

**California State Athletic Commission**

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Sacramento, CA 95815  
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Members of the Commission

Commissioner John Frierson, **Chair**  
Commissioner Eugene Hernandez, **Vice-Chair**  
Commissioner Van Buren Lemons, M.D.  
Commissioner Mike Munoz  
Commissioner Christopher Giza, M.D.  
Commissioner Linda Forster

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**Action may be taken on any item listed on  
the agenda except public comment.  
Agenda items may be taken out of order**  
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TELECONFERENCE MEETING  
OF THE  
CALIFORNIA STATE ATHLETIC COMMISSION

**June 26, 2012**

***Teleconference Locations:***

**Bureau of Automotive Repair  
1180 Durfee Avenue, Suite 120  
South El Monte, CA 91733**

**The Palmer House- Hilton Hotel  
17 East Monroe Street  
Chicago, IL 60603**

**Radisson Blue Scandinavia  
Holbergsgt, 30 N-0166  
Oslo, Norway**

# **AGENDA**

**12:00 Noon PST**

**Open Session:**

- 1. Call to Order/Roll Call/Pledge of Allegiance**
- 2. Budget Update (Brian Skewis)**
- 3. Public Comment on Items Not on the Agenda** (Public comment may be given at any of the noticed locations for telephonic transmission to the other locations.)

**Closed Session:**

**4. Continued Employment of the Executive Officer**

Pursuant to Government Code Section 11126(a)(1), the Commission will meet in **closed session** unless the Executive Officer exercises his right to have this agenda item heard in open session. Even if the matter is addressed in open session, the Commission may still meet in **closed session** to conduct its deliberations pursuant to Government Code Section 1126(a)(4).

**5. Appointment of an Acting or Interim Executive Officer**

If necessary, depending on the action of Agenda Item 4, the Commission will meet in closed session pursuant to Government Code Section 11126(a)(1) to discuss and possibly take action regarding the appointment of an Acting or Interim Executive Officer.

**Open Session:**

**6. Report From Closed Session** (if necessary, pursuant to Government Code section 11125.2).

**7. Process for Selection of New Executive Officer** (if necessary, depending on the action of Agenda Item 4).

**8. Adjournment**

NOTICE: The meeting is accessible to the physically disabled. A person who needs disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Roseanna Leon at (916) 574-8250 or email [Roseanna.Leon@dca.ca.gov](mailto:Roseanna.Leon@dca.ca.gov) or sending a written request to Roseanna Leon at the Department of Consumer Affairs, 1625 N. Market Blvd., Suite S 309, Sacramento, CA 95834. Providing your request at least five (5) days before the meeting will help ensure availability of the requested accommodation. Requests for further information should be directed to Roseanna Leon at the same address and telephone number.

Meetings of the California State Athletic Commission are open to the public except when specifically noticed otherwise in accordance with the Open Meetings Act. The audience will be given appropriate opportunities to comment on any issue presented.



# Memorandum

**Date:** June 26, 2012

**To:** Denise Brown, Director  
California State Department of Consumer Affairs

**Cc:** Awet Kidane, Chief Deputy Director  
California State Department of Consumer Affairs

**From:** Taylor Schick, Budget Officer  
Department of Consumer Affairs, Office of Administrative Services, Budget Office

**Subject:** Athletic Commission Current Fund Situation

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## ISSUE

The California State Athletic Commission's fund is currently insolvent and cannot reach solvency with its current operating structure.

## BACKGROUND

The Commission is a Special Fund operation. It is supposed to be financially self-supporting, generating its own revenue and using that revenue to meet its expenses.

The amount of cash in the Commission's account is called the "fund balance." This balance is the only thing that matters when it comes to whether or not the Commission can continue to pay its bills.

To maintain solvency, the Commission must keep its fund balance positive. In other words, it must spend less money than it collects in revenue.

This has not historically happened. In Fiscal Year 2010-11, the Commission spent more than it collected in revenue, and it is projected to do so again in Fiscal Year 2011-12.

### FY 2010-11

The Commission began the Fiscal Year with a fund balance of \$811,000. It took in revenue of \$1,762,000 but spent \$2,106,000. This left a fund balance of \$467,000 with which to begin the next Fiscal Year.

### FY 2011-12

The Commission began the Fiscal Year with a reserve of \$467,000. It is projected to collect \$1,284,000 in revenue (a \$478,000 decrease from the previous fiscal year) but to spend \$1,786,000. This will leave the fund balance at **-\$35,000**.

### FY 2012-13

Annual revenue is projected to either remain stagnant (approximately \$1,284,000) or continue to decrease. With a proposed Governor's Budget of \$1,939,000, the Commission is facing a fund balance of nearly **-\$700,000** by fiscal year end.

A fund simply cannot go into a negative balance. That is the equivalent of an individual writing a check when there is no money in their checking account and no money forthcoming. The Commission can only spend up to the amount of cash that is in its fund.

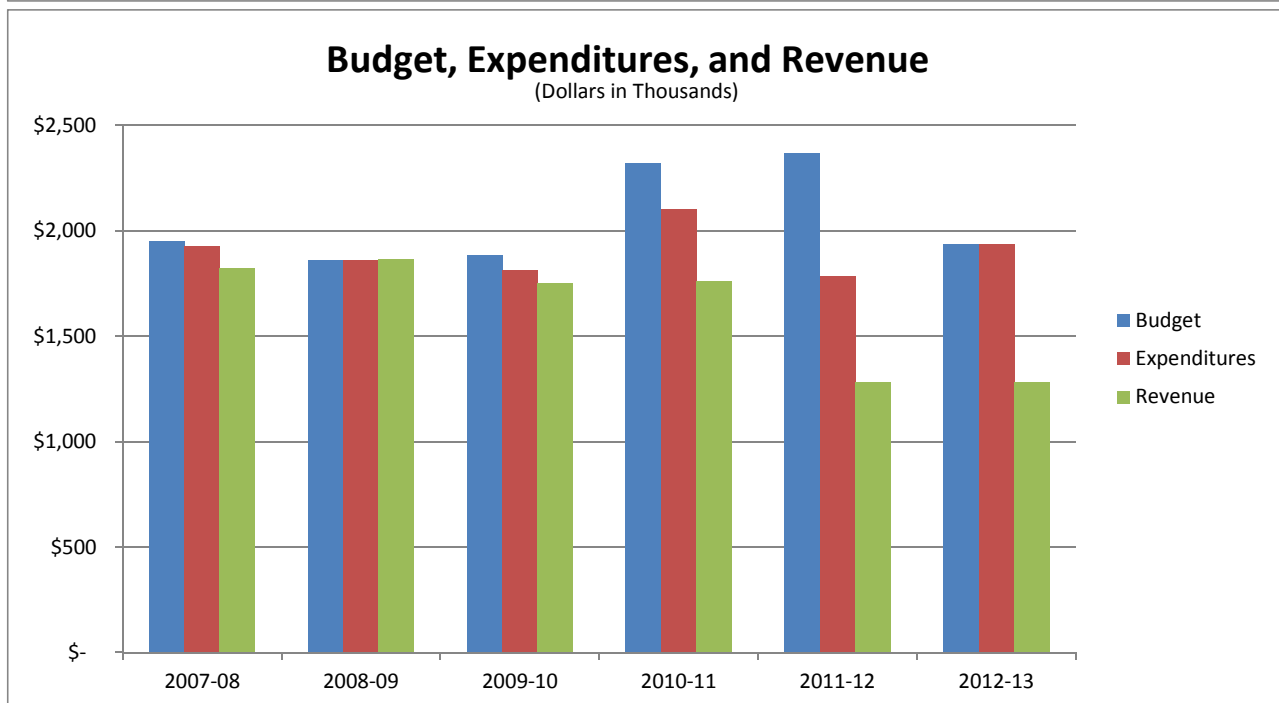
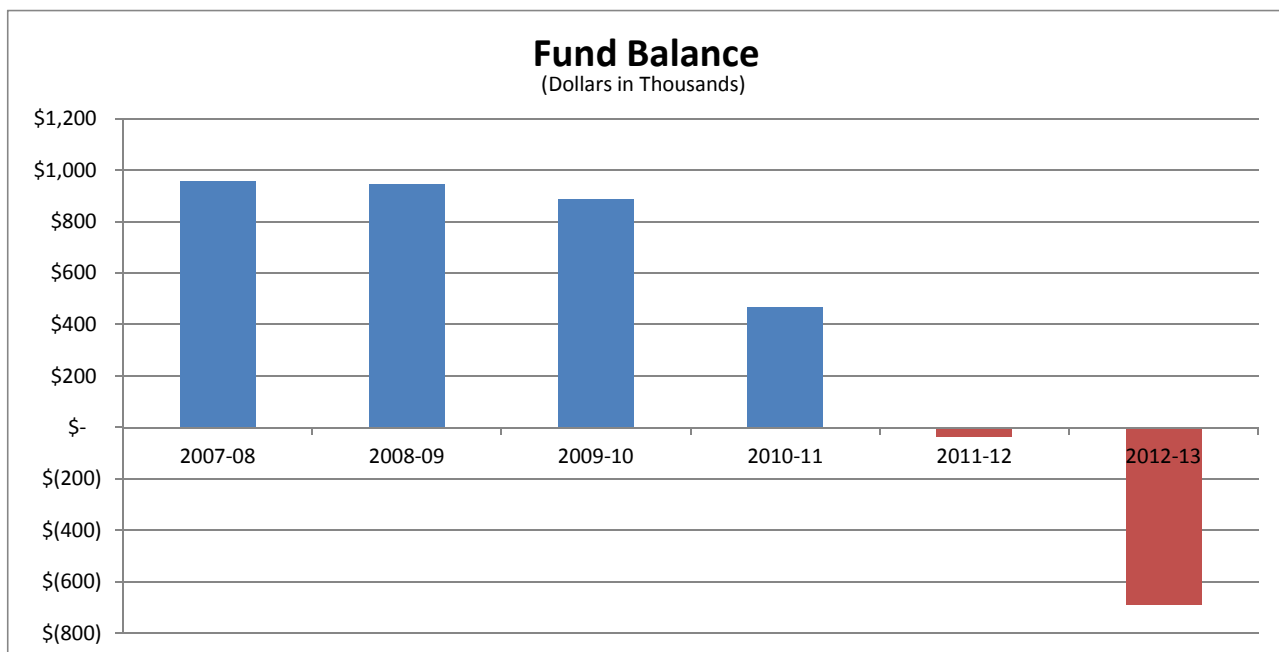
# CALIFORNIA STATE ATHLETIC COMMISSION

## Analysis of Fund Condition

(Dollars in Thousands)

|                               | Actual<br>2007-08 | Actual<br>2008-09 | Actual<br>2009-10 | Actual<br>2010-11 | Current<br>Year<br>2011-12 | Governor's<br>Budget<br>2012-13 |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|----------------------------|---------------------------------|
| Beginning Fund Balance (Cash) | \$ 1,059          | \$ 942            | \$ 945            | \$ 811            | \$ 467                     | \$ -35                          |
| Projected Revenue             | \$ 1,809          | \$ 2,036          | \$ 2,041          | \$ 2,385          | \$ 1,978                   | \$ 1,978                        |
| Actual Revenue                | \$ 1,826          | \$ 1,868          | \$ 1,755          | \$ 1,762          | \$ 1,284                   | \$ 1,284                        |
| Total Appropriation (Budget)  | \$ 1,952          | \$ 1,864          | \$ 1,885          | \$ 2,323          | \$ 2,368                   | \$ 1,939                        |
| Actual Expenditures           | \$ 1,929          | \$ 1,862          | \$ 1,812          | \$ 2,106          | \$ 1,786                   | \$ 1,939                        |
| Ending Fund Balance (Cash)    | \$ 956            | \$ 948            | \$ 888            | \$ 467            | \$ -35                     | \$ -690                         |

\* Highlighted Cells Projected





May 31, 2012

Mr. George Dodd  
Executive Officer  
California State Athletic Commission  
2005 Evergreen Street, Suite 2010  
Sacramento, CA 95815

RE: Athletic Commission Solvency

Dear Mr. Dodd

I am writing to you today to follow up on our meeting on May 23, 2012 and express my concern with the Athletic Commission's current fiscal condition. The recently revised cash flow analysis (attached) indicates that the Athletic Commission Fund will become insolvent as early as June of this fiscal year. As we discussed, this is not a matter of sufficient appropriation authority but is instead a matter of sufficient cash in the fund that would allow the Commission to continue operations.

Should the Commission's fund become insolvent, all payments will cease, including payments for imperative, day-to-day, operational expenses such as personal services, rent, and enforcement efforts. Without the ability to pay for even basic services, the Commission will have no choice but to cease operation immediately and cancel or postpone indefinitely all Commission regulated events.

In the event the Commission does become insolvent, I feel compelled to direct you to Section 32.00 (a) and (b) of the Governor's 2011-12 Budget (Senate Bill 87 Chapter 33 Statutes of 2011) which states the following in pertinent part:

- “(a) The officers of the various departments, boards, commissions, and institutions, for whose benefit and support appropriations are made in this act, are expressly forbidden to make any expenditures in excess of these appropriations. Any indebtedness attempted to be created against the state in violation of this section shall be null and void, and shall not be allowed by the Controller nor paid out of any state appropriation.
- (b) Any member of a department, board, commission, or institution who shall vote for any expenditure, *or create any indebtedness against the*

*state in excess of the respective appropriations made by this act shall be liable both personally and on his or her official bond for the amount of the indebtedness, to be recovered in any court of competent jurisdiction by the person or persons, firm, or corporation to which the indebtedness is owing.” (emphasis added).*

Thus, in accordance with the above, you are not only expressly forbidden from making any expenditures in excess of the Commission’s appropriations but are personally liable for any debt in excess of the appropriation. In essence, you, as the Executive Officer, have a fiduciary responsibility with respect to the fiscal state of the Athletic Commission and your failure to meet your responsibility will result in personal liability, as set forth above.

In order to mitigate the insolvency of the Athletic Commission Fund, you must develop a plan that demonstrates the specific actions or steps the Athletic Commission will take to remain solvent through the current fiscal year, and to ensure that expenditures will not exceed revenue on an ongoing basis.

In order to assist you in generating additional savings, several areas of concern have been identified that could help the Athletic Commission remain solvent on an ongoing basis:

- Utilizing office staff, instead of Athletic Inspectors, to perform all clerical duties (putting together event packages, etc.).
- Limiting travel by Athletic Inspectors to regions outside of their headquarters.
- Strictly auditing timesheets and travel claims for accuracy and excessive claims of hours.
- Limiting the number of Athletic Inspectors at events to only what is absolutely necessary.
- Developing a minimum gate tax, in regulations, to ensure that the Commission is not expending more money than is being collected in revenue while regulating events.
- Halting the use of temporary help in the office.
- Performing a strict count out of ticket sales and attendance at the conclusion of each event and requiring proper documentation from promoters regarding ticket sales as well as a count of complimentary tickets to ensure proper revenue collection.

Mr. George Dodd  
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Please send a written plan that ensures Commission solvency as soon as possible but no later than June 8, 2012 as it is absolutely imperative that action be taken now to do everything within the Commission's means to continue operations as safely as possible while still remaining solvent. In addition, it is recommended that you discuss the future plans of the Commission at your regularly scheduled meeting on June 4.

Thank you for your dedication and hard work,

Sincerely,

Original signed by:

Denise Brown  
Director, Department of Consumer Affairs

Attachment: Revised Cash Flow Analysis

cc: John Frierson, Chair, California State Athletic Commission  
Dr. Christopher Giza, Vice-Chair, California State Athletic Commission  
Mike Munoz, Commissioner, California State Athletic Commission  
Brian Edwards, Commissioner, California State Athletic Commission  
Linda Forster, Commissioner, California State Athletic Commission  
Dr. VanBuren Ross Lemons, Commissioner, California State Athletic Commission  
Eugene Hernandez, Commissioner, California State Athletic Commission



**Cashflow Analysis of Athletic Commission Fund (As of April 30, 2012)**  
**Fund 0326**

**With Program Projections**

|                              | Revenue             | Expenditures        | Balance            | Comments   |
|------------------------------|---------------------|---------------------|--------------------|--|
| <b>PY 2010-11</b>            |                     |                     |                    |  |
| Beginning balance:           |                     |                     | \$ 810,504         | Balance July 1, 2010   |
| July                         | \$ 28,360           | \$ 37,776           | \$ 801,088         |  |
| August                       | \$ 198,603          | \$ 67,096           | \$ 932,595         |  |
| September                    | \$ 186,206          | \$ 102,340          | \$ 1,016,461       |  |
| October                      | \$ 211,438          | \$ 230,280          | \$ 997,619         |  |
| November                     | \$ 96,839           | \$ 152,045          | \$ 942,413         |  |
| December                     | \$ 224,366          | \$ 139,105          | \$ 1,027,674       |  |
| January                      | \$ 41,857           | \$ 206,909          | \$ 862,622         |  |
| February                     | \$ 93,364           | \$ 147,095          | \$ 808,891         |  |
| March                        | \$ 258,975          | \$ 137,837          | \$ 930,029         |  |
| April                        | \$ 78,431           | \$ 172,148          | \$ 836,312         |  |
| May                          | \$ 177,380          | \$ 166,322          | \$ 847,370         |  |
| June                         | \$ 160,762          | \$ 166,963          | \$ 841,169         |  |
| FM 13                        | \$ 1,014            | \$ 336,008          | \$ 506,175         | Athletic Inspectors travel and wages billed on 1 month lag + 100K departmental loan repaid+ 3K SCO direct to fund charge |
| Year End Encumbrance/Revenue | \$ 5,086            | \$ 44,339           | \$ 466,923         | Year End Billing after Liquidated Encumbrances   |
| <b>FY 2010-11, Subtotal</b>  | <b>\$ 1,762,681</b> | <b>\$ 2,106,263</b> | <b>\$ 466,923</b>  |  |
| <b>CY 2011-12</b>            |                     |                     |                    |  |
| Beginning balance:           |                     |                     | \$ 466,923         |  |
| July                         | \$ 30,545           | \$ 52,944           | \$ 444,524         |  |
| August                       | \$ 119,091          | \$ 123,926          | \$ 439,689         |  |
| September                    | \$ 139,486          | \$ 102,953          | \$ 476,222         |  |
| October                      | \$ 69,113           | \$ 204,048          | \$ 341,287         |  |
| November                     | \$ 115,445          | \$ 152,842          | \$ 303,890         |  |
| December                     | \$ 283,484          | \$ 159,518          | \$ 427,856         |  |
| January                      | \$ 88,951           | \$ 165,065          | \$ 351,742         |  |
| February                     | \$ 48,251           | \$ 164,311          | \$ 235,682         |  |
| March                        | \$ 118,920          | \$ 144,479          | \$ 210,123         |  |
| April                        | \$ 104,679          | \$ 190,595          | \$ 124,207         | Includes YTD SCO Direct to Fund  |
| May                          | \$ 67,734           | \$ 165,210          | \$ 26,731          | Projected Expenditure and Revenue  |
| June                         | \$ 114,523          | \$ 165,210          | \$ (23,956)        | Projected Expenditure and Revenue  |
| <b>FY 2011-12, Total</b>     | <b>\$ 1,300,222</b> | <b>\$ 1,791,101</b> | <b>\$ (23,956)</b> |  |

**\*Revenue based on program projections. Expenditures based on 5 inspectors/event and minimal spending**