expenses of overhead \$7,149.16 and grants paid out \$40,194.00 left the cash balance in the seed fund as of June 30, 2016 at \$49,172.83.

| Seed Fund - 2015-2016 | |
|---|-------------------------------|
| Cash balance - June 30, 2015 | <u>\$60,703.65</u> |
| <u>Add: Revenues</u> | <u>35,812.34</u> |
| Total Balance and Receipts | <u>\$96,515.99</u> |
| <u>Less - Expenses</u> | |
| Overhead | 7,149.16 |
| Grant Expenditures | <u>40,194.00</u> |
| | <u>47,343.16</u> |
| Cash Balance - June 30, 2016 | <u>\$49,172.83</u> |

The next slide showed both Seed and Non-Seed fund allocations side by side

| Fund Allocation 2015-2016 | | | |
|---|--------------------------------|--------------------------------|-------------------------------|
| | Total | Non Seed | Seed |
| Cash balance - June 30, 2015 | <u>\$386,329.80</u> | <u>\$325,626.15</u> | <u>\$60,703.65</u> |
| <u>Add: Revenues</u> | \$364,744.14 | \$328,931.80 | \$35,812.34 |
| <u>Less - Expenses</u> | <u>\$318,354.29</u> | <u>\$271,011.13</u> | <u>\$47,343.16</u> |
| Cash Balance - June 30, 2016 | <u>\$432,719.65</u> | <u>\$383,546.82</u> | <u>\$49,172.83</u> |

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Ms. Cavedo directed attendees to view the Revenue Differentials Spreadsheet (see spreadsheet below). She explained this spreadsheet compares the revenue for 2015-2016 to the five-year average for revenue. The spreadsheet shows a substantial difference in seed revenue by 51.07%, but Ms. Cavedo explained this to Council by reminding them a company that erroneous over reported in 2014-2015 and VDACS issued a refund this past fiscal year which accounts for the significant difference.

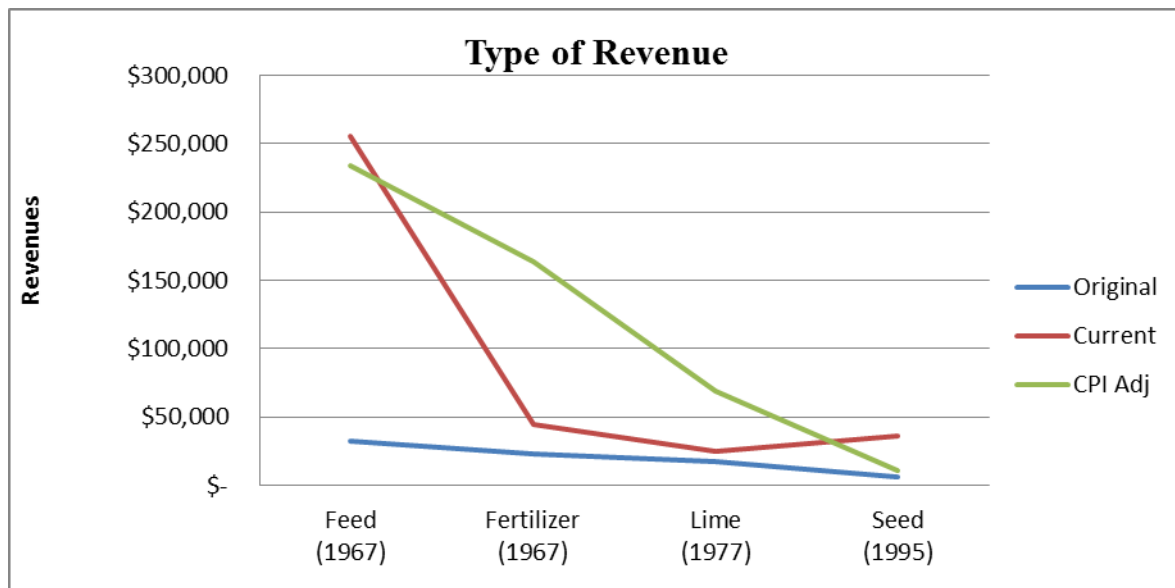
| REVENUE DIFFERENTIALS 2012-2016 | | | | | | | | |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------------|
| | | | | | | | 2016 | |
| | | | | | | | 5 YR AVG | (UNDER) %(UNDER) |
| | | | | | | | OVER | OVER |
| | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2012-2016 | 5 YR AVG | 5 YR AVG |
| Feed Tonnage | 236,544.74 | 224,483.55 | 227,126.96 | 272,115.82 | 255,509.37 | 243,156.09 | 12,353.28 | 4.83% |
| Fertilizer Tonnage | 37,951.53 | 33,919.58 | 41,385.43 | 37,495.10 | 45,046.44 | 39,159.62 | 5,886.82 | 13.07% |
| Lime Tonnage | 21,998.60 | 24,666.45 | 23,622.09 | 22,177.29 | 24,894.97 | 23,471.88 | 1,423.09 | 5.72% |
| Motor Fuel | 3,536.74 | 2,069.79 | 1,512.48 | 2,376.83 | 1,556.46 | 2,210.46 | (654.00) | -42.02% |
| NON SEED TOTAL | \$300,031.61 | \$285,139.37 | \$293,646.96 | \$334,165.04 | \$327,007.24 | \$307,998.04 | \$ 19,009.20 | 5.69% |
| Seed | \$48,358.05 | \$56,069.43 | \$59,130.16 | \$71,138.22 | \$35,812.34 | 54,101.64 | (18,289.30) | -51.07% |
| TOTAL | \$348,389.66 | \$341,208.80 | \$352,777.12 | \$405,303.26 | \$362,819.58 | \$362,099.68 | \$ 719.90 | 0.18% |

Ms. Cavedo presented the next slide which was a review of how the administrative costs are calculated and charged back to Seed Fund. This formula was established by the Office of the Attorney General as the Seed Fund was not originally part of the Council and was they were not paying into the administrative costs incurred by VAC. Ms. Cavedo discussed the formula used to charge the administrative costs for the Seed Fund, which is based on a five-year average. In FY2016, the seed revenue 5-year average was \$54,101.64 and 12.52% of the total expenses are \$6,775.06.

| 5 YEAR AVERAGE-BASED ON EXPENSES | | | | | | |
|---|------------|------------|------------|------------|------------|-------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | AVERAGE |
| TOTAL EXPENSES | 357,612.91 | 222,607.53 | 378,417.01 | 275,254.53 | 318,354.29 | 310,449.25 |
| ADMINISTRATIVE COST | 35,590.85 | 42,997.14 | 39,504.98 | 41,153.24 | 35,139.18 | 38,877.08 |
| ADMINISTRATIVE COST AS A PERCENTAGE OF TOTAL EXPENSES | | | | | | 12.52% |
| SEED REVENUE | 48,358.05 | 56,069.43 | 59,130.16 | 71,138.22 | 35,812.34 | 54,101.64 |
| SEED FUND SHARE OF ADMINISTRATIVE COST 2016-17 | | | | | | \$6,775.06 |

Mark Newbill made a motion to approve the Seed Fund share of administrative costs. The motion was seconded by Kathy Coffee and passed unanimously by the Council.

The next slide in the presentation shown was in response to a request from the Council at March's meeting to take the revenue figures in a graph and compare them using the Consumer Price Index (CPI). The chart below show revenues adjusted for CPI.



Mark Newbill motioned to approve the Financial Report and Joe Barlow seconded the motion. The motion to approve the Financial Report was passed by a unanimous vote of the Council.

At this time Council members were asked to review their respective committee assignments and request any changes at this time. The committee assignments were made to review proposals based on their expertise. No changes to the current assignment were made. The committee assignments are listed below.

| COMMODITY GROUPS | MEMBERS |
|--|--|
| Aquaculture | Newbill, Croxton, Watkins, Hall, St. Clair, Barlow |
| Fruit/Wine | Worrell, White, St. Clair, Glaize, Watkins, Croxton, Hall |
| Livestock: Dairy Poultry Hogs Beef Sheep Goats Horses | Meyerhoeffer, Hardesty, Newbill, Bush, Nixon, Worrell, St. Clair |
| Nursery/ Forestry | Glaize, Watkins, Coffee, Hall, White, St. Clair |
| Row Crops | Nixon, Barlow, Coffee, Meyerhoeffer, Hardesty, Bush |
| Turf/Seed | Watkins, Hall |
| Vegetable | St. Clair, Glaize, Watkins, Worrell, Croxton, Coffee |
| Educational | All Council members |
| Miscellaneous Agriculture | All Council members |

Chairman Watkins opened the floor to public comment. No public comments were made.

Chairman Watkins shared plans for the March meeting to be held in Staunton, Virginia at The Stonewall Jackson Hotel on March 27 and March 28, 2017.

Margie Gehler gave the Council a brief overview of the tours that were planned following this meeting.

Joe Barlow moved to adjourn the meeting. Mark Newbill seconded. The motion passed by unanimous vote of Council and the meeting adjourned at 9:12 am.

Approved:

Tscharner D. Watkins, III,
Chairman

Cecil W. Meyerhoeffer
Vice-Chairman

