

MINUTES

REGULAR MEETING OF CALIFORNIA FAIR SERVICES AUTHORITY BOARD OF DIRECTORS

February 1, 2011

1776 Tribute Road, Suite 200, Sacramento, CA 95815

John Root, Board Member
Public Member
Brian Bullis, Board Member
Mariposa County Fair (35–A DAA)
Regina Goody, Board Member
Yuba–Sutter Fair (13th DAA)
Richard Persons, Board Member
Lake County Fair (49th DAA)
Patricia Conklin, Board Member
Sonoma–Marin Fair (4th DAA)
Rebecca Desmond, 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
Tom Amberson,
California Fair Services Authority
Melissa Thurber,
California Fair Services Authority
Kevin Wright,
California Fair Services Authority
Christy Layton, Legal Counsel to CFSA
Miller, Owen & Trost
Barbara Quaid, CEO
Ventura County Fair (31st DAA)

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 10:01 a.m. in the conference room at 1776 Tribute Road, Suite 200, Sacramento, California on Tuesday, February 1, 2011. Director Desmond arrived at 10:25 a.m. and did not vote on agenda items one through seven.

II. APPOINTMENT OF CHAIR AND VICE CHAIR

John Root, Vice Chair, opened the floor to nominations for the office of Chair of the Board of Directors of CFSA. Moved by Director Bullis to nominate John Root as Chair. There being no other nominations, Director Goody moved to close nominations and

Director Bullis seconded the motion. Motion passed unanimously. Chairman Ferreira called for the vote to appoint John Root as the new Chair for a two year term beginning with the February 1, 2011, Board meeting through December 31, 2012, **Resolution Number 11-1**. Motion passed unanimously.

Chairman Root opened the floor to nominations for the office of Vice Chair of the Board of Directors. Moved by Director Conklin to nominate Regina Goody as Vice Chair. There being no other nominations, Director Persons moved to close nominations and Director Bullis seconded the motion. Chairman Root called for the vote to appoint Regina Goody as the new Vice Chair for a two year term from February 1, 2011, through December 31, 2012, **Resolution Number 11-1**. Motion passed unanimously.

III. RECOGNITION OF SERVICE OF OUTGOING BOARD MEMBER

The Board and staff presented plaques to outgoing Board Members in recognition of their outstanding service and contributions to the California Fair Services Authority. Kelley Ferreira served from January 1, 2003, through December 31, 2010; Barbara Quaid from January 1, 2009, through December 31, 2010; and, Michael Treacy from November 9, 2009, through November 10, 2010. Moved by Director Persons and seconded by Director Goody to adopt **Resolution Number 11-2** recognizing their service to CFSA. Motion passed unanimously.

IV. APPROVAL OF MINUTES

Moved by Director Goody and seconded by Director Bullis to adopt **Resolution Number 11-3** approving the minutes of the special meeting of November 1, 2010, and the teleconference meeting of December 13, 2010, 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 Persons and seconded by Director Conklin to adopt **Resolution Number 11-4** 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, 2011, to reflect the change from quarterly reporting to monthly reporting.

Moved by Director Bullis and seconded by Director Persons to adopt **Resolution Number 11-5** 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, 2011, 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 SPECIAL EVENTS PROGRAM ADMINISTERED BY CFSA

The Special Events Program, administered by CFSA, provides commercial general liability protection with limits up to \$1 million per occurrence for users of fair facilities involving non-hazardous activities and events. Charlie Mitchell, CFSA Risk Manager, reviewed with the Board necessary revisions to the current Memorandum of Coverage for the Special Events Program ("MOC") which has been in effect since January 1, 2006. A recent claim arising out of an accident involving a covered special event operator has resulted in the need to revise the MOC, Section 5. Subsection C to include Additional Covered Entities and Individuals as specified in Section 2. Subsection B, thereby making the coverage under the MOC excess of another prime coverage of the Additional Covered Entity.

Staff recommends that the Board adopt the revisions to the MOC effective January 1, 2011, as proposed. The revised MOC will be distributed to member fairs as an update to the Red Book.

Moved by Director Persons and seconded by Director Conklin to adopt **Resolution Number 11–6** revising the Memorandum Stating the Terms and Conditions of the Special Events Program Administered by CFSA.

WHEREAS, the Memorandum Stating the Terms and Conditions of the Special Events Program Administered by CFSA (“MOC”) was revised on January 1, 2006, and a separate liability policy was purchased to pay any claim in excess of the self–insured retention of \$250,000 up to \$1 million; and

WHEREAS, a recent claim arising out of an accident involving a covered special events operator resulted in recognition of the need to revise Subsection 5.C. of the 2011 Special Events MOC; and

WHEREAS, this revision, making the coverage under the MOC excess of another prime coverage of the Additional Covered Entity, is a substantive change that requires the approval of the Board;

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

That the revised “Memorandum Stating The Terms and Conditions of the Special Events Program Administered by the California Fair Services Authority,” effective January 1, 2011 is hereby approved. Motion passed unanimously.

VIII. ESTABLISHMENT OF REGULAR BOARD MEETING DATES FOR CFSA

In an effort to coordinate Board meeting dates with the California Authority of Racing Fairs, the California Construction Authority, and Western Fairs Association, staff is recommending to move the current meeting day from the first Tuesday of every quarter to the first Wednesday of every even month.

Moved by Director Bullis and seconded by Director Conklin to adopt **Resolution Number 11–7** establishing first Wednesday of every even month as the regularly scheduled Board meeting dates for the California Fair Services Authority’s Board of Director meetings. Motion passed unanimously.

IX. APPOINTMENT OF STRATEGIC PLANNING AND SUCCESSION PLANNING AD HOC COMMITTEE

Donna Bardaro, CFSA’s Executive Director, requested that the Board appoint a

three-member Ad Hoc Committee to work directly with her in determining the Board's goals for an extensive strategic planning session and the maximum time needed for recruitment and transition planning. It is Donna's desire to get the process started quickly once the Committee has been appointed. Becky Bailey-Findley has agreed to be the facilitator and two tentative two-day planning sessions dates have been selected.

Moved by Director Persons and seconded by Director Conklin to approve **Resolution Number 11-8** appointing Directors Root, Bullis, and Goody to serve on the Strategic Planning and Succession Planning Ad Hoc Committee. Motion passed unanimously.

X. INFORMATIONAL ITEMS

1. Staff Reports

Administrative Services— CFSA's safety supervisor, Tom Amberson, conducted a workstation ergonomics seminar for all CFSA, CCA, CARF and WFA employees in early December. Following the seminar, the safety team's goal is to provide individual workstation analyses for all employees an expects to be completed by the end of March.

2010 WFA Convention CFSA participated in the 2011 Western Fairs Association Convention trade show in Reno, Nevada. The overall booth theme: ***We Get the Job Done!*** Staff also premiered a five-minute PowerPoint slide show, "A Day at CFSA," designed to help fairs get to know CFSA staff and each person's fair responsibilities. Photos of the Fairs Services Building, along with a photo of each CFSA employee were featured. Accompanying each photo was a brief job description. Staff received numerous compliments on the presentation, with several fair employees noting their appreciation for the opportunity to see the "faces behind the voices" when they called CFSA.

CFSA also shared a section of the booth with CCA representatives who used Skype telecommunications to enable convention attendees to speak, via computer, with CCA's project managers in Sacramento.

Staff representatives from safety, special events, risk management, communications, and administrative teams greeted visitors, answered questions, and handed out informative brochures, CFSA's 2010 annual report, and this year's booth gift, a handy multi-purpose tool.

Benefits for County Fair Employees To remind county fairs of their eligibility for Delta Dental insurance and Group Life, Accidental Death and Long-Term Disability insurance through CFSA, two marketing flyers were distributed at WFA Convention. These flyers, along with updated letters, will also be used for future employee benefit marketing.

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.

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 2010 the PST Program has saved the fairs \$1,002,815.59. Had the PST Program not been in place, the fairs would have paid Social Security taxes of \$1,107,751.04 compared to the administration fees of \$104,935.45 paid to DPA and CFSA. Of this administration fee, DPA collected \$57,773.45 and CFSA retained \$47,162 for administration of the program.

FlexNet CFSA provides accounting and IT services to members. Currently staff assists 48 fairs and four JPA's with various fiscal and accounting software needs.

Risk Management — Staff recently renewed the excess policies for General Liability, Special Events, and Revenue Protection. Staff is continuing efforts to implement the requirements of the new federal statute that requires self-insurers to guarantee Medicare is not the primary insurer for third-party liability claimants and injured workers. Staff continues to review procedures in handling liability claims and settlements being conducted and have begun to implement changes as required.

Pooled Property Protection Program Since 2002, the Pooled Property Protection Program has had a total of seventy-four (74) reported claims of which two (2) are open. The open claims consist of one (1) loss in 2008, and one (1) loss in 2010. 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 2010-2011 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, 2010, staff had reviewed 2,869 contracts, 639 more than the previous year, which represents an increase of 29% from 2009. Staff is scheduled to attend the Fair Administrative Staff Training Seminar in March and will be emphasizing the importance of submitting contacts for insurance certificate review and approval.

Master Insurance Certificate List CFSA regularly updates and distributes, to all fairs, the Approved Master Insurance Certificate List of 550 plus vendors and contractors doing business with the network of California fairs. The list is distributed monthly via mail and e-mail from February through October.

Special Events A change in the Special Events Program has been made by dropping any requirement for Animal Exhibitor coverage of small animals. Staff is awaiting information from F&E and WFA on animal exhibitor counts by fair in order to begin further development of a group purchase plan for animal exhibitors. Additionally, CFSA has implemented simplified reporting procedures for animal exhibitors to reduce the paperwork at fairs.

Revenues for the Special Events Program through the end of November 2010 totaled \$746,141 which is 94% of the budgeted 2010 revenue of \$795,000. For the same period in 2009 the total revenue was \$734,967, which represents a 2% increase in 2010 revenues.

Claims activity in the Special Events Program included fourteen (14) open claims with total reserves of \$102,805 as of December 31, 2010 as compared with fourteen (14) open claims and \$121,163 in reserves as of September 30, 2010. There are no claims with reserves in excess of \$250,000. In 2010, CFSA received 26 new/reopened claims and twenty (20) claims were closed. There are currently four (4) litigated claims. Through the end of December 2010 there were 34 new loss reports of which eight (8) were information only.

General Liability Claims activity includes 37 open claims with reserves of \$683,617 as of December 31, 2010. There are no claims with over \$500,000 in reserves. Fifteen (15) of these open claims are being litigated. For comparison, as of September 30, 2010, CFSA had 42 open claims with reserves of \$602,629. In 2010, CFSA received 62 new/reopened claims while another 53 have been closed. Through the end of December 2010, CFSA received 239 new loss reports, of which 190 were information only reports. Staff is currently tracing ten (10) claims that have been tendered to other insurance companies.

Safety — November 2010 through January 2011 has resulted in staff involvement in various projects, including member training and fair inspections conducted at fair facilities for member fairs. These projects, training programs, and inspections are part of the value added safety services provided to all CFSA member fairs. The majority of services provided at member fairs over this three month period have been or will be Pre-Fair or program services such as training, development or program enhancements. CFSA Pre-Fair and Fairtime visits often include training of temporary staff, as well as the bulk of Fire and Life Safety inspections being done in cooperation with the California State Fire Marshal's Office.

WFA Convention All safety staff attended the 2011 WFA Convention and trade show. The convention continues to provide safety staff with the opportunity to visit with members, discuss current issues and make plans for the coming year. Further, in a comfortable social environment, the convention provides an environment to create or build stronger relationships with members.

Tom Amberson was a co-speaker during the presentation of the consumer protection in animal settings on Sunday of the WFA Convention. While the subject has been discussed many times by the industry over the past seven years, this year's presentation was aimed at fair board members enlightening them on the importance, potential risks, and impact this issue has with regard to fairs.

Maintenance Mania Staff has been busy completing the final details on the upcoming 2011 Maintenance Mania seminars. The Southern California seminar will be hosted by the Orange County Fair, February 6-9; and the Northern California seminar will be hosted by the El Dorado County Fair, March 6-9.

Seminar classes conducted by CFSA staff will include:

- ▶ Forklift Certification (first time students)
- ▶ Forklift Re-Certification
- ▶ Class 7 Forklift Certification (Rough Terrain)
- ▶ Aerial Lift — Boom Lift Certification
- ▶ Scissor Lifts and Front-end Loader Certification
- ▶ First Aid — Fire Extinguisher Certification

Workers' Compensation — As of December 31, 2010, total open claims reserves were \$10,293,695 (including pre-94 Cal Expo outstanding reserves of \$515,684.) There were 217 open claims, of which 193 were indemnity claims and 23 medical only (this includes one Information Only claim open for administrative purposes).

Workers' Compensation staff is meeting quarterly with the Safety staff to discuss accident trends occurring in the industry. These meetings have become vital in the sharing of information between the two departments and has helped to identify those fairs that are experiencing repetitive accidents. The Safety staff is then able to review these trends with the fairs and collaborate on possible solutions. This is also a way for the member fairs to become aware of potential hazards their employees may be encountering and how to effectively limit accidents.

2. **Executive Director's Report**

Donna Bardaro, CFSA's Executive Director, reported briefly on current CFSA issues which included:

Contract Services with CCA CFSA has entered into a contractual relationship with the California Construction Authority ("CCA") to provide fiscal management and oversight of CCA's financial operations through May 31, 2011. Rick Wood serves in a trustee relationship and oversees both CCA and CFSA staff in performing CCA's accounting function. CFSA has also entered into a contract with Amy Casias, Cal Expo, to perform accounting services to assist CFSA in the transition of CCA's accounting and fiscal management to CFSA.

Duplicate Payment on Property Insurance Claim In April of 2010, staff inadvertently made a duplicate payment in the amount of \$390,000 out of the Property Protection Program Fund – once to the vendor of the Napa County Fair shade structure and once to CCA as a result of an invoice for payment requested by CCA on the same

property claim. Purchase orders, authorized by Tom Baker and Joe Anderson, were paid to the vendor through CFSA's Purchasing Program and then again when CCA invoiced Charlie Mitchell through the Property Insurance Program. Because CFSA was involved in the purchase of the shade structure and it was processed by the Purchasing Department, the transaction was treated like any other purchase and it went through "Cost-of-Goods Sold," rather than directly out of the Property Fund. Normally all payments for property protection claims go through Charlie Mitchell.

This process delayed posting the transaction to the Property Protection Program until the end of the month. In the meantime CCA requested payment through Charlie Mitchell, creating the duplication. Within days, staff had contacted CCA and they acknowledged the receipt of the duplicate payment. Staff has been working with CCA, Becky Bailey-Findley, and the Division of Fairs and Expositions ("F&E") regarding return of the \$390,000.

Originally, staff had been assured the funds would be returned, however, now staff is being told that this mistake was CFSA's and there are no funds available to reimburse CFSA for the duplicate payment. The Division of Fairs and Expositions feels CFSA should reimburse the Property Protection Program Fund by that amount. If these funds were to be paid by CFSA, they would have to come off CFSA's bottom line which would directly affect the Workers' Compensation and General Liability Programs. CFSA does have reserves, but they are committed to pay claims.

Donna and Rebecca Desmond, Interim Director for F&E, have talked and CFSA realizes the severity of the situation. Fairs are being told they too will not receive funds that were being held by CCA because the funds are no longer there. In this case, the Property Program is short \$390,000 — there is a current balance of \$632,847.81 which takes the balance up to \$1,093,269.81 with no outstanding claims.

After considerable discussion, the Board opted to wait to see both CCA's and CFSA's auditor opinions before making a decision on how to proceed with this receivable.

Fund Administration As of January 20, 2011, CFSA has returned to the Division of Fairs and Expositions ("F&E") most of the \$10,789,757 previously sent to CFSA for funding administration. F&E requested return of the Fair Industry Reserve funds, the Emergency Response Program funds, the Environmental Investment funds (with the

exception of \$14,355.22), the Replenishment funds, the Infrastructure Loan Program funds and the Wagering Facility Improvement funds. CFSA's only funding responsibility at this time is for the Regional Marketing Support Program funds in the amount of \$56,536.72.

3. Next Board Meeting

The next Board meeting is scheduled for Wednesday, April 6, 2011.

XI. EXECUTIVE SESSION

The Board adjourned from regular session at 11:50 a.m. and went into executive session to discuss liability claims involving Angela Malos, Maliyah Martin & Cody Robinson; and, Harold Carter; and the workers' compensation claim of Elizabeth Yeh.

XII. REGULAR SESSION

The Board adjourned from executive session at 12 p.m. and regular session was reconvened. The Board took no reportable action on the liability or workers' compensation claims.

XIII. ADJOURNMENT

Moved by Director Persons and seconded by Director Bullis to adjourn. The meeting was adjourned at 12:01 p.m.

CHAIR

ATTEST:

SECRETARY