

MINUTES

SPECIAL MEETING OF CALIFORNIA FAIR SERVICES AUTHORITY BOARD OF DIRECTORS

April 14, 2010

1776 Tribute Road, Suite 200, Sacramento, CA 95815

Kelley Ferreira, Board Member
San Benito County Fair (33rd DAA)
Barbara Quaid, Board Member
Ventura County Fair (31st DAA)
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
Michael Treacy, 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
Tom Amberson,
California Fair Services Authority
Melissa Thurber,
California Fair Services Authority
John McClure,
Madison Investments
Mike Harrington,
Bickmore Risk Services
Kevin Wong,
Gilbert Associates, Inc.
Jamie Matthews,
Gilbert Associates, Inc.

I. CALL TO ORDER

A special 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 Wednesday, April 14, 2010.

II. APPROVAL OF MINUTES

Moved by Director Goody and seconded by Director Bullis to adopt **Resolution Number 10–7** approving the minutes of the special meeting of February 17, 2010, as presented to the Board of Directors. Motion passed unanimously.

III. REPORT ON CFSA'S INVESTMENTS

John McClure, Madison Investments, shared Madison's philosophy in building CFSA's investment portfolio with the Board. Madison actively manages CFSA's portfolio in combination with a sense of the Agency's needs and objectives and the goal to provide consistently positive returns during market environments and limit potential declines. Investments are limited to obligations of the United States Government, its agencies, or Investment Grade corporate securities which are continually monitored for diversification and liquidity.

CFSA's total return for each calendar quarter, namely a combination of 1) interest received, earned or accrued; 2) realized gains or losses on sales of securities, and; 3) price appreciation or depreciation of assets held at the end of the calendar quarter has been significantly better than the equities market and in line with the overall bond market. In general, CFSA's portfolio is performing positively and is in line with the overall treasury/bond market.

IV. APPROVAL OF EQUIPMENT LOAN TO CALIFORNIA EXPOSITION AND STATE FAIR TO UPGRADE MONORAIL

The California Exposition and State Fair ("Cal Expo") has requested a large equipment loan to upgrade their monorail. The loan will amount to approximately fifty percent (50%) of the total amount needed to complete the project and Cal Expo believes that this upgrade will double the current monorail revenues. Rick Wood, CFSA's Assistant Director Finance, explained that the Loan Program, with an established fund of \$750,000, currently has seven (7) outstanding loans totaling \$324,944, leaving an available balance of \$425,056. Staff recommends that the Board approve Cal Expo's loan request.

Moved by Director Treacy and seconded by Director Goody to adopt **Resolution Number 10-8** approving the equipment loan to the California Exposition and State Fair in an amount not to exceed \$250,000 to be amortized over a period not to exceed seven (7) years with an annualized interest rate of five (5) percent. Motion passed unanimously.

V. 2009 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 2009 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 Root and seconded by Director Treacy to adopt **Resolution Number 10-9** accepting, as presented, the 2009 Audit Report from Gilbert Accountancy Corporation dated March 17, 2010. Motion passed unanimously.

VI. 2009 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 2009 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, 2009, the 2010 loss rate and projected losses, and 2010 funding guidelines. In summary, Mr. Harrington reported that with regard to General Liability, the outstanding liabilities are down as loss development has been favorable since last year with assets above the 90% confidence level. The Workers' Compensation's loss development has been adverse again and has led to an increase in outstanding liabilities and rate increases are up by 12% on average, however the Program's assets remain above the 85% confidence level. In the Special Events Program, adverse loss development has increased outstanding liabilities, but assets remain above the 85% confidence level.

Moved by Director Quaid and seconded by Director Goody to adopt **Resolution Number 10-10** accepting, as presented, the 2009 Actuarial Reports from Bickmore Risk Services for General Liability, Workers' Compensation, and Special Events Liability dated February 12, 2010. Motion passed unanimously.

VII. 2010 GENERAL LIABILITY FEES

Rick Wood, presented the proposed 2010 General Liability Risk Pool fees to the Board and explained that over the past ten years, the General Liability Program has experienced two years of adverse loss experience with the most recent year 2005. He went on to say that an adverse loss experience year is defined as a year when catastrophic losses or the cumulative effect of many average losses exceed the actuarially projected losses for that year. This type of occurrence is generally expected to happen one out of ten years and although it's early in the development process, 2006 through 2009 appear to be better than average claims years.

With conservative goals that have been set by CFSA, the General Liability Program has been able to increase the confidence margin from a low of 70% in 2004 to 90% in 2008

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and again in 2009. The 2010 overall base fee remains the same as 2009. Individual fairs' actual fees may increase or decrease from the previous year due to individual loss history. Staff recommends approval of the proposed 2010 General Liability Fees.

Moved by Director Bullis and seconded by Director Root to adopt **Resolution Number 09–11** approving the 2010 General Liability Fees.

WHEREAS, CFSA has achieved it's five year goal to bring General Liability Risk 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, two significant changes were made to the General Liability Risk Program in 2008 to better reflect the risk exposure within 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 2010 General Liability base fee remain the same as 2009.
2. That the total projected General Liability fees for 2010 be assessed at approximately Two Million Seventy–Six Thousand Dollars (\$2,076,000.00). Motion passed unanimously.

VIII. 2010 WORKERS' COMPENSATION RATE

Rick Wood reported that over the last ten years, the Workers' Compensation Program has experienced three years of adverse loss experience from 2001 through 2003. Generally, this type of occurrence is expected to happen in one out of ten years. Conservative reserving practices has helped cover the majority of the adverse development. It appears that 2005 and 2006 will be better than the actuaries have projected, while 2007 and especially 2008 are trending upwards due to the higher costs of medical and two adverse claims. The Program has made good progress since 2004 by increasing the confidence margin from a low of 70% in 2004 to the current 90% level while lowering the base rate to 5.5% in 2008.

Even with the projected upward trend in claims costs for 2007 and 2008, staff is recommending that the 2010 Workers' Compensation Risk Pool fees remain at the 2008 rate of 5.5%. Individual fairs' actual fees may increase or decrease from the previous year due to loss history and varying levels of payroll.

Moved by Director Goody and seconded by Director Bullis to adopt **Resolution No. 10–12** approving the 2010 Workers' Compensation Rate.

WHEREAS, CFSA achieved its 2006 goal 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 and 2006 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 Program has made great progress by increasing the confidence margin from a low of 70% in 2004 to the current 90% confidence level;

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

That the Workers' Compensation base rate for 2010 will remain at 5.5% of payroll and volunteer wages. Motion passed unanimously.

IX. INFORMATIONAL ITEMS

1. Revenue Protection Program Claims Committee

The Revenue Protection Program Claims Committee met on March 2, 2010, to review the two final claims for 2009. The Big Fresno Fair, 21st DAA, experienced heavy rain and the Placer County Fair had temperatures exceeding 110 degrees. The Committee was unable to review the claims in 2009 due to the departure of two Committee members from the fair industry. Bruce Lim has been replaced by Michael Treacy and Tony Leo was replaced by Lori Marshall.

The Committee discussed the 2009 claims and unanimously approved Big Fresno's claim in the amount of \$288,557.62 and the Placer County Fair's claim in the amount of \$51,095.17.

2. Staff Reports

Administrative Services—During the FAST Conference (previously Nuts & Bolts) CFSA hosted two trade show booths. One booth focused on CFSA's services and programs, the other specifically on CFSA's payroll program. Handout materials included an information folder containing CFSA's 2008 annual report and an organizational chart complete with contact phone numbers, plus samples and information about CFSA's Special Events and Purchasing programs. Interested fair staff also had the opportunity to participate in on-the-spot payroll software demonstrations.

WFA's New CEO Orientation Staff is participating in the WFA hosted new CEO orientation on May 21st, and will provide an overview of CFSA's programs, services and resources available to all member fairs. Time permitting, staff will also give the new CEOs a tour of CFSA's offices. Handout materials will include CFSA's information folder containing the annual report, an organizational chart, contact numbers with a brief synopsis of job duties, as well as descriptions of all the programs at CFSA.

Enhanced Alarm System For CFSA Building In light of a recent building break-in and out of concern for our tenants' personal and property safety, we have expanded the building's alarm system to include the building lobby, all agency offices and conference rooms. This valuable service has been added at no cost to our building tenants, and all have been trained on the new system.

2009 Annual Report Work continues on the 2009 annual report. Our theme is: Done! with a secondary theme: CFSA is Working For You! Our concept is that whatever the fairs need or ask of CFSA – CFSA will get it done, or has already gotten it done (or resolved). "Working For You," an extension of the main theme, will play out through section headings (CFSA is working FOR you, WITH you, INSTEAD of you, INFORMING you) and content organization. Creative and production costs will be the same as last year's.

Maintenance Mania Web Site The Web site was updated to indicate that Maintenance Mania 2010 is over. Maintenance Mania leaders are compiling a 2010 recap that will be posted on the 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.

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 received 100% reimbursement, classes III and IV a

60% reimbursement, and classes V through VII a 25% reimbursement of their unemployment insurance costs.

For the fiscal year July 1, 2009 to June 30, 2010, F&E added an additional \$200,000 to the Program and fairs in classes I and II are projected to receive a 100% reimbursement, classes III and IV a 65% reimbursement, and classes VII a 30% 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 2010 the PST Program has saved the fairs \$46,306.01. Had the PST Program not been in place, the fairs would have paid Social Security taxes of \$53,021.06 compared to the administration fees of \$6,715.05 paid to DPA and CFSA. Of this administration fee, DPA collected \$3,697.05 and CFSA retained \$3,018 for administration of the program.

Accounting Services CFSA currently has 46 fairs and three JPA's using one form or another of the accounting software, with Mother Lode and Desert Empire fairs being the most recent to take advantage of CFSA's services.

Risk Management — Staff is currently working on renewal of coverages that expire on July 1, 2010, which includes excess coverage for the Workers' Compensation and Pooled Property Protection Programs. As part of the renewal of the Property Program, the property schedules at all fairs are being reviewed and updated as needed. Staff is in the process of renewing insurance coverages for the Hazardous Special Events Program for rodeos, horse shows and motorized racing events in 2010. Fairs received the survey forms in early February and to date 21 fairs have covered a total of 31 events.

Pooled Property Protection Program Since 2002, the Pooled Property Protection Program has had a total of sixty-five (65) reported claims of which four (4) are open. The open claims consist of one (1) loss in 2008, two (2) losses in 2009, and one (1) loss in 2010. It is currently estimated that the Pool could pay at least \$385,000 or more on one of the four open claims. 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 2009-2010 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 19, 2010, staff had reviewed 394 contracts which is an increase of 144 contracts or a 58% increase of 2009. During the CFSA Fair Training Seminars held in late 2009, staff emphasized the importance of submitting contracts for insurance certificate review and approval. Staff further emphasized the importance during the 2010 FAST Conference. Efforts to educate fair staff seems to have had the desired effect, to date there has been a noticeable increase in the number of contracts submitted for approval.

Special Events Revenues for the Special Events Program through the end of December 2009 totaled \$749,551 which is 94% of the budgeted 2009 revenue of \$795,000.

Claims activity in the Special Events Program included six (6) open claims with total reserves of \$65,457 as of February 28, 2010 as compared with six (6) open claims and \$75,805 in reserves as of January 31, 2010. There are no claims with reserves in excess of \$250,000. So far in 2010, there have been no new or reopened claims and one (1) claim has been closed. There is currently one (1) litigated claim. In 2009 there were 22 new loss reports of which five (5) were information only.

General Liability Claims activity includes 25 open claims with reserves of \$1,171,489 as of February 28, 2010. There is one (1) claim with over \$500,000 in reserves. Eleven of these open claims are being litigated. For comparison, as of January 31, 2010, CFSA had 28 open claims with reserves of \$1,103,413. So far in 2010, CFSA received five (5) new/reopened claims while another eight (8) have been closed. Through the end of February 2010, CFSA received ten (10) new loss reports, of which seven (7) were information only reports.

Safety — March 2010 through April 2010, 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.

Regional Training Program Staff will be conducting its second regional safety class in the north valley with the Tehama District Fair hosting the event. This format gives CFSA an opportunity to consolidate training and resources and it provides members with an opportunity to network on risk and safety issues and share experiences and solutions. Last December, the first program was hosted by the Shasta District Fair and included participation from several area fairs.

Maintenance Mania As in previous years, CFSA's safety department provided instruction and certification for member maintenance workers as a part of the optional Monday training program at both the Ventura and Monterey County Fairs. Classes conducted by CFSA staff include:

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

FAST Conference Tom Amberson will be conducting an Ergonomics training class at the 2010 FAST Conference.

Workers' Compensation — As of February 28, 2010, total open claims reserves were \$8,000,839 (including pre-94 Cal Expo outstanding reserves of \$531,926.) There were 164 open claims, of which 149 were indemnity claims and 15 medical only (this includes one Information Only claim open for administrative purposes).

3. **Executive Director's Report**

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

2010 Claims Audit Results — Donna was pleased to share with the Board that CFSA continues to exceed industry standards as reported in both the General Liability and Workers' Compensation claim audits conducted in February 2010.

The **Liability Claim Audit**, which included a 100% review of all 32 current open claims, concluded that the Liability Claim staff demonstrate a keen sense of urgency regarding claim investigation and the disposition of adverse liability litigation. The claim files are properly documented with factual investigation, claimant contact and field adjusters' current reporting. There were no negative patterns or trends identified as a result of this audit. The auditor stated that the Liability claim administration performance meets, and in many cases exceeds claim industry standards and CAJPA Claim Accreditation Criteria.

The **Workers' Compensation Audit** included a review of 50% of the active open Indemnity claims and a sampling of open Medical Only claims totaling 50 claims reviewed for the audit. The review of active Indemnity claims included approximately 80% of the Indemnity reserves open at the time of the claim audit. The auditor concluded that the experienced and professional claim reserving philosophy and practice continue to be sound. There were no negative patterns or trends regarding reserving found as a result of the audit.

Staff continues to demonstrate a sense of urgency regarding claimant contact, medical case management, initiation and maintenance of benefits to injured workers with an aggressive approach toward disposition of claims and the defense of non-meritorious claims and non-compensable claims. The Workers' Compensation claim administration continues to exceed claim industry standards in most areas of performance and meets and exceeds CAJPA Claim Accreditation Criteria.

Racing Facility Improvement Funds — CFSA has been asked by the Division of Fairs and Expositions to accept and deposit \$2 million dedicated for Racing Facility Improvements until CARF and F&E can agree on the appropriate distribution of said funds. These funds are on hold pending F&E's receipt of an approved plan for disbursement to member racing fairs.

4. Next Board Meeting

The next Board meeting is scheduled for August 18, 2010.

X. EXECUTIVE SESSION

The Board adjourned from regular session at 12:46 p.m. and went into executive session to discuss liability claim involving Angela Malos, Maliyah Martin & Cody Robinson; and the workers' compensation claims of David Fowler–Wright; and, Richard Miller.

XI. REGULAR SESSION

The Board adjourned from executive session at 1:20 p.m. and regular session was reconvened. The Board took no reportable action on the liability or workers' compensation claims.

XII. ADJOURNMENT

Moved by Director Root and seconded by Director Bullis to adjourn. The meeting was adjourned at 1:21 p.m.

CHAIR

ATTEST:

SECRETARY