

AMERICAN PECAN COUNCIL

GOVERNANCE COMMITTEE

Tuesday
July 28, 2020
3:00 p.m. Central Time

<https://us02web.zoom.us/j/85620421371>

or

CONFERENCE CALL:
1 (346) 248-7799
passcode: 856 2042 1371

MINUTES

I. CALL TO ORDER – Mike Adams, Chairman

Chairman Mike ADAMS call the Governance Committee to order at 3:05 p.m.

A. The following Committee members were in attendance:

Mike ADAMS
GL STRALEY
Dan YORK
Trent MASON
Larry WILLSON

STAFF:

Alex OTT	American Pecan Council
Jeff SMUTNY	American Pecan Council
Emma GARNER	American Pecan Council
Julianna KECK	American Pecan Council
Deborah BARNETT	American Pecan Council

OVERSIGHT:

Jenn VARELA	USDA
Tom NAPLEPA	USDA
Chris NISSEN	USDA
Chris PLUG	USDA
James EXUM	USDA
Pushpa KATHIR	USDA

GUEST:

Matthew BAILEY
Catherine CLARK

Blair KREBS
Samantha MCLEOD
Milly ADAMS

B. Having received a sufficient number of committee members a quorum was Established

C. APPROVAL OF PREVIOUS MINUTES

MOVED by GL STRALEY duly seconded by Larry WILLSON and unanimously carried THAT the minutes of 4-16-2020 be approved. **(MOTION 7-2/-2020 #1)**

D. CHAIRMAN UPDATE

Chairman Mike ADAMS gave an update and also thanked Bruce CARIS for his service and contribution to the APC.

II. FINANCIALS

A. Review of Current Financials

Armstrong Backus oversees the financials of the APC. The Council Treasure shall present the latest financial report. GL STRALEY present the APC financial report.

MOVED by Dan YORK, duly seconded by Larry WILLSON and unanimously carried THAT the Committee approve the financial report presented. **(MOTION 7-28-2020 #2)**

II. COMPLIANCE

As part of an USDA Federal Marketing Order, permission from USDA is required in order to seek the help of outside counsel. Should the APC need to use outside counsel for any reason during the year, a Council meeting would have to be conducted to obtain permission from the APC to seek outside counsel and then requested to USDA. This action already seeks permission from APC, should outside counsel be needed during the next fiscal year. This is a proactive step and may or may not be needed. It is very common for an FMO to have permission from the Council instead of calling for a special meeting.

Additionally, in an effort to transfer budget items within the budget, the Executive Director may do so, provided there is oversight by the Chairman. Otherwise a Council meeting would have to be called for each and every potential line item change. Last year, the Council established the precedent to allow the approval of line item transfers with oversight by the Chairman. This action will be needed, unless put into policy each year.

Furthermore, there are times when projects or programs that were approved for funding will not be completed within the approved fiscal year. As a result, an approval for no-cost extensions is needed. Otherwise, the Council would have to approve and USDA reauthorize the project currently under way. This action allows the Executive Director to approve no-cost extensions, with oversight by the Chairman, to allow the project to be completed, provided that there are no additional funds needed. Should additional funds be needed, then the project would have to be brought back before the Council.

Lastly, to ensure projects start on time, reserve dollars are needed. By approving reserve dollars to assist funding 2020-2021 budget, the Council authorizes current dollars to start these projects for the next fiscal year.

A. Selection of FAIR Act RFP

In April, the Council approved \$50,000 from the 2019-2020 Contingency Fund to conduct the mandatory Federal Activities Inventory Reform (FAIR) Act Study. To conduct the study, the American Pecan Council must hire a reputable firm or University to conduct the report.

After the April Council meeting, staff published a Request for Proposal. After six weeks only one proposal was received. The proposal is from Dr. Williams and Dr. Capps from Texas A&M.

Overall, the proposal cost \$50,000 and is a very well thought out project. Recommendation from the staff is to approve the study and have it completed prior to the referendum.

MOVED by GL STRALEY, duly seconded by Dan YORK and unanimously carried THAT the Committee approve the submitted RFP for the Fair Act Study. **(MOVED 7-28-2020 #4)**

B. Approval of Policy on Indirect Cost.

Currently, the APC has a policy that states any research projects are paid on a 20-40-40 percent basis. This keeps the accountability of these projects in check, while providing necessary updates to the APC and staff on progress of the projects. However, several states have proposed indirect costs as high as 50%. For example if there is a \$100,000 research project, 50% of the project would be used for indirect costs and not used to the project.

APC reached out to USDA to see if there is a rule or guidance relating to indirect cost. However, no guidance is available. APC reached out to several other organizations to see their indirect cost policies. Several organizations have specific guidance that there shall be no indirect costs as part of the project to "shall not exceed 10-15%".

Currently, the APC has not paid for indirect costs for any of its research projects. However, it would be wise to establish a policy for APC on indirect cost. APC staff is recommending indirect cost shall not exceed 10% of the project costs.

MOVED by Larry DON, duly seconded by Dan YORK and unanimously carried THAT the Committee approve a policy not to exceed 10% for indirect cost expenses relating to APC research projects. **(MOVED 7-28-2020 #5)**

IV. BUDGET

A. Review & Approve Recommendation of 2020 – 2021 G&A & Compliance Budget

Each year, the Council must approve a budget. This portion of the budget focuses on the General Administration and Compliance portions of the APC budget.

G&A	-	\$1,425,000
Compliance	-	\$ 246,000

TOTAL: \$1,671,000

MOVED by GL STRALEY, duly seconded by Trent MASON and unanimously carried that the Council approve the 2020-2021 General Administration and Compliance Budget. **(MOVED 7-28-2021 #6)**

B. Review of 2020 – 2021 Assessment Rates

As you may know, the National Pecan Federation has submitted a proposal to create a Research & Promotion (R&P) Board for the Pecan industry. If successful, the newly created American Pecan Promotion Board (APPB) would conduct marketing and research activities while collecting assessments from both US and foreign producers. As a result of the program, it has been stated that the U.S. industry would not pay any additional assessments to create the program. Specifically, the U.S. industry pays three cents per pound on improved varieties and two cents for native and substandard varieties.

To ensure that the industry does not pay more than current assessments, the APC would have to review and approve a lowering in the assessment rate. The Governance Committee will review with the Council a proposal to ensure that the assessment rate will be reduced to ensure that the U.S. industry does not pay more than current rates.

Furthermore, the AOC has spent an average of 71% of its budget on Marketing and promotion activities over the last two years. Should these activities be moved to the new Research and Promotion program, the remaining AOC activities will be covered on a one cent per pound assessment. These activities include: Market Access Program and Emerging Market Activities, grades & standards, Section 8€ activities, compliance, industry relations and data and statistics reporting.

However, it has been brought to the APC’s attention that the R&P program will not be established until January or possible February of 2021. As a result, it is being recommended that the APC resend its April motion and return the assessment rate to the normal three cents for improved and two cents for native and substandard pecans.

MOVED by Dan YORK, duly seconded by Trent MASON and unanimously carried THAT the Council approve the Governance Committee's recommendation for the assessment rate for the 2020-2021 FY. (**MOVED 4-28-2020 #7**)

V. EXECUTIVE SESSION - PERSONNEL MATTERS

A. Committee During Executive Closed Session Shall Discuss Personnel Matters Relating to Staff

NO ACTION TAKEN

VI. NEW BUSINESS

No new business.

VII. ADJOURNMENT

MOVED by Trent MASON, duly seconded by Larry WILLSON, and unanimously carried THAT the Committee meeting be adjourned at 4:05pm

ACTION ITEM SUMMARY

MOTION 7-2/-2020 #1

MOVED by GL STRALEY duly seconded by Larry WILLSON and unanimously carried THAT the minutes of 4-16-2020 be approved.

MOTION 7-28-2020 #2

MOVED by Dan YORK, duly seconded by Larry WILLSON and unanimously carried THAT the Committee approve the financial report presented.

MOVED 7-28-2020 #3

MOVED by Trent MASON, duly seconded by GL STRALEY and unanimously carried THAT the Committee approved:

- A. Approval of Legal Counsel for Employee Related Activities
- B. Approval of Line Item Transfers with Oversight by Chairman
- C. Approval of No-Costs Extensions with Oversight by Chairman
- D. Approval of Utilizing Reserve Dollars to Assist in Funding 2020 – 2021 Budget

MOVED 7-28-2020 #4

MOVED by GL STRALEY, duly seconded by Dan YORK and unanimously carried THAT the Committee approve the submitted RFP for the Fair Act Study.

MOVED 7-28-2020 #5

MOVED by Larry DON, duly seconded by Dan YORK and unanimously carried THAT the Committee approve a policy not to exceed 10% for indirect cost expenses relating to APC research projects.

MOVED 7-28-2021 #6

MOVED by GL STRALEY, duly seconded by Trent MASON and unanimously carried that the Council approve the 2020-2021 General Administration and Compliance Budget.

MOVED 4-28-2020 #7

MOVED by Dan YORK, duly seconded by Trent MASON and unanimously carried THAT the Council approve the Governance Committee's recommendation for the assessment rate for the 2020-2021 FY.

MOVED 4-28-2020 #8

MOVED by Trent MASON, duly seconded by Larry WILLSON, and unanimously carried THAT the Committee meeting be adjourned at 4:05pm