

MINUTES

REGULAR MEETING OF CALIFORNIA FAIR SERVICES AUTHORITY BOARD OF DIRECTORS

February 4, 2008

1776 Tribute Road, Suite 200, Sacramento, CA 95815

Rick Pickering, Board Member
Alameda County Fair
Lonny Wunder, Board Member
Yolo County Fair (40th DAA)
Rebecca Desmond, Board Member
Siskiyou Golden Fair (10th DAA)
Kelley Ferreira, Board Member
San Benito County Fair (33rd DAA)
Ed Scofield, Board Member
Nevada County Fair (17th DAA)
John Root, Board Member
Public Member
Bruce Lim, Board Member
Division of Fairs & Expositions
Donna Horner, Secretary/Treasurer
California Fair Services Authority
Rick Wood, Controller
California Fair Services Authority
Christy Layton, Legal Counsel to CFSA
Miller, Owen & Trost

Donna Bardaro, Executive Director
California Fair Services Authority
Charlie Mitchell,
California Fair Services Authority
Tom Allen,
California Fair Services Authority
Sue Leavitt,
California Fair Services Authority
Rosalyn Johnson,
California Fair Services Authority
Raechelle Gibbons,
California Fair Services Authority
Melissa Thurber,
California Fair Services Authority
John McClure,
Madison Investment Advisors, Inc.
Brian Clevon,
Madison Investment Advisors, Inc.

I. CALL TO ORDER

A regular meeting of the California Fair Services Authority ("CFSA") Board of Directors was convened, pursuant to the meeting notice at 10:02 a.m. in the conference room at 1776 Tribute Road, Suite 200, Sacramento, California on Monday, February 4, 2008.

II. APPROVAL OF MINUTES

Moved by Director Desmond and seconded by Director Wunder to adopt **Resolution Number 08-01** approving the minutes of the special meeting of November 7, 2007, as presented to the Board of Directors. Motion passed unanimously.

III. RECOGNITION OF SERVICE OF OUTGOING BOARD MEMBER

In recognition of the outstanding service of outgoing Board member Lonny Wunder, the Board and staff presented a plaque in appreciation for his contributions as a Board member of the California Fair Services Authority. Lonny served as a CFSA Board member from January 1, 2005, until February 29, 2008. He will be resigning from the Yolo County Fair on February 29, 2008. Moved by Director Scofield and seconded by Director Lim to adopt **Resolution Number 08-02** recognizing Lonny's service to CFSA. Motion passed unanimously.

IV. DELEGATION TO CFSA'S TREASURER TO INVEST FUNDS OR TO SELL OR EXCHANGE SECURITIES

Government Code Section 536007 requires the Board to annually delegate to the Agency's treasurer the authority to invest funds or to sell or exchange securities. Staff is recommending approval of a resolution delegating this authority to CFSA's treasurer.

Moved by Director Ferreira and seconded by Director Root to adopt **Resolution Number 08-03** delegating to CFSA's Treasurer Authority to invest funds or to sell or exchange securities.

WHEREAS, the Executive Director, Treasurer and Controller of CFSA were previously authorized by the Board, as a committee, to manage investments for CFSA in accordance with investment policies; and

WHEREAS, in accordance with Government Code Section 53607, the authority of the Board to invest, reinvest, sell or exchange securities so purchased, may be delegated for a one year period to the Treasurer of the Agency; and

WHEREAS, in accordance with Government Code Section 53607 the Treasurer shall make a monthly report of those transactions to the Board; and

WHEREAS, in accordance with Government Code Section 53607, the Board may, subject to review, renew the delegation of the authority pursuant to this section each year,

NOW THEREFORE BE IT RESOLVED BY THE CALIFORNIA FAIR SERVICES AUTHORITY:

1. That the Board hereby delegates to the Treasurer of CFSA the authority to invest, reinvest, sell or exchange securities as purchased for a one year period.
2. That the Treasurer shall make monthly reports of investment transactions to the Board.
3. That the Executive Director, Treasurer and Controller will continue to review all investment policies, procedures, and actual transactions on a quarterly basis for proper internal control.
4. That the Board shall be regularly advised of investments made pursuant to the investment policies. Motion passed unanimously.

V. APPROVAL OF CFSA'S INVESTMENT GOALS, OBJECTIVES, AND POLICIES

Government Code Section 53646 requires the Board to annually approve the Agency's investment policies. Staff is recommending approval of CFSA's Investment Goals, Objectives, and Policies.

Moved by Director Root and seconded by Director Scofield to adopt **Resolution Number 08-04** approving CFSA's Investment Goals, Objectives and Polices.

WHEREAS, the CFSA Board of Directors adopted investment policies on July 30, 1992; and

WHEREAS, the Board simultaneously directed that the investment policies be reviewed by a full seating of the Board after the completion of the Board's restructuring; and

WHEREAS, the newly seated Board adopted the Investment Goals, Objectives and Policies for CFSA dated July 30, 1992; and

WHEREAS, to be in compliance with Government Code Section 53646, the Treasurer or Chief Fiscal Officer shall annually render to the Board a statement of investment policy, which the Board shall consider at a public meeting,

NOW THEREFORE BE IT RESOLVED BY THE CALIFORNIA FAIR SERVICES AUTHORITY:

1. That the Investment Goals, Objectives and Policies for CFSA dated January 22, 2008, are hereby adopted.

2. That all reporting required to be in compliance with Government Code Section 53646 shall be done in the Financial Reporting section of each Board meeting book. Motion passed unanimously.

VI. MEMORANDUM STATING THE TERMS AND CONDITIONS OF THE 2008 PRIMARY GENERAL LIABILITY RISK SHARING PROGRAM

Charlie Mitchell, CFSA Risk Manager, explained to the Board that it was necessary to revise the Memorandum of Liability Coverage ("MOC") that has been effective since January 1, 2007, to reflect a change in coverage. At renewal, staff replaced the prior reinsurance agreement with an excess policy in order to recognize significant premium savings and reduce the Self-Insurance Retention ("SIR") from \$1,000,000 to \$750,000.

Charlie explained that the new excess liability policy coverage conforms to the coverages provided by CFSA's General Liability MOC with no significant differences. However, with the change from reinsurance to excess insurance coverage, it is necessary to revise CFSA's current Memorandum of Liability Coverage. The new Primary MOC is based on the prior MOC with a few minor changes, but there are no changes in coverages. Changes in the MOC document include 1) inserting "Primary" in the title; 2) changing the protection period to January 1, 2008; and, 3) decreasing the SIR to \$750,000. Staff recommends that the Board adopt the Primary MOC effective January 1, 2008, as proposed. The approved Primary MOC and an Excess Liability Insurance Certificate will be distributed to member fairs as an update to the Red Book.

Moved by Director Desmond and seconded by Director Scofield to adopt **Resolution Number 08-05** adopting the Memorandum of Coverage Stating the Terms and Conditions of the Primary General Liability Risk Sharing Program Administered by California Fair Services Authority effective January 1, 2008. Motion passed unanimously.

VII. INFORMATIONAL ITEMS

1. Report on the Revenue Protection Program Claims Committee

Rick Wood, Assistant Director Finance, updated the Board on the November 7, 2007, meeting of the Revenue Protection Program Claims Committee. The Committee approved claims for extraordinary climatic conditions at the Mariposa County Fair in the amount of Eleven Thousand Ninety Dollars and

Sixty Five Cents (\$11,090.65) for extreme heat and the Glenn County Fair in the amount of Two Hundred Four Dollars (\$204.00) for additional expenses for severe rain. Rick also provided an annual program summary for the Revenue Protection Program for 2007.

2. **Staff Reports**

Administrative Services—The tradeshow booth at the 2008 WFA Convention in San Diego was a popular destination for fair management and WFA service members. Our theme, “We Build to Suit,” was a takeoff of the Convention’s “Building Better Fairs” theme. “We Build to Suit” highlighted CFSA’s ability to tailor programs to an individual fair’s needs. Members of CFSA’s Safety, Risk Management and Administration departments staffed the booth, and our giveaway was a tape measure/flashlight key chain.

CFSA hosted the new CEO breakfast attended by new and recently appointed fair CEOs, WFA staff and board members, CFSA staff and board members, Division of Fairs and Expositions senior management, and other fair staff members.

2007 Annual Report Content research is underway for the 2007 Annual Report as is the search for a graphic designer. The report’s theme will highlight CFSA’s customer service oriented business model, flexibility and value-added services.

Video Production CFSA’s third video, “Think Safety. Work Safely,” is completed. Fairs are currently being surveyed as to the format (CD, DVD or VHS video) they would prefer. The video will also be posted on the CFSA Web site.

Maintenance Mania CFSA recently assumed responsibility for maintaining and updating the Maintenance Mania Web site. The site’s look and feel have been revised and updated, and current information and an online registration form were added.

Finance — CFSA’s financial statements and quarterly investment portfolio required by Government Code Section 53646 were submitted to the Board and are in compliance with CFSA’s investment policy. The financials exhibit the pools’ ability to meet the expenditure requirements for the next six (6) months and include a schedule of the monthly investment transactions, in accordance with Government Code Section 53607.

Unemployment Insurance On behalf of the Division of Fairs and Expositions (F&E), CFSA administers the Unemployment Insurance Reimbursement Fund for California fairs. F&E funds the Program in the amount of \$950,000 per fiscal year and fairs are reimbursed a percentage of their unemployment insurance costs based on the fair's classification. For the fiscal year July 1, 2006 to June 30, 2007, fairs in classes I and II received 100% reimbursement, classes III and IV a 70% reimbursement, and classes V through VII a 40% reimbursement of their unemployment insurance costs. For the fiscal year July 1, 2007 to June 30, 2008, fairs in classes I and II are projected to receive 100% reimbursement, classes III and IV a 60% reimbursement, and classes V through VII will a 25% reimbursement of their unemployment insurance costs.

PST Program CFSA acts as the pass through for the Part Time, Seasonal and Temporary Employee (PST) Program administered by the Department of Personnel Administration (DPA). For the calendar year 2007 the PST Program has saved the fairs \$947,956.93. Had the PST Program not been in place, the fairs would have paid Social Security taxes of \$1,055,683.18 compared to the administration fees of \$107,726.25 paid to DPA and CFSA. Of this administration fee, DPA collected \$59,302.25 and CFSA retained \$48,424 for administration of the program.

Property Insurance Program Staff provided the Board with a balance sheet detailing the activity for the 2007 Property Insurance Program. The Division of Fairs and Expositions has been provided with a letter from CFSA outlining the Division's options for future funding of the Property Insurance Program. Staff will provide estimates to the fairs as soon as possible after July 1, 2008, to facilitate their budget process.

Risk Management — Staff has completed the renewal of excess coverages for the Revenue Protection Program, Special Events Program, and the General Liability Program.

Since 2002, the Pooled Property Protection Program has had a total of forty seven (47) reported claims of which ten (10) are open. The open claims consist of one (1) loss in 2005, two (2) losses in 2006, one (1) loss in 2007 and six (6) losses in 2008. It is currently estimated that the Pool has the potential to pay at least \$58,000 or more on the open claims and that only one (1) loss will exceed the fair's deductible. Staff continues to work with the

individual fairs and CCA to resolve these open claims. The Division of Fairs and Expositions has committed funding for this program through the 2008-2009 fiscal year.

Contract Review Our Risk Analyst continues to process contracts received from DAAs as well as from other CFSA member fairs. For DAAs, all non-hazardous contracts over \$15,000 and up to \$75,000 for which liability insurance is required and all hazardous contracts up to \$75,000 are sent directly to CFSA for insurance certificate review and approval. For all other member fairs, all fair contracts involving hazardous activities or all contracts over \$15,000 involving non-hazardous activities are submitted to CFSA for an insurance certificate review. As of the end of December, staff had reviewed 2,112 contracts in 2007 as compared with 1,982 contracts in 2006. This is an increase of 130 contracts.

Staff continues to focus on getting all member fairs in the Liability Program to submit their contracts for insurance certificate review and approval. As part of this ongoing effort, staff has made fair visits to train personnel as well as to perform certificate compliance audits. Staff will meet with the Risk Advisory Committee in 2008 to review and reconsider the Agency's policy for Non-Compliance with CFSA Operating Memoranda (General Liability Program Operating Memorandum #3-01). Any recommendations to change the existing policy's consequences for members' non-compliance with operating memoranda will be brought back to the Board for action.

Special Events Revenues for the Special Events Program through the end of November 2007 totaled \$736,312 which was 99.5% of the budgeted 2007 revenue of \$740,000. For the first eleven (11) months in 2006, the revenue was \$723,391 representing less than two percent (2%) increase in revenues. Staff has completed a review of the Special Events rates, which were last changed on January 1, 2004. As a result of this review, the rates were changed effective January 1, 2008. It is estimated that the total revenues will increase by ten percent (10%) to cover increased claim and excess insurance costs. Information on the new rates was distributed to all fairs in December 2007.

Claims activity in the Special Events Program included eight (8) open claims with total reserves of \$527,664 as of December 31, 2007 as compared with four (4) open claims and \$592,260 in reserves as of September 30, 2007. There is one (1) claim with reserves in excess

of \$250,000. So far in 2007, eight (8) new/reopened claims were received, and five (5) claims were closed. There are currently four (4) litigated claims. For comparison, for all of 2006 there were nine (9) new claims received, and eight (8) claims were closed.

General Liability Claims activity includes 48 open claims with reserves of \$1,223,416 as of December 31, 2007. There is one (1) claim with over \$500,000 in reserves. Thirteen of these open claims are being litigated. For comparison, as of September 30, 2007, CFSA had 48 open claims with reserves of \$1,237,979. In 2007, CFSA received 85 new/reopened claims while 87 have been closed. Through the end of December 2007, CFSA received 428 new loss reports, of which 353 were information only reports. There are currently no claims being tracked that have been tendered to other insurance companies.

Safety — December 2007 through January 2008, has resulted in staff involvement in various projects, including member training and fair inspections conducted at fair facilities for member fairs. Safety consultations and services includes: 1) safety programs review and development planning meetings with fair CEOs and staff; 2) pre-fair walkthroughs and risk reviews; 3) consultations including fairtime safety, risk control consultations, and ergonomics and VDT evaluations; 4) special staff training for boom-lift, forklift and operator certification, fire extinguisher, and CPR/First Aid training; 5) assistance with fair staff in IIPP development and staff training; 6) emergency planning training; and 7) Hazardous Communications Program with initial training.

Maintenance Mania Staff is in the final preparations for the 2008 Maintenance Mania. The Southern California seminar will be at the Orange County Fair and Northern California will be at the Shasta District Fair.

At the request of the Maintenance Mania Committee, CFSA has agreed to handle all financial aspects of the Program through an LOU with the Division of Fairs and Expositions. The Program derives support from a variety of grants and sponsorships throughout the fair industry, including a large amount of time and resources from CFSA. The pooling of support and resources from fairs, vendors, and fair related agencies has made the Program a success. This, along with continuous involvement by the maintenance staffs through the Committee, has made the Program continually grow in size and effectiveness over the years.

Western Fairs Convention Tom Amberson, Charlie Wiglesworth, and Mike Klebsch participated in F&E's infrastructure planning workshops for Class I & II fairs. Staff was available to each group of fairs to discuss any health and safety projects that members were interested in discussing for their fairgrounds.

Tom Amberson and a representative from American CPR presented a break-out session on the use and importance of the Automated External Defibrillator ("AED") along with its role with CPR in the cardiac chain of survival. A brief history of the device, liability issues, and necessary training were presented to the group, as well as a short demonstration on the device's ease of use. American CPR represents a large number of AED manufacturers and operates an AED grant program for public entities. Their representative discussed the grant program and made applications available to the group. The representative was also present in CFSA's convention both for the duration of the tradeshow.

State Fire Marshal Tom Allen and Tom Amberson participated in a meeting with the Division of Fairs and Expositions, the California Construction Authority, California Fairs Alliance and management level staff from the State Fire Marshal's office. Concerns included: 1) billings and inconsistencies in the number and cost of inspectors at fairgrounds; 2) CFSA's role in the industry, inspection procedures, qualifications; 3) increasing CFSA's role and decreasing the State Fire Marshal's role.

Management staff with the State Fire Marshal's office were receptive to the idea of CFSA safety staff providing pre-fair fire inspections with a signed report to the State Fire Marshal of findings and elimination of any issues that arose. Tom felt the dialog was positive and was a good start in building a trusting and effective working relationship with the management of the State Fair Marshal. Staff will continue to work with Mike Treacy, his staff, and the industry to take on whatever role possible to reduce the current burden on our member fairs.

Safety Staff Tom announced that John Kelly's last day with CFSA was December 26, 2007. John is a happy new father, and reluctantly submitted his resignation to CFSA in order to spend more time with his family. He has taken a position with the Office of Statewide Health Planning and Development as a Fire and Life Safety Officer where he will be inspecting hospitals and reviewing building plans.

Workers' Compensation — As of December 31, 2007, total open claims reserves were \$5,561,426 (including pre-94 Cal Expo outstanding reserves of \$628,642.) There were 183 open claims, of which 139 were indemnity claims and 43 medical only (this includes one Information Only claim open for administrative purposes).

3. Next Board Meeting

The next Board meeting is scheduled for April 7, 2008.

VIII. EXECUTIVE SESSION

The Board adjourned from regular session at 12:28 p.m. and went into executive session to discuss liability claims involving Angela Malso, Maliyah Martin & Cody Robinson; Jorge Villareal; Mara Jean Crawford; Maurice Bedard, Agricola Valdovinos, & Paul Zwierski.

IX. REGULAR SESSION

The Board adjourned from executive session at 1:03 p.m. and regular session was reconvened. The Board took no reportable action on the liability or workers' compensation claims.

X. ADJOURNMENT

Director Root asked the Board to observe a moment of silence in remembrance of Beverly Wilson, who passed away on December 31, 2007. One of only six (6) women leading fairs at the time, Bev became the CEO of the Sonoma-Marin Fair in 1972, and held that post for 21 years. Under her leadership, the Sonoma-Marin Fair was a financially solvent operation and she was often asked to advise fairs across the nation in their financial matters. She was responsible for not only envisioning the fair as a family destination, but also for bringing top entertainment acts to Petaluma before anyone in the fair industry

Regular Meeting
Page 11
February 4, 2008

imagined the possibility.

Bev was a respected colleague and mentor to fair CEOs and agriculture leaders across the state. She will be missed.

Moved by Director Root and seconded by Director Lim to adjourn. The meeting was adjourned after at 1:10 p.m. after a moment of silence.

CHAIR

ATTEST:

SECRETARY