

MINUTES

REGULAR MEETING OF CALIFORNIA FAIR SERVICES AUTHORITY BOARD OF DIRECTORS

February 2, 2009

1776 Tribute Road, Suite 200, Sacramento, CA 95815

Kelley Ferreira, Board Member
San Benito County Fair (33rd DAA)
Rick Pickering, Board Member
Alameda County Fair
Brian Bullis, Board Member
Mariposa County Fair (35–A DAA)
Regina Goody, Board Member
Yuba–Sutter Fair (13th 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

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
Christy Layton, Legal Counsel to CFSA
Miller, Owen & Trost

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 10:00 a.m. in the conference room at 1776 Tribute Road, Suite 200, Sacramento, California on Monday, February 2, 2009.

II. APPOINTMENT OF CHAIR AND VICE CHAIR

Chairman Pickering opened the floor to nominations for the office of Chair of the Board of Directors of CFSA. Moved by Director Lim to nominate Kelley Ferreira as Chair. There being no other nominations, Director Goody moved to close nominations and

Director Lim, seconded the motion. Motion passed unanimously. Chairman Pickering called for the vote to elect Kelley Ferreira as the new Chair for a two year term beginning with the February 2, 2009, Board meeting through the December 31, 2010, Board meeting (**Resolution Number 09-1**). Motion passed unanimously.

Chairman Ferreira opened the floor to nominations for the office of Vice Chair of the Board of Directors. Moved by Director Goody to nominate John Root as Vice Chair. There being no other nominations, Director Lim moved to close nominations and Director Bullis seconded the motion. Chairman Ferreira called for the vote to elect John Root as the new Vice Chair for a two year term from February 2, 2009, through December 31, 2010, (**Resolution Number 09-1**). Motion passed unanimously.

III. RECOGNITION OF SERVICE OF OUTGOING BOARD MEMBER

In recognition of the outstanding service of outgoing Board Members Rebecca Desmond for her contributions to the California Fair Services Authority from January 1, 2001, through December 31, 2008, and Ed Scofield for his contributions to the California Fair Services Authority from January 1, 2007, through December 31, 2008, the Board and staff presented plaques in appreciation for their contributions to CFSA. Moved by Director Pickering and seconded by Director Root to adopt **Resolution Number 09-2** recognizing their service to CFSA. Motion passed unanimously.

IV. APPROVAL OF MINUTES

Moved by Director Pickering and seconded by Director Root to adopt **Resolution Number 09-3** approving the minutes of the special meeting of November 9, 2008, as presented to the Board of Directors. Motion passed unanimously.

V. 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 Root and seconded by Director Pickering to adopt **Resolution Number 09-04** 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 monthly basis for proper internal control.
4. That the Board shall be regularly advised of investments made pursuant to the investment policies. Motion passed unanimously.

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

Government Code Section 53646 requires the Board to annually approve the Agency's investment policies. To be consistent with the Government Code Section 53607 requiring monthly reporting of transactions, staff will revise CFSA's Investment Goals, Objectives, and Policies dated January 20, 2009, to reflect the change from quarterly reporting to monthly reporting.

Moved by Director Root and seconded by Director Pickering to adopt **Resolution Number 09-05** 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 20, 2009, as modified, 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.

VII. 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, 2008, to clarify protection limits for member fairs. At renewal, staff replaced the prior Following Form Excess Liability policy from The Insurance Company of The State of Pennsylvania, an AIG company, with a Following Form Excess Liability policy from Allied World Assurance Company ("AWAC"). The renewal terms and conditions were the same for both carriers, but AWAC's premium was lower by \$42,409 for a total cost of \$378,619. With this renewal, staff was able to maintain a Self-Insurance Retention ("SIR") of \$750,000 and the Excess Liability policy coverage conforms to the coverages provided by the General Liability MOC with no significant differences.

Staff is proposing to update the Program's MOC to specify that the protection limits apply separately to each member when an occurrence or wrongful act involves more than one member. This would result in the Program incurring a separate SIR for each involved member. This is necessary because the MOC was reviewed by Allied World Assurance Company ("AWAC") and it was noted that the MOC was unclear with regard to member limits and occurrences.

The new Primary MOC is based on the prior MOC with a few minor changes, but there are no changes in coverages. Changes include 1) changing the protection period to January 1, 2009; and, 2) inserting new language regarding maximum limits applying separately to each member when an occurrence or wrongful act involves more than one member. Staff recommends that the Board adopt the Primary MOC effective January 1, 2009, 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 Lim and seconded by Director Bullis to adopt **Resolution Number 09-06** 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, 2009. Motion passed unanimously.

VIII. INFORMATIONAL ITEMS

1. Report on the Revenue Protection Program Claims Committee

Rick Wood, Assistant Director Finance, updated the Board on the Revenue Protection Program Claims Committee's activities for November and December. During the last two months of 2008, the Committee reviewed eight (8) of the twelve claims submitted during the year. This year has proven to be the busiest on record for the Program with \$614,786.40 paid out in claims. Rick also provided an annual program summary for the Revenue Protection Program for 2007.

Rick further reported that the Claims Committee recommended that staff work with CFSA's Board to modify the Program's Memorandum of Coverage ("MOC") to: 1) identify specific revenue sources to be used when determining losses associated with live horse racing; and 2) develop a policy requiring financial statements used to determine the three year average be actual documents submitted and approved by the Division of Fairs and Expositions.

Staff will work with the appropriate experts to identify viable revenue sources to be used in calculating losses associated with this Program, and will develop proposed policy changes to the Program's MOC for the Board to consider at a future meeting.

2. Staff Reports

Administrative Services—During the New CEO Breakfast hosted by CFSA at the 2009 WFA Convention, CFSA provided new fair CEOs and new fair agency representatives with a USB flash drive preloaded (by CFSA) with

agency personnel contact information and an organization chart. New CEOs also received a copy of CFSA's 2007 annual report.

2008 Annual Report It's that time again. Work has begun on the overall theme and visual concept for the 2008 annual report. This year's report will focus on the ongoing stability, flexibility and value of CFSA's programs and services for all California fairs.

CFSA Web Site Throughout each year, pages of the Web site are continually updated as CFSA's programs and services grow and evolve. In addition, at the beginning of each year, every page within the Web site is reviewed and updated to reflect end-of-the-year changes as well as any new opportunities to communicate with site visitors. This comprehensive New Year review is currently underway.

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, 2008 to June 30, 2009, 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 2008 the PST Program has saved the fairs \$1,060,654.05. Had the PST Program not been in place, the fairs would have paid Social Security taxes of \$1,170,159.65 compared to the administration fees of \$109,505.60 paid to DPA and CFSA. Of this administration fee, DPA collected \$60,289.60 and CFSA retained \$49,216 for administration of the program.

Accounting Services Three Finance staff, two Computer Services staff, and nine member fairs attended the annual Compu–Share User Group meeting held on October 27th through 29th in Las Vegas. Compu–Share has developed a new payroll system written specifically for the fairs and tailored to meet their unique needs. Staff, along with experts from Compu–Share, will be giving a formal presentation of the new payroll program at the upcoming FAST (Fair Administrative Staff Training) meeting scheduled for this April.

Risk Management — Staff recently renewed the Revenue Protection excess, Special Events excess, and the General Liability excess policies. CFSA has also exercised its first option to extend the brokerage agreement with Alliant Insurance Services until December 31, 2009. The option allows a five percent increase in the total annual fees paid to Alliant.

New CFSA Member Effective January 1, 2009, the Merced County Spring Fair, a County Fair in Los Banos, joined CFSA's General Liability Program. In December, 2008, the Merced County Board of Supervisors approved a resolution joining CFSA thereby permitting the Spring Fair to join the Program. There are now 68 member fairs in our General Liability Risk Sharing Program.

Pooled Property Protection Program Since 2002, the Pooled Property Protection Program has had a total of fifty nine (59) reported claims of which six (6) are open. The open claims consist of one (1) loss in 2006, one (1) loss in 2007, and four (4) losses in 2008. The one remaining loss in 2007 and one loss in 2008 are in the final stages of being closed. It is currently estimated that the Pool could pay at least another \$40,000 or more on the open claims as advance payments have been made in two of the losses. 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 December 31, staff had an increase of 249 contracts or a 12% increase over 2007. Staff continues to focus on getting all member fairs in the Liability Program to submit their contracts for insurance certificate review and approval.

Special Events Revenues for the Special Events Program through the end of November 2008 totaled \$716,821 which is 90% of the budgeted 2008 revenue of \$795,000. For the first eleven (11) months in 2007, the revenue was \$736,312 representing a three percent (3%) decrease in revenues.

Claims activity in the Special Events Program included six (6) open claims with total reserves of \$102,702 as of December 31, 2008 as compared with nine (9) open claims and \$347,858 in reserves as of September 30, 2008. There are no claims with reserves in excess of \$250,000. At the end of December 2008, fourteen (14) new/reopened claims were received, and seventeen (17) claims were closed. There is currently one (1) litigated claim. For comparison, for all of 2007 there were seven (7) new claims received, and five (5) claims were closed.

Staff reported one settlement for \$175,000 with AMCO Insurance Company. AMCO had filed a subrogation lawsuit to recover costs that they had paid to settle the property damage claims alleged to have arisen from damage occurring on March 4, 2006, to insured properties caused by concert attendees from a punk rock concert held at the National Orange Show. The Board granted settlement authority to staff at the November, 2008 Board meeting.

General Liability Claims activity includes 25 open claims with reserves of \$1,130,588 as of December 31, 2008. There is one (1) claim with over \$500,000 in reserves. Twelve of these open claims are being litigated. For comparison, as of September 30, 2008, CFSA had 42 open claims with reserves of \$1,139,996. In 2008, CFSA received 67 new/reopened claims while 90 have been closed. Through the end of December 2008, CFSA received 373 new loss reports, of which 331 were information only reports. Staff is currently tracing eight (8) claims that have been tendered to other insurance companies.

Safety — December 2008 through February 2009, has resulted in staff involvement in various projects, including member training and fair

inspections conducted at fair facilities for member fairs. These projects are all part of the many safety services provided to 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 continues preparation for the 2009 Program. While staff has reduced involvement to cut department costs associated with travel and lodging, participation will continue with any safety training that has been requested by the Committee.

Western Fairs Convention Tom Amberson and Charlie Wiglesworth will be representing the Safety Department and Maintenance Mania Committee at this year's convention.

Staff Training Tom Amberson conducted an in-depth, in-house training program for staff on the IIPP(Injury, Illness, and Prevention Program). Two staff members successfully completed the Fire Prevention 1B class as part of staff's continued effort to provide quality information and help to member fairs on fire safety issues. These classes also provide additional credibility in our cooperative program with the State Fire Marshal's Office, as they are the same classes required for each Deputy Fire Marshal.

Workers' Compensation — As of December 31, 2008, total open claims reserves were \$6,670,467 (including pre-94 Cal Expo outstanding reserves of \$572,598.) There were 198 open claims, of which 149 were indemnity claims and 48 medical only (this includes one Information Only claim open for administrative purposes).

3. Board of Directors Orientation

Staff provided each Board member with a CFSA Board of Directors Handbook and briefly reviewed information pertinent to Board member activity.

3. Next Board Meeting

The next Board meeting is scheduled for April 7, 2009.

IX. EXECUTIVE SESSION

The Board adjourned from regular session at 11:35 a.m. and went into executive session to discuss liability claims involving Angela Malos, Maliyah Martin & Cody Robinson; and, Maurice Bedard, Agricola Valdovinos, & Paul Zwierski.

X. REGULAR SESSION

The Board adjourned from executive session at 11:58 a.m. and regular session was reconvened. The Board took no reportable action on the liability claims.

XI. ADJOURNMENT

Director Root asked the Board to observe a moment of silence in remembrance of Michael Wegher, who passed away January 15, 2009. Michael was the Chief Executive Officer of the Cow Palace for 21 years and he will be missed by all who knew him.

Moved by Director Goody and seconded by Director Lim to adjourn. The meeting was adjourned at 12:01 p.m. after a moment of silence.

CHAIR

ATTEST:

SECRETARY