

MINUTES

SPECIAL MEETING OF CALIFORNIA FAIR SERVICES AUTHORITY BOARD OF DIRECTORS

April 3, 2006

1776 Tribute Road, Suite 200, Sacramento, CA 95815

Kelley Ferreira, Board Member
San Benito County Fair (33rd DAA)
Forrest White, Board Member
San Joaquin County Fair (2nd 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)
George Gomes, Board Member
California Farm Bureau
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
Melissa Thurber,
California Fair Services Authority
Rosalyn Johnson,
California Fair Services Authority
Christy Layton, Legal Counsel to CFSA
Miller, Owen & Trost
Kevin Wong,
Gilbert Associates, Inc.
Mike Harrington, FACS, MAAA
Bickmore Risk Services

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 Monday, April 3, 2006.

II. APPOINTMENT OF CHAIR AND VICE CHAIR

With the change from bi-monthly meetings to quarterly meetings the Board elected to extend the current chair and vice chair appointments. Moved by Director Desmond and

seconded by Director Wunder to approve **Resolution No. 06–1**, extending the appointments of Kelley Ferreira as Chair, and Rick Pickering as Vice Chair through December 31, 2006. Motion passed unanimously. Director Pickering was not present to vote.

III. APPROVAL OF MINUTES

Moved by Director Desmond and seconded by Director Wunder to adopt **Resolution Number 06–2** approving the minutes of the regular meeting of November 14, 2005, as presented to the Board of Directors. Motion passed unanimously. Director Pickering was not present to vote.

IV. 2005 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 2005 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, 2005, the 2006 loss rate and projected losses, and 2006 funding guidelines.

Moved by Director White and seconded by Director Desmond to adopt **Resolution Number 06–3** accepting, as presented, the 2005 Actuarial Reports from Bickmore Risk Services for General Liability, Workers' Compensation, and Special Events Liability dated February 13, 2006. Motion passed unanimously. Director Pickering was not present to vote.

V. 2005 AUDIT REPORT

Rick Wood introduced Kevin Wong 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 2005 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.

Board discussion included several questions regarding GASB 45 which requires employers to report liabilities and expenses for other post employment benefits including retiree medical benefits on an accrual basis. CFSA staff and legal counsel will research these issues and report back to the Board.

Moved by Director Wunder and seconded by Director Lim to adopt **Resolution Number 06–4** accepting, as presented, the 2005 Audit Report from Gilbert Accountancy Corporation dated February 26, 2006. Motion passed unanimously. Director Pickering was not present to vote.

VI. REVISION OF CFSA’S RISK POOL GOALS

The Board formally adopted CFSA’s Risk Pool Goals in 1996. With the assistance of CFSA’s auditors, actuaries, and other risk management consultants, these goals have been modified over time to better reflect the changing insurance market and the overriding Agency goal of long–term rate stabilization.

Since the last revision of the Risk Pool Goals in 2001, several changes have occurred. A significant change in CFSA’s membership, primarily in the Workers’ Compensation Program where payroll has increased over 70.4% and the increase in the Self–Insured Retention (SIR) for both the General Liability and Workers’ Compensation Programs to \$1 million warrants review and modification to the goals.

A general rule for self–insured risk pool programs is to have a target equity goal equal to five times the SIR. In 2001, CFSA was within that general goal, however with current SIRs we are well below the desired equity goal. Staff is recommending that the Risk Pool Goals be revised to better reflect the current risk exposure and to further strengthen CFSA’s commitment to rate stabilization by revising Goal Number 4 to state: “To build CFSA’s equity, or “Adverse Development Fund,” to equal 50% of reserves at the 90% confidence margin, or \$7,500,000 whichever is greater, as a reserve against adverse loss experience.”

Moved by Director Desmond and seconded by Director Wunder to adopt **Resolution No. 06–5** revising CFSA’s risk pool goals.

WHEREAS, the Board of Directors adopted Risk Pool Goals on October 1, 1996, establishing confidence margin targets, assessments based on loss history, an adverse development fund target, and member excess equity distribution; and

WHEREAS, the Risk Pool Goals were modified in May, 1997 to clarify goals four (4) and six (6); and

WHEREAS, the Risk Pool Goals were again modified in June, 2001 to clarify goals four (4) and six (6); and

WHEREAS, the Board of Directors desire to further modify goal number four (4) to recognize the increase in membership, the increased Self-Insured Retention (SIR) for both the General Liability and Workers' Compensation Programs and to ensure that CFSA's target equity goal equals an amount five (5) times the SIR for both Programs;

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

1. That the revised Risk Pool Goals dated March 17, 2006, are hereby adopted.
2. That goal number four (4) is modified to build CFSA's equity or "Adverse Development Fund" to equal fifty percent (50%) of reserves at the 90% confidence margin or \$7,500,000 whichever is greater, as a reserve against adverse loss experience. Motion passed unanimously. Director Pickering was not present to vote.

VII. 2006 GENERAL LIABILITY RATE

Rick Wood stated that In the past ten years, CFSA's General Liability Program has experienced three years of adverse loss experience. While this type of occurrence is generally expected to happen in one out of ten years, and while conservative reserving practices have helped weather the storm, this pattern has seriously eroded reserves. Rick reports that there is good news in that while it is still early in the development process it appears that the past two years in the General Liability Program will be significantly better than the actuaries have projected, aiding the five year plan to rebuild CFSA's Adverse Development Fund.

The proposed 2006 General Liability Risk Pool fees include a small increase in the base fee for Fair Classes I through III slowly bringing these fairs in line with their apportioned share of the excess insurance cost, the increased cost of the services provided and the overall increased risk exposure. Individual fairs' actual fees may also increase or decrease from the previous year due to loss history. Staff is recommending approval of the 2006 fees.

Moved by Director Gomes and seconded by Director White to adopt **Resolution No. 06-6** approving the 2006 General Liability Rate.

WHEREAS, Over the past ten (10) years, CFSA has experienced three (3) years of adverse loss experience; and

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WHEREAS, CFSA's goal is to implement a five year plan to bring General Liability 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, the cost of excess insurance has steadily increased and our self-insured retention level remains at \$1 million per occurrence; and

WHEREAS, the 2006 General Liability base fee includes a small increase for Fair Classes I through III to bring these classes more in line with their apportioned share of risk exposure costs;

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

That the total projected liability fees for 2006 be assessed at approximately Two Million Five Hundred Eighty Nine Thousand Fifty Two Dollars (\$2,589,052.00). Motion passed unanimously. Director Pickering was not present to vote.

VIII. 2006 WORKERS' COMPENSATION RATE

Rick Wood reported that over the last ten years, the Workers' Compensation Program has experienced four years of adverse loss experience with 2004 projected to be the single worst year for losses in the Agency's history. Generally, this type of occurrence is expected to happen in one out of ten years, not five years in a row. As with the General Liability Program, conservative reserving practices helped cover the majority of the adverse development, however, in 2003 CFSA was forced to raise the base rate for the first time in thirteen years. The good news is that like the General Liability Program, it appears that 2005 will be substantially better than the actuaries have projected, which will help in rebuilding the Adverse Development Fund.

The proposed 2006 Workers' Compensation Risk Pool fees use the same 6% base rate used in 2005. Individual fairs' actual fees may increase or decrease from the previous year due to loss history and varying levels of payroll. Staff is recommending approval of the 2006 fees.

The Board encouraged staff to communicate to all member fairs why the rates are still very competitive with the commercial market, why there is no decrease in the rates like the commercial market, and why it's important to rebuild the Adverse Development Fund due to the tremendous losses experienced in 2004.

Moved by Director Desmond and seconded by Director White to adopt **Resolution No. 06-7** approving the 2006 Workers' Compensation Rate.

WHEREAS, Over the last ten years, CFSA's Workers' Compensation Program has experienced four years of adverse loss experience from 2000 to 2003 and 2004 was projected to be the single worst year for losses in CFSA's history; and

WHEREAS, in 2005 the modification fee formula was adjusted and the Workers' Compensation total fee assessment was increased by twenty three percent (23%) which included increasing the base rate from 5.75% to 6%; and

WHEREAS, CFSA's goal is 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;

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

That the Workers' Compensation base rate for 2006 will remain at 6% of payroll and volunteer wages. Motion passed unanimously. Director Pickering was not present to vote.

IX. REVISIONS TO CFSA'S 2006 BUDGET

Annually CFSA prepares and submits a calendar year budget. Once the annual Actuary Study and Financial Audit are completed, staff revises the budget to reflect the Actuary's recommended changes in estimated reserves for the current calendar year. Staff then presents the revised budget to the Board for approval.

The Board has determined that budget revisions will no longer be needed unless expenditures exceed the bottom line of the approved budget. Any substantial budget adjustments will be included in the staff reports submitted to the Board.

Moved by Director Gomes and seconded by Director Desmond to adopt **Resolution No. 06-8** approving CFSA's revised 2006 budget as presented to reflect the recommended changes by Bickmore Risk Services in estimated reserves for the 2006 calendar year. Motion passed unanimously.

X. 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. 06-9** 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.

XI. 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 06-10** 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.

XII. OPERATING MEMORANDUM #06-01 PETTING ZOO REQUIREMENTS

In June of 2005, CFSA issued a General Liability Emergency Order to all participating fairs regarding losses related to petting zoos. The Emergency Order was issued because some commercial insurance carriers began issuing liability policies with exclusions eliminating coverage for claims arising from E. coli and other infectious and communicable diseases. This exclusion was not in compliance with CFSA insurance requirements.

Because Petting Zoo operators are still encountering difficulties in renewing their general liability insurance coverage for 2006 without the addition of exclusions for claims arising from infectious and communicable diseases, staff recommends that the Board issue an Operating Memorandum continuing existing policies expressed in the Emergency Order.

The proposed Operating Memo states that the fairs' MOC protection for any claim relating to a petting zoo is conditional upon (1) CFSA's advance approval of a petting zoo operator's commercial coverage; (2) with respect to a fair sponsored petting zoo, advance notice to CFSA to allow for discussion and inspection of the conditions of such operations; and, (3) that CFSA's existing Compliance Policy does not apply and there are no ("three strikes") in this instance and there will be no protection for noncompliance. The existing Emergency Order will remain in effect until the Operating Memorandum goes into effect 30 days after issuance.

Moved by Director Pickering and seconded by Director Gomes to adopt **Resolution No. 06-11** approving the Operating Memorandum for Petting Zoo Requirements.

WHEREAS, in spring of 2005, some commercial carriers began to limit liability coverage for petting zoo operators by issuing policy exclusions for claims related to E. Coli and other infectious and communicable diseases; and

WHEREAS, these actions resulted in insurance coverage which did not comply with CFSA Insurance Requirements, immediately prior to the 2005 fair season; and

WHEREAS, on June 3, 2005, CFSA's Executive Director issued an Emergency Order conditioning protection of Protected Parties under the CFSA Liability Memorandum of Coverage ("MOC") for claims related to a petting zoo on the pre-approval by CFSA of the petting zoo operator's liability coverage and such Emergency Order remains in effect; and

WHEREAS, in 2006, commercial carriers have continued to limit liability coverage for petting zoo operators by issuing policy exclusions for claims related to E. Coli and other infectious and communicable diseases; and

WHEREAS, it is probable that more fairs will begin to sponsor their own petting zoos and that CFSA should be notified of such sponsorship in advance such that the fair and CFSA may discuss the conditions of operation by the fair; and

WHEREAS, Section 9(A) of the MOC states that the protection and defense obligations of the CFSA Liability Program are conditioned upon member fairs' compliance with Operating Memoranda issued by the CFSA Board of Directors;

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

That General Liability Program Operating Memorandum #06–01 to be effective May 3, 2006, and issued pursuant to the “Memorandum Stating the Terms and Conditions of the Primary General Liability Risk Sharing Program Administered by the California Fair Services Authority,” is hereby approved. This Operating Memorandum states that member fairs’ liability protection for any claim relating to a petting zoo is conditional on (1) CFSA’s advance approval of a petting zoo operator’s commercial coverage and (2) with respect to a fair sponsored petting zoo, advance notice to CFSA and discussion of the conditions of such operations. Motion passed unanimously.

XIII. OPERATING MEMORANDUM #06–02 REVISED MINIMUM LIABILITY LIMITS FOR SPECIFIED FAIR CONTRACTORS AND ADDITIONAL INSURED LANGUAGE

The 2006 Risk Advisory Committee met on March 1st to discuss several items, including: 1) Insurance Requirements for Extreme Attractions; and, 2) Insurance Requirements for Motorized Events. Christy Layton, legal counsel to CFSA, summarized staff research, input by the Risk Advisory Committee and resulting staff recommendations for Board action.

Staff is recommending several revisions to Operating Memoranda addressing minimum liability limits for hazardous activities, including a reduction in the minimum liability limits for carnival kiddie rides only and a reduction in the minimum liability limits for motorcycle track racing and go–cart racing. Staff is also recommending an unrelated minor revision of required additional insured language, to add entities that own and lease out fairgrounds, and that Section 1 of the new Operating Memo make clear that a minimum of \$2 million per occurrence is required for all Raves despite the number of attendees.

Christy shared with the Board carnival owners concerns that CFSA required \$5 million per occurrence liability coverage for Fair time Carnival Rides and a lower \$2 million per occurrence for Extreme Attractions. The question was whether there was justification for these differing limits.

After extensive review of all the information collected, staff made the following conclusions:

1. It appears that the current \$2 million per occurrence for extreme attractions is still warranted. Key factors are the smaller number of riders and cycles, the smaller size of the attractions, and the fact that participant liability waivers are obtained from riders.
2. It appears that a new \$2 million per occurrence limit for kiddie rides only is warranted where the operator has a small number of kiddie rides, as declared on the operator’s application submitted to the Division of Occupational Safety

and Health. This limit would apply for such kiddie rides operators during fair time or interim events.

3. Staff has not obtained any information to warrant a change to the current \$2 million per occurrence for interim carnival rides or the current \$5 million per occurrence for fair time carnival rides.

Based on information gathered and presented to the Board, staff recommends approval of Operating Memorandum #06-02 to replace Operating Memorandum #02-01 to implement the following:

1. No change in the current \$2 million per occurrence minimum liability limits for Extreme Attractions.
2. A reduction of the minimum per occurrence liability limits for "Kiddie Rides Only – 6 Rides or Fewer" from \$5 million to \$2 million per occurrence.

As a result of the Risk Advisory Committee's concern with the proper use of waiver forms for Extreme Attractions, staff will modify CFSA's written instructions regarding Participant Waivers and send out revised instructions as an Insurance Alert and a revision to the Red Book.

CFSA also re-evaluated its minimum commercial general liability limits for Motorized Events in response to a question posed on whether there should be different levels of coverage for various types of motor events, depending on the level of risk. Based on information collected, staff made the following conclusions:

1. We have not obtained any information to warrant a decrease in the \$3 million per occurrence minimum for auto racing events, truck rodeos, tractor/truck pulls, destruction derbies, mud bogs, mud racing, car crunches, and motorized thrill shows. The information we have obtained could support an increase to \$5 million per occurrence for at least some of these events, particularly those involving the higher speed vehicle types at heavily attended events.
2. It appears that a decrease to \$2 million per occurrence for track motorcycle racing and go-cart racing is warranted, based upon the smaller size and power of these vehicles. However, the current \$3 million per occurrence for off-track motocross racing should not be decreased due to the more open tracks with fewer barriers in front of spectators.

Based on all the information gathered and presented on Motorized Events, staff also recommends that the Board approve Operating Memorandum #06-02 to implement the following:

1. No change in the current \$3 million per occurrence minimum liability limits for all motorized events, except for motorcycle track racing and go–cart racing.
2. A reduction of the minimum limits for motorcycle track racing and go–cart racing from \$3 million to \$2 million per occurrence.

Other changes recommended for inclusion in the new Operating Memo were:

3. Revise Memorandum language to make clear that \$2 million per occurrence is required for all Raves, despite the number of attendees, and for other Concerts with fewer than 5,000 attendees.
4. Revise Memorandum language to add to the standard additional insured clause: “Lessor/Sublessor if fair site is leased or subleased.”

The Risk Advisory Committee also discussed CFSA putting together an industry group to discuss the creation of race track standards — much like the group that was assembled to address the rodeo industry concerns several years ago. CFSA staff is in the process of putting a racing group together that would include fair representatives, promoters, insurance brokers, racing associations, and CFSA staff.

Moved by Director Pickering and seconded by Director Gomes to adopt **Resolution No. 06–12** approving the Operating Memorandum for Revised Minimum Liability Limits for Specified Fair Contractors and Additional Insured Language.

WHEREAS, Staff has performed research and met with the Risk Advisory Committee to assess whether the current minimum liability limits of \$2 million per occurrence for Extreme Attractions is appropriate as compared to the \$5 million per occurrence limits for Fair time Carnival Rides; and

WHEREAS, through this process, it has been determined that the current limits for Extreme Attractions are appropriate based upon the lower risk exposure and the use of participant waivers as compared to Fair time Carnival Rides; and

WHEREAS, through this process, it has also been determined that there should be a separate lower liability limit of \$2 million per occurrence for “Kiddie Rides Only — 6 or Fewer Rides,” based upon a lower risk exposure as compared to Fair time Carnival Rides; and

WHEREAS, Staff has performed research and met with the Risk Advisory Committee to re–evaluate the current minimum liability limits of \$3 million per occurrence for all Motorized Events; and

WHEREAS, through this process, it has been determined that there is no risk exposure or claims information warranting a decrease in the \$3 million limits for auto racing events, truck rodeos, tractor/truck pulls, destruction derbies, mud bogs, mud racing, car crunches, and motorized thrill shows; and

WHEREAS, through this process, it has been determined that a decrease in minimum liability limits to \$2 million per occurrence is warranted for track motorcycle racing and go-cart racing, based upon the smaller size and power of these vehicles; and

WHEREAS, existing General Liability Program Operating Memorandum #02-01 addresses Minimum Liability Limits for Specified Fair Contractor and Facility Users (Section 1) and Insurance Certificate/Additional Insured Requirements (Section 2); and

WHEREAS, Staff recommends that a new General Liability Program Operating Memorandum be issued to replace existing Operating Memorandum #02-01 and to implement the suggested modifications to Section 1 minimum liability limits for "Kiddie Rides Only — 6 Rides or Fewer" (from \$5 million to \$2 million per occurrence), track motorcycle racing (from \$3 to \$2 million per occurrence), and go-cart racing (from \$3 to \$2 million per occurrence); and

WHEREAS, Staff also recommends that Section 1 of the new Operating Memo make clear that a minimum of \$2 million per occurrence is required for all Raves despite the number of attendees and for other Concerts with 5,000 or more attendees, while a minimum of \$1 million per occurrence is required for other Concerts with fewer than 5,000 attendees; and

WHEREAS, Staff further recommends that the standard additional insured language set forth in Section 2 of the new Operating Memo be revised to add as an additional insured, "Lessor/Sublessor if fair site is leased/subleased."

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

That General Liability Program Operating Memorandum #06-02 to be effective May 3, 2006, and issued pursuant to the "Memorandum Stating the Terms and Conditions of the Primary General Liability Risk Sharing Program Administered by the California Fair Services Authority," is hereby approved. Motion passed unanimously.

XIV. OPERATING MEMORANDUM #06-03 REVISED MINIMUM LIABILITY LIMITS FOR FAIR PROMOTED MOTORIZED EVENTS AND RODEO EVENTS

Christy Layton explained with the approval of General Liability Program Operating Memorandum #06-02 it will be necessary to modify Operating Memorandum #05-01 which

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addresses fair promoted motorized and rodeo events. Operating Memo #05–01 currently requires fairs promoting any motorized event to maintain separate liability coverage with a minimum limit of \$3 million per occurrence.

Staff recommends approval of the proposed General Liability Operating Memorandum #06–03 requiring fairs promoting motorized events and rodeo events to comply with current minimum liability limits for fair contractors promoting same type events.

Moved by Director White and seconded by Director Desmond to adopt **Resolution No. 06–13** approving the Operating Memorandum for Revised Minimum Liability Limits for Fair Promoted Motorized Events and Rodeo Events.

WHEREAS, newly issued General Liability Program Operating Memorandum #06–02 modifies certain minimum liability limits for Specified Fair Contractors and Facility Users; and

WHEREAS, existing Operating Memo #05–01 addresses minimum liability limits for Fair Promoted Motorized Events and Rodeo Events; and

WHEREAS, modifications to Operating Memo #05–01 are now necessary such that fairs holding Fair Promoted Motorized Events and Rodeo Events are required to obtain the same minimum liability coverage limits for motorized and rodeo events as Specified Fair Contractors and Facility Users under Operating Memo #06–02; and

WHEREAS, Staff recommends that a new General Liability Program Operating Memorandum be issued to replace existing Operating Memo #05–01;

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

That General Liability Program Operating Memorandum #06–03 to be effective May 3, 2006, and issued pursuant to the “Memorandum Stating the Terms and Conditions of the Primary General Liability Risk Sharing Program Administered by the California Fair Services Authority,” is hereby approved. Motion passed unanimously.

XV. REVISED MEMORANDUM STATING THE TERMS AND CONDITIONS OF THE SPECIAL EVENTS PROGRAM ADMINISTERED BY CFSA TO FOLLOW THE NEW EXCESS POLICY

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. In renewing the current policy, which expired on January 1, 2006, CFSA was informed by the broker that the insurance carrier revised the expiring policy by updating the Commercial General Liability Coverage Form in the policy to the 2004 edition and added new exclusions. After reviewing the changes, staff determined that none of the changes were significant.

Staff is recommending that the Board approve the revised MOC effective January 1, 2006, and will send revised copies to members and revisions will be made to the Red Book reference guide.

Moved by Director Gomes and seconded by Director Desmond to adopt **Resolution No. 06-14** revising the Memorandum Stating the Terms and Conditions of the Special Events Program Administered by CFSA to Follow Form of the New Excess Policy.

WHEREAS, the Memorandum Stating the Terms and Conditions of the Special Events Program Administered by CFSA ("MOC") was renewed on April 1, 2003, 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, in renewing the current policy, which expired on January 1, 2006, the insurance carrier revised the expiring policy by updating the Commercial General Liability Coverage Form in the policy to the 2004 edition and added new exclusions; and

WHEREAS, because of the changes the Memorandum Stating the Terms and Conditions of the Special Events Program Administered by the California Fair Services Authority (MOC) needs to be revised and in the MOC the new policy would replace the old policy and necessary MOC changes would be made;

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, 2006, is hereby approved. Motion passed unanimously.

XIX. INFORMATIONAL ITEMS

1. Staff Reports

Administrative Services — In January, staff attended the 2006 WFA Convention in San Diego, and reserved a space at the tradeshow. The booth theme was "Everybody Into The Pool — CFSA's Risk Sharing Pools," and was

popular and instantly identifiable by the lifeguard tower and giant beach ball. CFSA also hosted the New CEO Breakfast, where we met with approximately 19 new fair managers.

Senior staff was on hand to answer questions, hand out key contact lists, the CFSA organizational chart, our new CFSA brochure, and copies of our 2004 annual report. Senior staff participated in round table discussions at CFA's Fall Conference in San Mateo in November. Three tables were set up specifically for CFSA: 1) CFSA Services; 2) CFSA Insurance Program Coverages; and 3) CFSA Safety Inspections.

Computer Services In light of all the country's recent natural disasters, staff is working on a business disaster recovery plan. This will make our Compu–Share customers' data even more secure, and ensure the continuation of work through many disaster situations.

Internet Survey The Internet Survey (researching the software and computers fairs use to access the Internet/CFSA's Web site) is completed and the information collected is already coming in handy. It's being used to help tailor the claims–related Nuts & Bolts PowerPoint presentation to its audience at the April Conference.

Annual Report Copy for the anticipated 2005 Annual Report “Discover CFSA” is now being written while the graphic designer is working on preliminary design ideas. Photos for the report will be taken at nearby fairgrounds the goal is to have the report printed and ready for distribution by mid–summer 2006.

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. The fairs are reimbursed a percentage of their unemployment insurance costs based on the fair's classification. From July 1, 2005, to February 28, 2006, CFSA reimbursed 58 fairs \$701,553.00. 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.

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 2005 the PST Program saved the fairs \$960,225.00. Had the PST Program not been in place, the fairs would have paid Social Security taxes of \$1,070,402 compared to the administration fees of \$110,177 paid to DPA and CFSA. Of this administration fee, DPA collected \$60,660 and CFSA retained \$49,517 for administration of the program.

Purchasing Program Purchasing Services has been active with the procurement of various types of supplies, materials, and rental items for the fairs. Most commonly requested items include janitorial supplies, office supplies, exhibit materials, and computer equipment. Recent large purchases include metal roofing materials, a LED marquee, fair apparel, a vehicle, air conditioners, a forklift, and folding tables and chairs.

Risk Management — Staff has completed the renewal of the excess coverages for several programs that expired in January, 2006. Due to the continuing tight commercial liability market, the General Liability Program will continue for another year on an excess basis rather than the preferred reinsurance basis for losses over CFSA's SIR of \$1 million. Staff is now working on coverages that are due to expire in July.

The Pooled Property Protection Program had five (5) covered claims in 2002, two (2) claims in 2003, two (2) claims in 2004, possibly four (4) covered claims in 2005 and three (3) so far in 2006. It is currently estimated that the Pool could pay up to \$200,000 on the open claims. Staff is continuing to work with the individual fairs and the California Construction Authority to resolve these claims.

Special Events Revenues for the Special Events Program through the end of December 2005 totaled \$730,711 which is 104% of budgeted 2005 revenue of \$700,000. For the same period in 2004, the revenue was \$697,897, representing a 5% increase in revenues. There are no changes in Special Events rates for 2006. Three new event codes were added for fair time government and non-profit exhibitor and "special fairs" group purchase for over 200 booths.

General Liability Claims activity includes 50 open claims with reserves of

\$1,575,064.00 as of December 31, 2005. There are two (2) claims that total more than \$1,000,000 in reserves. Twenty two (22) of these open claims are being litigated. For comparison, as of December 30, 2004, CFSA had 66 open claims with reserves of \$1,922,145.00. In 2005, CFSA received 96 new and/or reopened claims while 112 claims have been closed. Staff is currently tracking 5 claims that have been tendered to other insurance companies. Through the end of December 2005, CFSA has received 317 new loss reports, 232 of which were information only reports. As compared to all of 2004, there were a total of 480 loss reports of which 375 were information only reports.

Safety — Staff participated in Maintenance Mania at both the Bakersfield and Pleasanton locations. The department was involved in pre-event planning for months in advance of the programs presented. As committee members they provided program oversight, staff instruction, certification, and support work for the committee. They also participated in the E.Coli and ADA discussions.

Consumer Protection Workshop This event co-sponsored by WFA, IAFE, and the Division of Fairs and Expositions was informative and staff will now have a clear understanding of the information provided to members from this course. Staff plans to take these strategies and incorporate them with the information previously used from the "Compendium of Measures To Prevent Disease Associated with Animals in Public Settings, 2005," using the documentation recommendations and risk analysis format to help fairs work pro-actively in this area.

Safety Center Inc. Safety staff has been diligently working toward their Safety Specialist Certifications through Safety Center Inc. The purpose of these certifications is to provide continuing education to staff as well as retain recognized certifications. CFSA has had a long standing relationship with the Safety Center which started back in 1997 when they provided staff with its first forklift instructor certifications.

Expenditure Advisory Committee Last November, Tom Allen was asked by the Division of Fairs and Expositions to serve on the Expenditure Advisory Committee. Committee members are asked to serve a two year term and the group has met twice to review Rev Gen grant proposals. Phase I was in November 2005 and Phase II was in March 2006.

Workers' Compensation — As of February 28, 2006, total open claims reserves were \$5,181,712 (including pre-94 Cal Expo outstanding reserves of \$744,858.) There were 157 open claims, of which 129 were indemnity claims

and 27 were medical only (includes 1 Information Only claim open for administrative purposes).

Nuts and Bolts Training: Staff will be participating in the Nuts and Bolts Training sponsored by the Department of Food and Agriculture, Division of Fairs & Expositions on April 4 and 5 at Cal Expo. We will be presenting the second in our series of training videos — Accident Investigation and we will also be presenting a PowerPoint presentation of the Form 5020 which is now available on the internet for all member fairs. Members will be able to complete the Form 5020 online and send it directly to CFSA for immediate processing. Staff will also be addressing the need for prompt initial notification of on-the-job injuries which was noted in this year's Workers' Compensation Claims audit.

Legislation: A Senate panel is beginning hearings to determine whether the recent workers' compensation reforms unfairly slashed benefits to injured workers. Hearings will include discussion on a state advisory report that recommends an adjustment to the Permanent Disability Rating Schedule. The report states that the average award dropped by 54%.

Senate President Don Perata has introduced legislation, Senate Bill 1730, that would allow adjustments to the schedule after lawmakers gain insight into changes that would need to be made.

2. **Executive Director's Report**

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

- ▶ **2006 Liability Claims Audit**— CFSA's self-administered Liability Claims Program continues to perform at an above average level. The audit included a review of 50 open liability claims for the Fairs' program and Special Events Program. This represented 100% of the current pending occurrences, with reserves on those claims representing 100% of the current open reserves. Conclusions reached addressed a keen sense of urgency regarding claimant contact, investigation, and disposition of adverse liability claims. Reserving philosophy and practice continue to be sound and reserves were adequate in all claims reviewed.
- ▶ **2006 Workers' Compensation Audit**— The self-administered Workers' Compensation Claim Program is also above average in all areas of performance. The Claims Administrator demonstrates a sense of urgency in regard to claimant contact, medical treatment and case management, and proper and timely initiation and maintenance of workers' compensation

benefits to injured workers. Reserving philosophy and practice continue to be very sound. The Auditor reported that the Claims Administrator is an intelligent reservist and establishes and maintains ultimate probable cost reserves. The only recommendation made was “CFSA’s management should take action to notify all members of the need for prompt initial notification of on–the–job injuries.” Staff will be addressing this issue once again at the upcoming Nuts and Bolts Training.

- ▶ Future Vision Discussion — A Future Vision Conference has been scheduled in Sacramento on May 3rd and 4th and will include F&E staff and other JPAs and several fair managers. Mike Treacy emphasizes that this is not strategic planning — not what we do or what duplication there might be — just discussion and development of a couple of projects we, as a group, can work on to help fairs in general on going forward. Donna will keep the Board informed on any progress coming forth from this group.
- ▶ Anti Fraud Policy — In the wake of the accounting scandals that brought down several of the world’s largest companies and one of the largest accounting firms in the country, new disclosures and auditing standards have been developed and implemented. One such new standard is the “Statement on Audit Standards #99” Consideration of Fraud in a Financial Statement Audit. At the recommendation of our Auditors, and to comply fully with SAS99, CFSA has developed and implemented an internal “Anti Fraud Policy” which is committed to protecting our revenue, property, information and other assets from any attempt, either by employees, members, contractors, or vendors to gain by deceit, financial or other benefits. This policy prohibits fraud or misuse of CFSA’s assets and sets forth specific guidelines, and responsibilities regarding appropriate actions that must be followed for the investigation of fraud and other similar irregularities.
- ▶ Carnival Pre–Qualification Process — After numerous meetings between CFSA and F&E staff and several meetings with carnival owners and industry representatives, F&E decided that it will no longer request that carnival operators desiring to enter into California fair carnival contracts submit pre–qualification paperwork and documents. It was found that most of the documentation previously required had been determined to be unnecessary or had already been eliminated and all that remained was insurance related. The decision was made that insurance verification can be determined through the Carnival Master Insurance List which is part of CFSA’s Approved Master Insurance Certification List package sent to all fairs monthly.
Fairs entering into the carnival bid process must now send their notification

of availability of carnival RFP, or the actual carnival RFP itself, to all of the carnivals listed on the latest CFSA Master Insurance List. F&E is in the process of revising the carnival RFP and revised packages are to be available in April, 2006.

3. Next Regular Board Meeting

The next Board meeting will be scheduled to coincide with the WFA Reception held during the California State Fair.

XX. EXECUTIVE SESSION

The Board adjourned from regular session at 1:15 p.m. and went into executive session to discuss liability claims involving Alfredo Kuba; Salvador Hernandez; David Schneider; Larry McIver, Hollyn D'Lil & Michael Dunne; ISC, Inc, Larry McIver, Hollyn D'Lil, et at.; County of Sacramento, and the workers' compensation claims involving Robert Putney and Mark Channel.

XXI. REGULAR SESSION

The Board adjourned from executive session at 2:00 p.m. and regular session was reconvened. The Board took no reportable action on the liability claims or the workers' compensation claims.

XXIV. ADJOURNMENT

Moved by Director Desmond and seconded by Director Pickering to adjourn. The meeting was adjourned at 2:00 p.m.

CHAIR

ATTEST:

SECRETARY