

MINUTES

REGULAR MEETING OF CALIFORNIA FAIR SERVICES AUTHORITY BOARD OF DIRECTORS

April 7, 2008

1776 Tribute Road, Suite 200, Sacramento, CA 95815

Rick Pickering, Board Member
Alameda County Fair
Rebecca Desmond, Board Member
Siskiyou Golden Fair (10th DAA)
Kelley Ferreira, Board Member
San Benito County Fair (33rd DAA)
Barbara Boester–Quaid, Board Member
Ventura County Fair (31st 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
Mike Harrington,
Bickmore Risk Services
Kevin Wong,
Gilbert Associates, 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 10:05 a.m. in the conference room at 1776 Tribute Road, Suite 200, Sacramento, California on Monday, April 7, 2008.

II. APPROVAL OF MINUTES

Moved by Director Root and seconded by Director Desmond to adopt **Resolution Number 08–06** approving the minutes of the regular meeting of February 4, 2008, as presented to the Board of Directors. Motion passed unanimously.

III. 2007 ACTUARIAL REPORTS FOR GENERAL LIABILITY, WORKERS' COMPENSATION, AND SPECIAL EVENTS LIABILITY

Rick Wood, CFSA's Finance Director, introduced Mike Harrington representing Bickmore Risk Services. Mr. Harrington presented the Board with CFSA's 2007 actuarial reports for General Liability, Workers' Compensation, and Special Events Liability. The presentation included a discussion of the pools' estimated outstanding liabilities at December 31, 2007, the 2008 loss rate and projected losses, and 2008 funding guidelines.

Moved by Director Desmond and seconded by Director Root to adopt **Resolution Number 08-07** accepting, as presented, the 2007 Actuarial Reports from Bickmore Risk Services for General Liability, Workers' Compensation, and Special Events Liability dated March 11, 2008. Motion passed unanimously.

IV. 2007 AUDIT REPORT

Rick Wood introduced Kevin Wong, from Gilbert Associates, Inc., who served as the engagement partner on CFSA's audit and supervised the planning and the management of the fieldwork team. Mr. Wong presented the 2007 Audit Report which includes the audited financial statements and information on all programs under the control of CFSA. The audit was conducted in accordance with Generally Accepted Auditing Standards and was also conducted in accordance with Generally Accepted Government Auditing Standards in order to maintain CFSA's eligibility for California Association of Joint Powers Authorities (CAJPA) Accreditation with Excellence. This subsequent reporting provides an audit report on conditions noted in the areas of internal control and compliance with laws and regulations.

Moved by Director Ferreira and seconded by Director Lim to adopt **Resolution Number 08-08** accepting, as presented, the 2007 Audit Report from Gilbert Accountancy Corporation dated March 27, 2008. Motion passed unanimously.

V. 2008 GENERAL LIABILITY FEES

Rick Wood, presented the proposed 2008 General Liability Risk Pool fees to the Board and explained that the new fees include two significant changes from prior years. The base fee for fairs in Classes I through V have ben increased to better reflect the risk exposure within each Class and to get closer to the average fee paid within each Class over the past five (5) years. Fair Class VI through VII are already being assessed a fee equal to their most recent five (5) year history. In addition, the Loss Modification Ratios have been revised to narrow the range of fees within each class. These two changes will

reduce the impact of a single large loss on individual member's fees. The total proposed 2008 General Liability fees represents a 1.65% increase. Individual fair's actual fees may also increase or decrease from the previous year due to loss history.

Also noted, the cost and terms of the 2008 excess insurance policy improved significantly. Not only was there a reduction of over \$100,000 in the cost, but the Self-Insured Retention went from \$1,000,000 per occurrence to \$750,000 per occurrence. Rick indicated that the primary factor driving this change was the withdrawal of Cal Expo from the Liability Pool, by far the Program's highest exposure. Staff recommended approval of the proposed 2008 General Liability Fees.

Moved by Director Root and seconded by Director Desmond to adopt **Resolution Number 08-09** approving the 2008 General Liability Fees.

WHEREAS, over the past ten (10) years, CFSA has experienced five (5) years of adverse loss experience; and

WHEREAS, CFSA's goal is to implement a five year plan to bring General Liability Program assets back to the desired confidence level and rebuild the equity or "adverse development fund" to an appropriate level as a reserve against adverse loss experience; and

WHEREAS, the cost of excess insurance has improved significantly, and our self-insured retention level has been reduced to \$750,000 per occurrence for 2008; and

WHEREAS, two significant changes to the General Liability Program would better reflect the risk exposure within each Fair Class I through V and narrow the range of fees;

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

1. That the 2008 General Liability base fee for Fair Classes I through V be increased.
2. That the loss modification ratios be revised to narrow the range of fees within Fair Classes I through V.
3. That the total projected General Liability fees for 2008 be assessed at approximately Two Million One Hundred Thirty Seven Thousand Seven Hundred Fifty Dollars (\$2,137,750.00). Motion passed unanimously.

VI. 2008 WORKERS' COMPENSATION RATE

Rick Wood reported that over the last ten years, the Workers' Compensation Program has experienced four years of adverse loss experience from 2000 through 2003. Generally, this type of occurrence is expected to happen in one out of ten years, not four years in a row. As with the General Liability Program, conservative reserving practices helped cover the majority of the adverse development, however, in 2003 CFSA was forced to raise the base rate for the first time in thirteen years. The good news is that it appears that 2005 through 2007 will be substantially better than the actuaries have projected, which will help with the Agency's five (5) year plan in rebuilding the Adverse Development Fund.

Staff is recommending that the 2008 Workers' Compensation Risk Pool fees be reduced to a 5.5% base rate, down from the 6% base rate used in 2005 through 2007. This reduction is possible due to the past three years' losses being significantly lower than the Actuaries originally predicted. Individual fairs' actual fees may increase or decrease from the previous year due to loss history and varying levels of payroll.

Moved by Director Scofield and seconded by Director Wunder to adopt **Resolution No. 08-10** approving the 2008 Workers' Compensation Rate.

WHEREAS, over the last ten years, CFSA's Workers' Compensation Program has experienced four years of adverse loss experience from 2000 through 2003; and

WHEREAS, in 2005 the modification fee formula was adjusted and the Workers' Compensation fee assessment was increased by twenty three percent (23%) which included increasing the base rate from 5.75% to 6%; and

WHEREAS, in 2006 CFSA's goal was to implement a five year plan to bring the Workers' Compensation Program assets back to the desired confidence level and rebuild the equity or "adverse development fund" to an appropriate level as a reserve against adverse loss experience; and

WHEREAS, it appears that 2005 through 2007 will be better loss experience years than projected by the actuaries thereby aiding in the Agency's five year plan to rebuild the Workers' Compensation Program's Adverse Development Fund; and

WHEREAS, the cost of 2008 excess insurance policy is projected to be \$30,000 lower than the 2007 excess policy;

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

That the Workers' Compensation base rate for 2008 be reduced from 6% to 5.5% of payroll and volunteer wages. Motion passed unanimously.

VII. CFSA'S 2008 REVISED BUDGET

Rick Wood presented CFSA's revised 2008 budget reflecting the actuaries recommended changes in the estimated reserves for the current calendar year and the withdrawal of a large pool member from the General Liability Protection Program.

Moved by Director Ferreira and seconded by Director Desmond to adopt **Resolution 08-11** approving CFSA's revised 2008 budget as presented to reflect Bickmore Risk Services' recommended changes in the estimated reserves, as well as Cal Expo's withdrawal from the General Liability Pool for the 2008 calendar year. Motion passed unanimously.

VIII. INFORMATIONAL ITEMS

1. Staff Reports

Administrative Services—After assuming responsibility for maintaining and updating the Maintenance Mania Web site, staff has been busy creating a completely new Web site design that's in the development stage. A bookmark page that will soon include a recap of the 2008 event is presently online. As details for the 2009 event are finalized, they'll be posted on the new site.

2007 Annual Report Great progress is being made on the annual report: CFSA ~ Above and Beyond. Staff is working with a graphic designer on a first round of design ideas for the 2007 annual report and copywriting is well underway.

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.

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. Staff has recently completed the process of changing custodians of the Agency's managed investments. It's anticipated that with the change from Smith Barney to Charles Schwab CFSA will see a projected savings of ten plus basis points annually. Madison Investment Advisors, Inc., will continue to serve as the Agency's investment advisors.

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 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 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. Had the PST Program not been in place, the fairs would have paid Social Security taxes of \$1,055,683 compared to the administration fees of \$107,726 paid to DPA and CFSA. Of this administration fee, DPA collected \$59,302 and CFSA retained \$48,424 for administration of the program.

Property Insurance Program On January 18, 2008, the Division of Fairs and Expositions added \$150,000.00 to the Property Pool, which currently has a balance of \$65,099.00.

Accounting Services Beginning January 1, 2008, staff began providing full accounting services for the Mariposa County Fair and the Sacramento County Fair and payroll services for the Salinas Valley Fair and the Eastern Sierra Tri-County Fair. There are now forty (40) fairs and three (3) JPAs using at least one of CFSA's accounting services through the FlexNet Program.

Risk Management — Staff is in the process of renewing insurance coverages for the Hazardous Special Events Program for rodeos, horse shows, and motorized racing events in 2008. With initial survey forms out in early February, sixteen (16) member fairs have elected to cover a total of 41 rodeos and horse show events. Sixteen (16) member fairs have elected to cover a total of 27 events.

Pooled Property Protection Since 2002, the Pooled Property Protection Program has had a total of fifty one (51) reported claims of which twelve (12) are open. The open claims consist of one (1) loss in 2006, one (1) loss in 2007 and ten (10) losses in 2008. The 2008 losses include seven (7) from windstorm, two (2) from fires, and one (1) from flooding. It is currently estimated that the Pool could pay another \$20,000 or more on the open claims beyond advanced payments previously made. 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 March 28, 2008, staff had reviewed 463 contracts in 2008 as compared with 260 contracts in 2007. This is an increase of 203 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 will continue to make fair visits to train personnel as well as to perform certificate compliance audits. Staff continues to be concerned with member fairs' lack of compliance with the insurance certificate review requirements and will bring this issue before the Risk Advisory Committee to reconsider the penalties associated with non-compliance.

Special Events Revenues for the Special Events Program through the end of February 2008 totaled \$79,113 which is 10% of the budgeted 2008 revenue of \$795,000. For the first two (2) months in 2007, the revenue was \$73,901 representing about a seven percent (7%) increase in revenues.

Claims activity in the Special Events Program included seven (7) open claims with total reserves of \$506,570 as of February 29, 2008, as compared with eight (8) open claims and \$527,664 in reserves as of December 31, 2007. There is one (1) claim with reserves in excess of \$250,000. So far in 2008, one (1) new/reopened claim was received, and two (2) claims were closed. There are currently four (4) litigated claims. For comparison, for all of 2007 there were seven (7) new claims received, and five (5) claims were closed.

Staff reported one settlement to the Board in the amount of \$75,000 with claimant Jorge Vallareal. Emergency settlement authority was given to staff on September 10, 2007, from the Executive Director and a Board member under established CFSA procedures.

General Liability Claims activity includes 38 open claims with reserves of \$1,205,945 as of February 29, 2008. There is one (1) claim with over \$500,000 in reserves. Thirteen of these open claims are being litigated. For comparison, as of December 31, 2007, CFSA had 48 open claims with reserves of \$1,223,416. So far in 2008, CFSA received 7 new/reopened claims while 17 have been closed. Through the end of February 2008, CFSA received 17 new loss reports, of which 10 were information only reports and three claims have been tendered to other insurance companies.

There is one settlement to report in the amount of \$50,000 with claimant Mara Jean Crawford. Settlement authority was given to staff by the Board at the February, 2008 Board meeting.

Safety — From February 2008 through April 2008, staff has been involved in various projects, staff training programs, and inspections provided by CFSA to member fairs.

Maintenance Mania The final 2008 Maintenance Mania was conducted at the Shasta District Fair. Following the model of the previous years, the Committee provided numerous classes ranging from waste water issues to a behind the scenes tour of operations at the Shasta Dam.

F&E Technical Review Committee Tom Allen and Tom Amberson served on F&E's "Technical Review Committee" which reviewed projects submitted by Class I & II fairs to ensure support was provided to members who's projects were related to Health and Safety upgrades or repairs.

State Fire Marshal Tom Allen and Tom Amberson continue to meet on a regular basis with representatives from F&E, CFA, CCA and the State Fire Marshal ("SFM"). These meetings are intended to help

mitigate previous issues between the SFM and member fairs, as well as continue to foster positive working relationships between the industry, CFSA safety staff and SFM deputies.

Third Party Carnival Inspection Contract Last year CFSA entered into a multi-fair contract with International Leisure Consulting (“ILC”) to provide member fairs an opportunity for a complete hands on mechanical inspection of their carnival. These inspections were in addition to the midway safety services that CFSA continues to provide as a part of the fairtime program, and only intended to replace the detailed mechanical review of equipment.

Eight of the sixty six General Liability Program members requested this additional inspection in 2007. Through the course of the season, as some member fairs realized CFSA would continue to provide safety services on their midway and others became concerned with the hard cost of the ILC Program, three members cancelled their inspections. One of the five remaining fairs that had the inspection conducted in 2007 chose not to have one this year.

CFSA’s primary goal was to administer the contract and help members transition from the former program to the current program. At the beginning of 2007 it was anticipated that a large number of requests would be received for the ILC inspections based on the number of requests received in previous years. However, the number of fairs requesting these contract services was significantly lower than expected. Because of the small number of fairs requesting the additional inspection, CFSA will no longer enter into a master contract with ILC. Staff will provide interested fairs with a list of qualified contractors, enabling fairs to choose the provider and level of service wanted.

Workers’ Compensation — As of February 29, 2008, total open claims reserves were \$5,375,612 (including pre-94 Cal Expo outstanding reserves

of \$609,358.) There were 167 open claims, of which 142 were indemnity claims and 25 medical only (this includes one Information Only claim open for administrative purposes).

3. Executive Director's Report

Donna Bardaro, reported briefly on current CFSA issues which included:

CAJPA ACCREDITATION — On February 15, 2008, CFSA was awarded “Accreditation with Excellence” status from the California Association of Joint Powers Authorities. Donna shared the following comments from CAJPA: “California Fair Services Authority is one of the elite accredited JPAs in California that has met standards established by the California Association of Joint Powers Authorities that measure a JPA’s ability to provide efficient services to its member agencies. By achieving Accreditation with Excellence, California Fair Services Authority has met higher, more strenuous standards that the CAJPA Board believes are reflective of an outstanding JPA.”

2008 Liability Claim Audit Results — CFSA’s self-administered liability claim program continues to perform well above industry standards. There has been no change in the high sense of urgency regarding claimant contact, investigation, and disposition of adverse liability claims, as well as the very aggressive approach toward the defense of non-meritorious claims and litigation. Claim files are well documented and reserving philosophy and practice continue to be sound. It is the opinion of Nicholas Cali, Claim Auditor, that reserves on current open occurrences are proper and claim administration performance meets, and in many areas exceeds claim industry standards and the CAJPA accreditation standards.

2008 Workers’ Compensation Claim Audit Results — CFSA’s self-administered workers’ compensation claim program continues to perform at above average levels. The sense of urgency regarding

claimant contact, medical case management, and proper and timely initiation and maintenance of workers' compensation benefits to the injured works continues to be demonstrated by staff. Claim files are well documented and reserving philosophy and practice continue to be sound.

Reporting timeliness by the member fairs has improved since the last audit. There was a slight trend in regard to the payment of penalties for late Temporary Total Disability notices and initiation of Permanent Disability advances in one case. Nicholas Cali, Claim Auditor has made recommendations to resolve this area and ensure it does not become a more significant trend. Claim administration performance exceeds claim industry standards in most areas of performance and meets the CAJPA accreditation standards in all areas.

CalPERS Audit — The Board of Administration of the California Public Employees' Retirement System ("CalPERS") has requested the Office of Audit Services to review the member earnings and Health Benefits and Retirement enrollment reporting procedures of public agencies under contract with CalPERS. They have selected CFSA for review and will begin April 8, 2008.

The object of the review is to ensure agencies are in compliance with applicable sections of the California Government Code and Title 2 of the California Code of Regulations and that prescribed reporting and enrollment procedures for Retirement and Health benefits are being followed. The review period will include January 1, 2005, through December 31, 2007.

4. Next Board Meeting

The next Board meeting is scheduled for August 21, 2008.

IX. EXECUTIVE SESSION

The Board adjourned from regular session at 12:50 p.m. and went into executive session to discuss liability claims involving Sandra Robinson; Mara Jean Crawford; Maurice Bedard, Agricola Valdovinos, & Paul Zwierski; and Angela Malso, Maliyah Martin & Cody Robinson.

X. REGULAR SESSION

The Board adjourned from executive session at 1:10 p.m. and regular session was reconvened. The Board took no reportable action on the liability claims.

XI. ADJOURNMENT

Moved by Director Desmond and seconded by Director Ferreira to adjourn. The meeting was adjourned at 1:12 p.m.

CHAIR

ATTEST:

SECRETARY