

MINUTES

REGULAR MEETING OF CALIFORNIA FAIR SERVICES AUTHORITY BOARD OF DIRECTORS

February 5, 2007

1776 Tribute Road, Suite 200, Sacramento, CA 95815

Kelley Ferreira, Board Member
San Benito County Fair (33rd DAA)
Rebecca Desmond, Board Member
Siskiyou Golden Fair (10th DAA)
Rick Pickering, Board Member
Alameda County Agricultural Fair
Lonny Wunder, Board Member
Yolo County Fair (40th 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

Donna Bardaro, Executive Director
California Fair Services Authority
Tom Allen,
California Fair Services Authority
Sue Leavitt,
California Fair Services Authority
Melissa Thurber,
California Fair Services Authority
Roz Johnson,
California Fair Services Authority
Tom Amberson,
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 10:01 a.m. in the conference room at 1776 Tribute Road, Suite 200, Sacramento, California on Monday, February 5, 2007.

II. APPOINTMENT OF CHAIR AND VICE CHAIR

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

and Director Lim, seconded the motion. Motion passed unanimously. Chair Ferreira called for the vote to elect Rick Pickering as the new Chair for a two year term beginning with the February 5, 2007, Board meeting through the December 31, 2008, Board meeting (**Resolution Number 07-1**). Motion passed unanimously.

Chairman Pickering opened the floor to nominations for the office of Vice Chair of the Board of Directors. Moved by Director Ferreira to nominate Lonny Wunder as Vice Chair. There being no other nominations, Director Desmond moved to close nominations and Director Root seconded the motion. Chairman Pickering called for the vote to elect Lonny Wunder as the new Vice Chair for a two year term from February 5, 2007, through December 31, 2008, (**Resolution Number 07-01**). Motion passed unanimously.

III. APPROVAL OF MINUTES

Moved by Director Desmond and seconded by Director Wunder to adopt **Resolution Number 07-02** approving the minutes of the special meeting of December 11, 2007, as presented to the Board of Directors. Motion passed unanimously. Directors Root and Scofield abstained.

IV. RECOGNITION OF SERVICE OF OUTGOING BOARD MEMBER

In recognition of the outstanding service of outgoing Board member Forrest White, the Board and staff presented a plaque in appreciation for his contributions as a Board member of the California Fair Services Authority. Members praised Forrest for his invaluable leadership and guidance for new CFSA Board members and for his mentoring of new fair managers throughout his career. Forrest served as a CFSA Board member from January 1, 2000, through December 31, 2006. Moved by Director Desmond and seconded by Director Root to adopt **Resolution Number 07-03** recognizing Forrest's service to CFSA. Motion passed unanimously.

V. MODIFICATION TO CARNIVAL RIDE INSPECTION PROGRAM

Staff conducted a second meeting regarding proposed changes to CFSA's carnival portion of the fair time inspection program on Sunday, January 14th at the Western Fairs Convention in Reno. Approximately twenty-four (24) members and numerous partners attended the meeting where Tom Allen and Tom Amberson gave an overview of the program and Rick Wood discussed the financial pressures driving the proposed change.

During the meeting, staff assured members that CFSA was not proposing to completely abandon the carnival services during fair time inspections. And, while eliminating the mechanical ride inspection portion of the program, staff would instead review daily self-inspection reports prepared by the carnival and perform daily pre-operational checks on the rides and ride operators.

As requested by the Board, staff also addressed the three questions presented by participants during the first meeting held in November during the CFA conference. The three questions included: 1) *Because of the fear of unknown costs to fairs, what is the cost difference between CFSA hiring additional staff vs. using a third party inspection company?* The average daily costs are comparable when you consider the actual time it takes to complete an inspection. Of a group of about 24 fairs, only four were willing to pay for a mechanical ride inspection; 2) *Who would handle the third party contracts?* CFSA would handle the contract(s) and bill each participating fair for their use of the services; and, 3) *How can fairs pass on the cost of the inspection to the carnival?* This issue would have to be negotiated between the fair and its carnival.

Based on previous discussion with the Board and fair membership, staff recommended the Board approve the proposed changes to the carnival portion of the Fairtime Inspection Program.

Moved by Director Ferreira and seconded by Director Wunder to adopt **Resolution Number 07-04** approving the changes to the carnival portion of the Fairtime Inspection Program, eliminating the partial mechanical inspection of each ride and attraction by CFSA Safety Inspectors. Motion passed unanimously.

VI. 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 Wunder and seconded by Director Desmond to adopt **Resolution No. 07-05** 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.

VII. 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 Pickering and seconded by Director Gomes to adopt **Resolution Number 07-06** 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 March 17, 2006, 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.

VIII. INFORMATIONAL ITEMS

1. Staff Reports

Administrative Services — CFSA sponsored the New CEO Breakfast at the WFA Convention and took the opportunity along with our Board members to meet with both new and seasoned fair CEOs.

CFSA's trade show booth, staffed this year by the General Liability and Workers' Compensation Claims departments, was a popular congregation spot. The booth's theme was "CFSA is Nuts about California Fairs." Our presence gave fair management and fair staff the opportunity to ask questions and to meet CFSA Claims staff. In addition, staff introduced themselves to other trade show exhibitors and told them about CFSA's Special Events Program and the Master Insurance List. Visitors also had the opportunity to pick up copies of CFSA's 2005 annual report and several informational brochures, including a new brochure on Fairs FlexNet produced especially for the Convention.

During the trade show, staff conducted an informal poll, asking fair management to share their opinions with us by filling out a short "Regional Personnel Resource Survey." Of the 26 people surveyed, 25 said they'd be interested if CFSA were to compile a resource list of experienced, veteran fair personnel wishing to work for a fee during fair times and peak periods throughout the year. The most in-demand areas of expertise were Exhibits, Office Staff, Maintenance, Accounting, Management, Livestock, and Concession Audits. Nineteen people also expressed an interest in CFSA developing a Regional Personnel Services program. Areas where help was

most needed included Gates (admission), Exhibitor Handbook Publishing, Award Design and Purchasing, Premiums Accounting, Auction Accounting and Entry Results Tracking. Several fairs also mentioned they had people at their fair who would be interested in being on the resource list.

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. Staff also included 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, 2005 to June 30, 2006, fairs in classes I and II are projected to receive 100% reimbursement, classes III and IV will receive a 75% reimbursement, and classes V through VII will receive a 50% reimbursement of their unemployment insurance costs. It is anticipated that for the fiscal year July 1, 2006 to June 30, 2007, fairs in classes I and II will receive 100% reimbursement, classes III and IV will receive a 70% reimbursement, and classes V through VII will receive a 40% 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 2006 the PST Program saved the fairs \$965,498.00. Had the PST Program not been in place, the fairs would have paid Social Security taxes of \$1,073,533 compared to the administration fees of \$108,054 paid to DPA and CFSA. Of this administration fee, DPA collected \$59,490 and CFSA retained \$48,564 for administration of the program.

Property Insurance Program The Division of Fairs and Expositions annually contributes \$450,000 to the Property Insurance Program, which currently has a balance \$382,167 in spite of the unusually high claims and excess policy premiums. The Division is committed to the Program and is prepared to fund the additional amount necessary to

pay the renewal premiums due in July.

Risk Management — CFSA recently renewed the following excess and insurance policies: Revenue Protection excess for \$46,480.71 (\$600,000 SIR backed by Lloyds). Special Events excess for \$195,716 (\$250,000 SIR with Everest National Ins.). General Liability Reinsurance for \$546,000, the same as paid last year for coverage (\$1 million SIR with Everest National Insurance).

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 1,982 contracts in 2006 as compared with 1,665 contracts in 2005. This is an increase of 317 contracts. CFSA continues to focus its efforts on getting all member fairs in the Liability Program to submit their contracts for insurance certificate review and approval. As part of these efforts, CFSA staff this next year will be making fair visits to train personnel as well as to perform certificate compliance audits.

Property Protection Program The Pooled Property Protection Program has had a total of thirty six (36) reported claims, six (6) of which remain open. Two (2) of the open claims are flood claims occurring in 2005 and 2006. It's estimated that the Pool could incur up to \$600,000 on these open claims and staff is continuing to work with individual fairs and the California Construction Authority to resolve open claims.

Special Events Estimated revenues for the Special Events Program through the end of December 2006 totaled \$759,238. For the same period in 2005, the revenue was \$747,413.

Claims activity in the Special Events Program included five (5) open claims with total reserves of \$462,709 as of December 31, 2006 as compared with six (6) open claims and \$345,466 in reserves as of July 31, 2006. There is one (1) claim with reserves in excess of \$250,000. In 2006, ten (10) new claims were received, and eight (8) claims were closed. There are currently two (2) litigated claims. For comparison, for all of 2005 there were 12 new claims received, and 17

claims were closed.

General Liability Claims activity includes 50 open claims with reserves of \$1,037,919 as of December 31, 2006. There is one (1) claim with over \$300,000 in reserves. Twenty of these open claims are being litigated. As of July 31, 2006, CFSA had 69 open claims with reserves of \$1,003,104. Through the end of December 2006, CFSA received 488 new loss reports, of which 412 were information only reports. Staff is currently tracking one (1) claim that has been tendered to another insurance company.

Safety — For the first two months of 2007, staff has provided several services to member fairs including: 1) pre-fair safety consultations; 2) fairtime inspections; 3) provided special training which included boom-lift, forklift and operator certification, and CPR/First Aid training; and 4) Assisted fair staff in IIPP development and staff training.

WFA Convention Tom Allen and Tom Amberson attended the convention, participating in a second “Special Risk Advisory Meeting” regarding CFSA’s Carnival Ride Inspection Program. They also participated in this year’s WFA roundtables, each hosting a separate table to discuss CFSA’s Safety Specialist Fair Assignment Program and the new Cal-OSHA heat illness standard for outdoor workers.

Maintenance Mania Preparation has been underway for the upcoming 2007 maintenance mania seminars to be held at the Kern County Fair and the Shasta District Fair. Staff involvement ranges from committee members to instructors and support staff. The program continues to grow in size and success with approximately 125 pre-registered attendees at each location. CFSA continues to provide training and certification classes at each optional Monday program. In addition to the benefits this event provides for fair maintenance staff, it continues to allow the opportunity for CFSA to certify and re-certify members’ employees while building strong and effective relationships.

Workers’ Compensation — As of December 31, 2006, total open claims reserves were \$5,721,585.00 (including pre-94 Cal Expo outstanding reserves of \$715,827.) There were 152 open claims, of which 127 were indemnity claims and 24 were medical only (includes one (1) Information Only claim open for administrative purposes).

2. Executive Director's Report

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

- ▶ **New Member Services** — Donna gave Kudos to CFSA's Finance Department for the excellent services they provide to member fairs. The Calaveras County Fair started receiving full accounting services in October, 2006 and the Dixon May Fair was added in December, 2006. The Napa Town and Country Fair will take advantage of the financial services beginning in February, 2007. And, as previously reported, Cooperative Agricultural Support Services ("CASS"), a new JPA, will be joining CFSA's PayNet Program beginning February 1, 2007.
- ▶ **Pending Pool Member Services** — Staff had been in discussions with the Sonoma County Fair regarding their interest in joining the General Liability Program. Because CFSA doesn't offer automobile coverage as part of the Program, Sonoma County Fair has decided to stay with the County of Sonoma, who currently insures the fair.
- ▶ **Potential Member Withdrawal** — Staff has been informed by the Lake County Fair that they are considering the possibility of finding a commercial liability carrier who would only require their motorized racing promoter to have \$1 million in General Liability coverage as opposed to CFSA's requirement of \$3 million. The Lake County Fair has also indicated that several other racing fairs might also be considering this option.

CFSA has reviewed the insurance requirements for motorized events several times since the Board adopted the increase in April of 2006. Staff has concluded there is no need to change the current limits and has advised the Lake County. Donna will keep the Board informed as the situation develops.

3. Next Regular Board Meeting

The next Board meeting is scheduled for May 7, 2007.

IX. EXECUTIVE SESSION

The Board adjourned from regular session at 11:06 a.m. and went into executive session to discuss a liability claim involving Larry McIver, Hollyn D'Lil & Michael Dunne, and, a workers' compensation claim involving Richard Miller.

X. REGULAR SESSION

The Board adjourned from executive session at 12:10 p.m. and regular session was reconvened. The Board took no reportable action on the liability or workers' compensation claims.

XI. ADJOURNMENT

Moved by Director Desmond and seconded by Director Wunder to adjourn. The meeting was adjourned at 11:19 a.m.

CHAIR

ATTEST:

SECRETARY