

CALL TO ORDER

The California Travel and Tourism Commission (Visit California) Executive Committee Meeting was held in Anaheim, Calif. at 2 p.m. PST Monday, July 20, 2015, with Chairman Michael E. Rossi (Governor's Office) presiding.

Attendance

Michael E. Rossi (Governor's Office); Noreen Martin (Martin Resorts); Jot Condie (California Restaurant Association); Jeff Senior (Fairmont Raffles International); Gary Buffo (Pure Luxury Transportation); Michael Colglazier (Disney Resorts)

Also in attendance: Sima Patel (Ridgemont Hospitality); Grace Arupo-Rodriguez (Governor's Office of Business and Economic Development); Scott Plamondon (Weintraub); Caroline Beteta (Visit California); Matt Sabbatini (Visit California); Amber Luiz (Visit California)

Absent

Aaron Medina (The Hertz Corp.); Will Withington (Enterprise Holdings); James Birmingham (Montage Laguna Beach)

Motion by Commissioner Senior to approve the May 21, 2015 Executive Committee minutes. Second by Commissioner Buffo. Motion unanimously approved.

Yes votes:

1. Michael E. Rossi (Governor's Office)
2. Noreen Martin (Martin Resorts)
3. Jot Condie (California Restaurant Association)
4. Jeff Senior (Fairmont Raffles International)
5. Gary Buffo (Pure Luxury Transportation)
6. Michael Colglazier (Disney Resorts)

No votes: None

Abstentions: None

Michael E. Rossi – Chairman (Governor's Office)

1. Chairman Rossi opened the meeting with some background and perspective regarding the purpose of the July 20, 2015 meeting.
2. Chairman Rossi noted that this meeting was organized after months of discussions, to strategically guide the financial and operational aspects of Visit California, as well as discuss the current governance structural stability given the dramatic change in investor contributions.
3. As a \$50 million organization, the operations and finances worked well under the policies and procedures instituted by years of financial oversight by the chief fiscal officer, board, audit committees and staff support.
4. As Visit California moves into the next phase, as a \$100 million plus organization, it is important to determine if those same operating policies and procedures are still the most efficient given the new environment.

5. Currently there are no major operating issues to be resolved – as the organization is running smoothly, and the operational integrity is currently strong. Chairman Rossi posed the question... “Do we make any changes for this next phase?”

OPEN DISCUSSION AND SWOT ANALYSIS

See attachment.

OPEN DISCUSSION ON THE CURRENT FINANCE AND ACCOUNTING STRUCTURE

Staff presented an overview of the current operational structure at Visit California – from receipt of accounts payables and receivables, through payment and audits, including the involvement of Moss Adams. Currently Moss Adams reviews conducts the monthly reconciliations and reviews all financial transactions occurring within the organization.

Staff also discussed the current structure of insourced vs outsourced accounting activities.

<i>Current Internal Accounting</i>	<i>Current Outsourced Accounting</i>
Accounts Receivable	Reconciliations
Accounts Payable	Quarterly Financial Compilations
General Ledger	Tax Return Preparation
Procurement	
Budgeting	
All other Finance and Accounting Activities	

From 2005 to 2006 the budget increased from \$7.5m to \$50m (a 567% increase). From 2014 to 2015 Visit California will increase from \$62m to \$116m (an 87% increase.) Over the past several years the Visit California team has been building operational infrastructure to support the Dream Bid Dividend, including updating policies, implementing new systems, automation, and other items. Matt covered the several layers of internal and external compliance that helped result in Visit California receiving 17 consecutive years of unqualified audits.

The current charter of the Audit Committee dictates that the outside CPA firm (currently Moss Adams) reports to Visit California’s Audit Committee (chaired by board member Sima Patel – Ridgemont Hospitality).

Open discussion resulted in a recommendation to bring forward to the Audit Committee.

The recommendation is:

Visit California to handle all reconciliations and financial statement preparation internally, instead of handling through an outsourced CPA firm. This will be accomplished through the hire of a Chief Financial Officer (previously approved) and other additional finance staff to report to the Chief Operating Officer. The Visit California Audit Committee will engage a CPA firm to review the reconciliation and financial statements, the firm would

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report directly to Visit California's Audit Committee. Tax returns would continue to be handled by outside CPA firm.

Procedurally, the Audit Committee will meet to vote on new finance structure. A recommendation would then be brought to the Executive Committee for vote, and if approved it would be sent to the full Commission for final approval. Target implementation for first reviewed financial statement is February, with the hiring process starting in October if approved by the Commission.

OPEN DISCUSSION RE: BOARD MEETING AND FINANCE PRESENTATION PROTOCOLS

Chairman Michael E. Rossi (Governor's Office) asked that the committee consider how operational and financial matters are reported to the board, stating that in any given meeting, only a small fraction of time is spent in discussion and approval of finances.

The committee decided as a group to refocus board meetings, so operations and finances are better communicated – including an extended presentation once a year, after the annual audit. The next meeting will now begin with operations and finance.

OPEN DISCUSSION: OVERALL GOVERNANCE STRUCTURE

Given the significant growth in budget and dramatic change in overall industry contributions (and understanding that the guiding statute was crafted nearly 20 years ago), the committee held an open discussion on the existing governance structure of the organization and whether or not changes should be made that better reflects and optimizes the operating structure to support all constituent interests.

There was a general sentiment that the CEO should be reporting solely to the board of directors to better clarify roles and responsibilities from a pure mission driven perspective. However, opinions varied on the following topics: future board chair designation (post Brown Administration); day-to-day management of the assessment program/staff; oversight of regulations; and whether or not Visit California should be housed in the Governor's Office. Other discussion items included the need for Bagley-Keene Open Meetings oversight and refinement of conflict of interest filings for board members.

Legal ambiguity persisted for many of these discussion topics with some obviously needing a change in the governing statute. A short term and long term plan evolved, based upon the existing set of regulations and governing statute perimeters. Vice Chair Condi suggested staff seek legal clarity to the extent feasible on the more ambiguous items, and that more discussion could continue with the executive committee at the fall board meeting and then ideally put before the full board for consideration as well on all areas of consent.

OTHER MATTERS

Other items discussed:

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- Positioning regulations to remove some authority from the Governor's Office, so that the organization is still run based on board guidance and not the Governor's needs
- Communicating the "Why Travel Matters" message across the state, specifically to legislators. Include research from all legislative districts, jobs impacts and human interest stories to further communicate that tourism is one of the state's three main industries

AGENDA ITEMS FOR FUTURE MEETINGS

- Discuss public affairs initiatives
- Update on board contingency plans - reserve

PUBLIC COMMENT

Chairman Rossi opened the floor for public comment. There was none.

ADJOURNMENT

Motion by Commissioner Condie to adjourn the Executive Committee Meeting. Second by Commissioner Colglazier. Motion unanimously approved