

MINUTES

SPECIAL MEETING OF CALIFORNIA FAIR SERVICES AUTHORITY BOARD OF DIRECTORS

November 7, 2007

1776 Tribute Road, Suite 200, Sacramento, CA 95815

Rick Pickering, Board Member
Alameda County Fair
Lonny Wunder, Board Member
Yolo County Fair (40th DAA)
Rebecca Desmond, Board Member
Siskiyou Golden Fair (10th DAA)
Kelley Ferreira, Board Member
San Benito County Fair (33rd 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
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
Melissa Thurber,
California Fair Services Authority
Tom Amberson,
California Fair Services Authority
Sandy Woods,
Nevada County Fair (17th DAA)
Tawny Tesconi,
Sonoma County Fair
Bonnie Wlodarczyk,
Cloverdale Citrus Fair

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 2:30 p.m. in the conference room at 1776 Tribute Road, Suite 200, Sacramento, California on Wednesday, November 7, 2007.

II. APPROVAL OF MINUTES

Moved by Director Lim and seconded by Director Root to adopt **Resolution Number 07–20** approving the minutes of the special meeting of August 22, 2007, as presented to the Board of Directors. Motion passed unanimously.

III. REVENUE PROTECTION PROGRAM'S 2008 FEE STRUCTURE

Rick Wood, CFSA Assistant Director Finance, reported that participation in the Revenue Protection Program for 2007 was an average year. Sixty seven (67) fairs participated and seventy one (71) events were covered. Staff is aware of only one (1) potential claim for the 2007 calendar year, making it the lowest claim count since the inception of the Program in 1994. There are no recommended changes to the Program coverage document for 2008 and staff is recommending no change in the fee structure.

Moved by Director Desmond and seconded by Director Wunder to adopt **Resolution Number 07–21** approving the current fee structure for the Revenue Protection Program remain the same as 2007 effective January 1, 2008, and that the status of the Program be re-evaluated at this time next year. Motion passed unanimously.

IV. CFSA'S 2008 OPERATING BUDGET

Rick Wood, presented CFSA's 2008 proposed operating budget to the Board. He began with a review of the 2007 year-end projections compared to the 2007 Budget. The 2007 revenues will likely exceed the budgeted revenues due mainly to higher than expected investment income and Special Events fees. Based on known claims to date, Rick is anticipating losses to be lower than originally projected by the actuaries and the excess insurance costs are slightly under the original estimates. The Tribute Road Building costs are significantly lower than the original budget due to some of the budgeted projects being rescheduled to 2008 for completion. All other operating expenses, which include salaries, taxes, benefits, travel, contract services, and other direct costs, are currently projected to be lower than the 2007 budgeted figures. Rick noted that CFSA's overall administrative costs for 2007 were 24.46% which is well within CFSA's goal to stay below the 30% benchmark recommended by ARMTECH.

In projecting the 2008 Risk Pool Fees, Rick reviewed the seven (7) risk pools administered by CFSA which include: Workers' Compensation, General Liability, Revenue Protection, Special Events, Dental, and, on behalf of the Department of Food and Agriculture, Division of Fairs and Expositions, CFSA administers a Property Insurance Pool

and the Unemployment Insurance Program. He reminded the Board that for the purpose of assessing members' fees, only the two primary pools, Workers' Compensation and General Liability are reviewed each year during the budget process and again with the year-end actuary study and financial audit.

While it is still too early to accurately project what the past three years will ultimately cost the Workers' Compensation Pool or what 2008 will bring in the way of claims costs, staff is very optimistic and is therefore recommending a reduction in the 2008 Workers' Compensation base rate from 6% to 5.75% or a reduction of 4.1%. Based on current information, staff is also recommending the same overall fee for General Liability in 2008 as was assessed in 2007. Rick believes that continuing to fund the pools at the recommended rates will put CFSA on target to meet the five year rebuilding plan to replenish the Adverse Development Fund which was nearly depleted in 2004 by unprecedented claims costs.

The Budget Committee supports the proposed 2008 operating budget and recommends approval as presented to the Board.

Moved by Director Desmond and seconded by Director Lim to adopt **Resolution Number 07-22** approving the 2008 operating budget for California Fair Services Authority as submitted and reviewed by the Budget Committee. Motion passed unanimously.

V. REVIEW OF EXECUTIVE DIRECTOR'S SALARY

The Board tabled review of the executive director's salary until the conclusion of executive session.

VI. INFORMATIONAL ITEMS

1. Report on CFSA Board Member Mid-term Vacancy

Donna Horner, Assistant Director Operations, reviewed with the Board options for filling Lonny Wunder's vacancy once he resigns from the Yolo County Fair, 40th DAA, in February 2008. Both he and his alternate's tenure on CFSA's Board will end with his resignation from the fair. Lonny represents Fair Classes 1 and 2 and his four year term ends on December 31, 2008.

The Board has opted to leave the seat vacant until the next scheduled Board election to be held in October, 2008 as a newly elected member would only be able to serve from March through December of 2008.

2. Staff Reports

Administrative Services —CFSA's theme for the 2008 Western Fairs Convention is "We build to suit!" and staff has been busy working on the concept and design work for the trade show booth and giveaways.

Video Production CFSA's third video, "Think Safety. Work Safely," Graphic elements were added and the video is in final editing.

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 from Smith Barney to Charles Schwab and is projecting an annual savings of over ten (10) basis points annually. Staff will continue to use Madison Investment Advisors, Inc. 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 the fiscal year July 1, 2006 to June 30, 2007, fairs in classes I and II are projected to 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 2007 the PST Program has saved the fairs \$784,197.31. Had the PST Program not been in place, the fairs would have paid Social Security taxes of \$872,320.66 compared to the administration fees of

\$88,123.35 paid to DPA and CFSA. Of this administration fee, DPA collected \$48,517.35 and CFSA retained \$39,620 for administration of the program.

Risk Management — Staff has completed the renewal of excess coverages that expired around January 1, 2008. Coverages include excess/reinsurance coverages for General Liability, Special Events, and Revenue Protection. Renewal data for all programs has been submitted to the Agency's broker to renew the coverages at the best price and the most favorable terms to CFSA.

Member participation in the Hazardous Special Events Program has increased slightly in 2007 with twelve (12) member fairs choosing to cover a total of thirty eight (38) rodeo/horse show events and twenty one (21) members covering a total of thirty (30) motorized racing.

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 September, staff had reviewed 1,924 contracts in 2007 as compared with 1,715 contracts in 2006. This is an increase of 209 contracts. Staff continues to focus on getting all member fairs in the Liability Program to submit their contacts for insurance certificate review and approval. As part of this ongoing effort, staff has made fair visits to train personnel as well as to perform certificate compliance audits and will make further visits through the remainder of the year.

Red Book Revisions By the end of October, Revision No. 1 to the 4th Edition of the CFSA Claims & Loss Reporting Guide and Insurance Programs/Coverages (informally known as the "Red Book") will be distributed to all member fairs. This revision includes the new Memorandum of Coverage for the General Liability and Special Events Programs, updated certificates, as well as other important changes and additions to CFSA programs.

Property Protection Program Since 2002 the Pooled Property Protection Program has had a total of forty (40) reported claims, four (4) of which remain open. The open claims consist of one (1) loss in 2005, two (2) losses in 2006 and one (1) loss in 2007. It is estimated that the Pool could incur up to \$15,000 or more on the open claims. Staff is continuing to work with individual fairs and the California Construction Authority to resolve the open claims.

Special Events Revenues for the Special Events Program through the end of September 2007 totaled \$613,222 which was 83% of the budgeted 2007 revenue of \$740,000. For the first nine months in 2007, the revenue was \$623,878 representing less than two percent decrease in revenues. A review of Special Events rates is currently underway. The rates were last changed on January 1, 2004.

Claims activity in the Special Events Program included four (4) open claims with total reserves of \$592,260 as of September 30, 2007 as compared with five (5) open claims and \$551,657 in reserves as of July 31, 2007. There is one (1) claim with reserves in excess of \$250,000. So far in 2007, four (4) new/reopened claims were received, and five (5) claims were closed. There are currently four (4) litigated claims. For comparison, for all of 2006 there were nine (9) new claims received, and eight (8) claims were closed.

General Liability Claims activity includes 49 open claims with reserves of \$1,237,799 as of July 31, 2007. There is one (1) claim with over \$500,000 in reserves. Thirteen of these open claims are being litigated. For comparison, as of July 31, 2007, CFSA had 41 open claims with reserves of \$1,223,799. So far in 2007, CFSA received 57 new/reopened claims while 58 have been closed. Through the end of September 2007, CFSA received 308 new loss reports, of which 256 were information only reports. Staff is currently tracking 83 claims that have been tendered to other insurance companies.

Safety — September through November 2007, has resulted in staff involvement in various projects, including member training and fair inspections conducted at fair facilities for member fairs. Safety 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 and risk control consultations; 4) special staff training for boom-lift, forklift and operator certification, and

CPR/First Aid training; 5) assistance with fair staff in IIPP development and staff training; and 6) emergency planning training.

Workers' Compensation — As of September 30, 2007, total open claims reserves were \$5,281,446 (including pre-94 Cal Expo outstanding reserves of \$631,846.) There were 229 open claims, of which 148 were indemnity claims and 81 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:

Workers' Compensation Legislation — At the last Board meeting, it was reported that several opposition letters have been sent by the Agency regarding pending legislation that would have a negative impact on the workers' compensation costs for member fairs. Staff sent letters of opposition on several legislative bills, however staff's attempt to oppose AB 338, failed. It was signed by the Governor and will be effective January 1, 2008. The impact of this legislation should be minimal as it only applies to injuries occurring on or after January 1, 2008. It's a longer period of exposure, but not necessarily more money and the dollar amount would only change if a claimant's salary changes.

Senate Bill 942, requiring all employers to return their employees back to pre-injury jobs within five days of release by a treating doctor, regardless of any dispute and also imposed a civil penalty of \$100 per day for employers in violation was vetoed. Senate Bill 936 revising the formula for computing the payment of permanent disability to more than doubling benefit rates by 2010 was also vetoed. Assembly Bill 1212 was gutted and used for horse racing.

Pooled Property Protection Program— CFSA staff is continuing negotiations with the Division of Fairs and Expositions relative to the Property Insurance Pool. CFSA has paid out \$748,546 in claims based on F&E's promised funding of \$750,000 for 2007/08 which, when those funds arrive, leaves a balance of \$4,074 in pool reserves. There are two (2) pending claims in the amount of \$13,000 and an unknown claim amount for the National Orange Show which leaves this Program with a negative balance. Fairs and Expositions has expressed a desire to continue this Program and they are attempting

to identify a funding source. Donna has indicated that staff will continue to offer assistance to restructure the Program to fit F&E's needs, but will have to hold off funding any further claims until some decision has been made.

Finance Department— CFSA's Finance Department continues to excel in providing much needed financial assistance to member fairs and Agency partners. While WFA has decided to terminate their

contract with CFSA for financial services, staff will be adding the Sacramento County Fair. Cal Expo was providing these services to the Sacramento County Fair but recently have found that they are short on personnel resources and are unable to assist the fair.

Finance staff will also be assisting F&E in compiling some much needed financial history for the Cow Palace.

CAJPA Accreditation— On October 14, 2007, CAJAPA awarded CFSA Conditional Accreditation subject to two requirements, both involving signed contracts with major service providers. At the time of the CAJPA review, CFSA was negotiating a new contract with Alliant Insurance Services, Inc., and a new contract with the custodian of the Agency's non-LAIF investments. Both contracts have been signed and accreditation with excellence awarded. Staff will provide the Board with a copy of the report upon receipt of our accreditation certificate from CAJPA.

4. Next Regular Board Meeting

The next Board meeting is scheduled for February 4, 2008.

VII. EXECUTIVE SESSION

The Board adjourned from regular session at 3:22 p.m. and went into executive session to discuss the performance of the Executive Director; liability claims involving Jorge Villareal; Angela Malso, Maliyah Martin & Cody Robinson; County of Sacramento; Maurice Bedard, Agricola Valdovinos, & Paul Zwierski, and, workers' compensation claims involving Rodney Jordan and Linda Cowley.

VIII. REGULAR SESSION

The Board adjourned from executive session at 4:30 p.m. and regular session was reconvened. The Board took no reportable action on the liability or workers' compensation claims.

IX. REVIEW OF THE EXECUTIVE DIRECTOR'S SALARY

Moved by Director Wunder and seconded by Director Ferreira to adopt **Resolution No. 07-23** awarding the Executive Director a five percent (5%) salary increase, resulting in an annual salary of One Hundred Forty Two Thousand Seven Hundred Fifty Dollars (\$142,750.00) effective January 1, 2008, based on her performance in 2007. Motion passed unanimously.

X. ADJOURNMENT

Moved by Director Root and seconded by Director Lim to adjourn. The meeting was adjourned at 4:33 p.m.

CHAIR

ATTEST:

SECRETARY