

MINUTES

SPECIAL MEETING OF CALIFORNIA FAIR SERVICES AUTHORITY BOARD OF DIRECTORS

November 1, 2010

1776 Tribute Road, Suite 200, Sacramento, CA 95815

Kelley Ferreira, Board Member
San Benito County Fair (33rd DAA)

Rick Pickering, Board Member
Alameda County Fair

Regina Goody, Board Member
Yuba–Sutter Fair (13th DAA)

Brian Bullis, Board Member
Mariposa County Fair (35–A DAA)

Barbara Quaid, Board Member
Ventura County Fair (31st 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

Rebecca Desmond,
Division of Fairs & Expositions

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

Kevin Wright,
California Fair Services Authority

Lianne Lewellen,
California Fair Services Authority

Cliff Munson,
Siskiyou Golden Fair (10th DAA)

Pam Fyock,
Western Fairs Association, EDP

Carolan Meek,
Colusa County Fair (44th DAA)

T.J. Plew,
Sacramento County Fair (52nd DAA)

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 4:10 p.m. in the conference room at 1776 Tribute Road, Suite 200, Sacramento, California on Monday November 1, 2010.

II. APPROVAL OF MINUTES

Moved by Director Root and seconded by Director Goody to adopt **Resolution Number 10–18** approving the minutes of the special meeting of September 1, 2010, as presented to the Board of Directors. Motion passed unanimously.

III. REVENUE PROTECTION PROGRAM'S 2011 FEE STRUCTURE

Rick Wood, Assistant Director Finance, reported that 2010 was a calm year for the Revenue Protection Program, especially after two consecutive years of higher than average claims activity. Moved by Director Bullis and seconded by Director Treacy to adopt **Resolution Number 10–19** approving the 2011 fee structure for the Revenue Protection Program effective January 1, 2011, and that it remain the same as the 2010 fee structure and that the Program be re-evaluated at this time next year. Motion passed unanimously.

IV. APPOINTMENT OF CFSA'S PUBLIC MEMBER

At the last Board meeting, staff was asked to include an action item at the next Board meeting regarding the appointment of the Public Member. The term of the current Public Member, John Root, will expire on April 30, 2011, and the five (5) elected Board members are responsible for appointing the Public Board Member. Criteria for considering a Public Member includes knowledge in public entity insurance matters, finance matters, banking matters or general business matters related to the conduct of CFSA.

John is currently CFSA's vice chair and has served in the capacity of Public Member for the last four years. Prior to his appointment he served as George Gomes' alternate. In consideration of John's experience and current position on the Board, the Members expressed the desire to continue to have John Root serve as the Public Member.

Moved by Director Pickering and seconded by Director Treacy to adopt **Resolution Number 10–20** appointing John Root as the Public Member to serve on the California Fair Services Authority's Board of Directors for a term of four (4) years beginning January 1, 2011. Motion passed unanimously.

V. APPROVAL OF CFSA'S 2011 OPERATING BUDGET

Rick Wood, presented CFSA's 2011 proposed operating budget to the Board. He began with a review of the 2010 year-end projections compared to the 2010 Budget.

CFSA's operating expenses are projected to be lower than the 2010 budgeted figures, with the exception of travel expenses, due to the Agency's increased effort to educate membership with regard to the importance of safety and loss control. Salaries and benefits will exceed the 2010 budget due to the increased cost of health care and retirement.

CFSA's expected 2010 revenues will be less than budgeted due to the members' payroll costs being significantly lower than originally projected, which has had a direct impact on the Workers' Compensation fees members paid into the Pool.

The most significant cause was the adverse loss development from prior years in the Workers' Compensation Program. This will drive claim costs well above the actuary's original projections for the current year. Rick reminded the Board that at the end of each year the Actuaries provide an estimate of what they believe the claim costs will ultimately cost each of the Programs. Each year thereafter the Actuaries must reassess their prior estimates. Those "reassessments" must be booked in the current calendar year. During 2010, claim costs from 2007 and 2008 have ballooned beyond all estimates and those costs must be recorded in the current year.

In projecting the 2011 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 explained to 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.

In 2010, staff recommended and the Board approved using a portion of the reserves rather than increasing Workers' Compensation rates. Due to higher than usual claim severity in prior years, the Agency will end up using far more of the reserves than originally anticipated. Therefore, it has become necessary to increase Workers' Compensation rates to protect the Pool. For 2011, staff is recommending a 15% increase to the Workers' Compensation base fee, increasing from 5.5% to 6.325% of payroll.

Over the past twenty plus years, the General Liability Program's fee structure has been tied to the Division of Fairs and Expositions ("F&E") Fair Classification System. In 2010, F&E re-evaluated and updated the Fair Classification System. At the same time, the Agency viewed this as an opportunity to formally update class differences when considering insurance risks in the General Liability Program. These class differences resulted in nine (9) fairs moving down one class and five (5) fairs moving up one class when considering the calculations of the General Liability base fee.

As always, members will continue to have their base fee modified up or down based solely on their own loss history. Based on current information, staff is recommending a ten percent (10%) increase in the 2011 General Liability Program's base fee for fairs in Classes I through IV.

Projected expenses for the Tribute Road building are expected to be higher in 2011 as a result of lower revenues due to CCA occupying much less space, as well as the reduction in rent per square foot that will be assessed to all tenants. Tenant leases for the fair related agencies expired August 15, 2010, and in an effort to keep all agencies in the same building and match the local market rates, CFSA lowered rent rates by 10%. Rick pointed out that many of the original improvements to the building have been fully depreciated, helping absorb a portion of the reduced rental revenue.

With the continuing poor economy, limited state funds and budgets, staff is recommending that employee salaries for 2011 again be frozen at the 2008 rate through year-end 2011, which would also include no merit increases to staff in 2011.

The Budget Committee supports the proposed 2011 operating budget and recommends approval as presented to the Board.

Moved by Director Quaid and seconded by Director Goody to adopt **Resolution Number 10-21** approving the 2011 operating budget for California Fair Services Authority as submitted and reviewed by the Budget Committee. Motion passed unanimously.

VI. INFORMATIONAL ITEMS

1. Report on Animal Exhibitor Insurance Survey

Charlie Mitchell, Risk Manager, reported that staff is considering a change to the current policy regarding animal exhibitor insurance. Several member participants in CFSA's General Liability Program have expressed the desire review and make changes to CFSA's current policy on Animal Exhibitor Insurance.

As a result, staff recently conducted a survey on Animal Exhibitor Insurance in which they asked member fairs their opinion as to whether CFSA should consider changing the current policy covering animal exhibitors who show animals at CFSA member fairs. The survey asked two specific questions: 1) Should animal exhibitors be required to purchase animal exhibitor insurance; and, 2) Should pricing be based on a family charge, per animal charge, or as a group purchase.

Charlie reported that, to date, 54 responses have been received. Survey results revealed the following: 1) 30 members wish to maintain the current policy of fair option to require coverage and 23 want the policy changed to make it mandatory; and, 2) 24 members want the fee based per family with unlimited entries, 10 want fee based per animal, 18 want fee based on group purchase and 6 chose other.

Rebecca Desmond, Division of Fairs and Expositions said the Board needed to consider two possibilities: 1) the ease for customer participation; and 2) the need to make it easier for the fair.

Staff will do further research on this animal exhibitor issue and then bring forth recommendations for the Board's consideration.

2. Update on CFSA's Board Election

The Nominating Committee, comprised of Kelley Ferreira (Chairman), Rich Persons (Class 1–2) and Regina Goody (Class 3–7) met via teleconference on Tuesday, October 26, 2010, to select individuals to be placed on the ballot for the CFSA Board of Directors and the Revenue Protection Program Claims Committee.

The Committee selected Carolan Meek, Colusa County Fair, 44th DAA and Rich Persons, Lake County Fair, 49th DAA to represent Class 1 and 2 Fairs; and Joe Anderson, Napa Valley Expo, 25th DAA; Pat Conklin, Sonoma–Marin Fair, 4th DAA; Lori Marshal, Contra Costa County Fair, 23rd DAA; and, Barbara Quaid, Ventura County Fair, 31st DAA to represent Class 3 through 7 Fairs. Successful candidates for the Board of Directors will each serve a four (4) year term beginning January 1, 2011.

The Revenue Protection Program Claims Committee candidates included Bill Blair, Kern County Fair, 15th DAA; Chris Borovansky, Stanislaus County Fair, 38th DAA; Kelley Ferreira, San Benito County Fair, 33rd DAA; and, Ray Malerbi, Calaveras County Fair, 39th. Successful candidates elected for the Revenue Protection Program Claims Committee will serve a two (2) year term beginning January 1, 2011.

Ballots will be mailed out to all electors, named by resolution, and all participating Revenue Protection Program managers on October 27, 2011. The electors and managers have 14 days to vote. Ballots will be tallied on November 10, 2010, and election results will be communicated to the

Nominating Committee and successful candidates, and will be announced in fyi in mid–December.

3. **Staff Reports**

Administrative Services— Computer services staff has teamed up with the Claims Department to comply with the reporting requirements for General Liability and Workers' Compensation Insurance mandated by Section 111 of the Medicare, Medicaid and SCHIP Extension Act of 2007. CFSA has purchased claims database module from Valley Oak Software and testing will begin before the year–end and submission to the Centers for Medicare and Medicaid Services will start the first quarter of 2011.

2011 WFA Convention We are planning full participation at the Convention this year, and have reserved a 10x20 booth in the Tradeshow, with an overall theme of “We Get the Job Done.” The booth will primarily be staffed by our Safety department who will highlight our training efforts on behalf of fair employees – including their interim and temporary staff, and the difference it has made. CFSA will again be hosting the New CEO Breakfast, and we will have good basic information to hand out. The Board has been invited to stop by to see “a life in the day of CFSA” (a work in progress).

CCA Web Site In early spring, CFSA entered into a contact with the California Construction Authority (“CCA”) to redesign and rewrite their website. The goal of the redesigned site was to provide fairs and contractors with information about the agency, its staff and services, as well as current information about projects up for bid and in progress. CCA is now reviewing the latest round of layout design ideas. After a final design is chosen, page templates will be produced and website copy written. The website is slated to go live in December 2010.

Finance — CFSA's financial statements and quarterly investment portfolio required by Government Code Section 53646 were submitted to the Board and are in compliance with CFSA's investment policy. The financials exhibit the pools' ability to meet the expenditure requirements for the next six (6) months and include a schedule of the monthly investment transactions, in accordance with Government Code Section 53607.

PST Program CFSA acts as the pass through for the Part Time, Seasonal and Temporary Employee (PST) Program administered by the Department of Personnel Administration (DPA). For the calendar

year 2010 the PST Program has saved the fairs \$836,819.29. Had the PST Program not been in place, the fairs would have paid Social Security taxes of \$923,431.74 compared to the administration fees of \$86,512.45 paid to DPA and CFSA. Of this administration fee, DPA collected \$47,630.45 and CFSA retained \$38,882 for administration of the program.

Risk Management — Staff is working with the broker on renewal of coverages that expired on or about January 1, 2011, which included excess/reinsurance coverages for the General Liability, Special Events, and Revenue Protection Programs.

Effective September 29, 2010 the National Orange Show in San Bernardino has re-joined CFSA's General Liability Program. There are now 69 member fairs in the Program. The National Orange Show also participates in CFSA's Workers' Compensation Program.

Pooled Property Protection Program Since 2002, the Pooled Property Protection Program has had a total of seventy-three (73) reported claims of which six (6) are open. The open claims consist of one (1) loss in 2008, one (1) loss in 2009, and four (4) losses in 2010. It is currently estimated that the Pool could pay at least \$36,000 or more on three of the six 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 2010-2011 fiscal year.

Contract Review Our Risk Analyst continues to process contracts received from DAAs as well as from other CFSA member fairs. For DAAs, all non-hazardous contracts over \$15,000 and up to \$75,000 for which liability insurance is required and all hazardous contracts up to \$75,000 are sent directly to CFSA for insurance certificate review and approval. For all other member fairs, all fair contracts involving hazardous activities or all contracts over \$15,000 involving non-hazardous activities are submitted to CFSA for an insurance certificate review.

As of October 20, 2010, staff had reviewed 2,701 contracts which is an increase of 675 contracts or a 33% increase from 2009. Staff continues to focus its efforts to get all member fairs in the Liability Program to realize the importance of submitting contracts for insurance certificate review and approval.

Special Events Revenues for the Special Events Program through the end of August 2010 totaled \$528,428 which is 66% of the budgeted 2010 revenue of \$795,000. For the same period in 2009, the total revenue was \$546,926. There has been a 3% decrease in th 2010 revenues.

Claims activity in the Special Events Program included fourteen (14) open claims with total reserves of \$121,163, as of September 30, 2010 as compared with eight (8) open claims and \$288,904 in reserves as of July 31, 2010. There are no claims with reserves in excess of \$250,000. So far in 2010, there have been eighteen (18) new or reopened claims and eleven (11) claims have been closed. There is currently two (2) litigated claim. To date in 2010 there have been twenty-five (25) loss reports of which seven (7) were information only.

General Liability Claims activity includes 42 open claims with reserves of \$602,629 as of September 30, 2010. There are no claims with reserves over \$500,000. Seventeen of these open claims are being litigated. For comparison, as of July 31, 2010, CFSA had 45 open claims with reserves of \$1,974,723. So far in 2010, CFSA received 46 new/reopened claims while another 32 have been closed. Through the end of September 2010, CFSA received 151 new loss reports, of which 113 were information only reports. As of the end of November, staff is tracking five (5) tendered claims.

Safety — September 2010 through October 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 two month period have been Pre-Fair and late season fairtime inspections. 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.

National Orange Show Tom Allen, Safety Manager, and Rick Wood Assistant Director Finance, traveled to the National Orange Show for final preparations on the fair's return to CFSA's General Liability Pool.

Maintenance Mania Committee Tom Amberson, Safety Department Supervisor, and Charlie Wiglesworth, Safety Inspector, met with the Maintenance Mania Committee, at the Kern County Fair, to discuss classes and subject matter for 2011 Maintenance Mania.

Workers' Compensation — As of July 31, 2010, total open claims reserves were \$8,250,824 (including pre-94 Cal Expo outstanding reserves of \$514,637.) There were 223 open claims, of which 168 were indemnity claims and 55 medical only (this includes one Information Only claim open for administrative purposes).

4. Executive Director's Report

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

CFSA Building Leases — As previously reported, due to the economy and some budget cuts experienced by building tenants, the Agency reduced rents costs ten percent (10%) to \$1.35 per square foot with a five year guarantee.

Lease agreements have been signed by WFA and CCA and we are still waiting for CARF to decide whether or not they want additional space added to their existing lease. The remodel for CCA was completed, as well as, new carpet and paint for all tenants. With the reduction in CCA's space, we are able to construct a much needed small conference room for use by all tenants in the building.

2011 WFA Convention — Staff is going to have a trade show booth at the 2011 WFA Convention in Reno. It's been two years since staff has had a booth and staff believes it is the perfect opportunity to educate member fairs about services offered and to promote the value of CFSA. The theme will be a continuation of the 2009 Annual Report's "Working for You." Topics about the services CFSA provides and how they help the member fairs and/or services or issues we will be addressing in 2011 will be the focus of handout materials.

CAJPA Accreditation — CFSA is one of the elite accredited JPAs in California that has met standards established by the California Association of Joint Powers Authorities ("CAJPA") that measure a

JPA's ability to provide efficient services to its member agencies. By achieving Accreditation with Excellence, CFSA has met higher, more strenuous standards that the CAJPA Board believes are reflective of an outstanding JPA.

Fund Administration — CFSA no longer has fiscal responsibility for the \$10,789,75 reported at the last Board meeting. On September 8, 2010, F&E requested return of the Fair Industry Reserve Fund in the amount of Five Million Five Hundred Two Thousand One Hundred Ninety-one Dollars and Eighteen Cents (\$5,502,191.18). To date, Four Million One Hundred Eighty-one Thousand Two Hundred Fifty-two Dollars (\$4,181,252.00) shows up as accrued liabilities on CFSA's monthly balance sheet.

4. Next Board Meeting

The next Board meeting is scheduled for February 1, 2011.

VII. EXECUTIVE SESSION

The Board adjourned from regular session at 5:30 p.m. and went into executive session to discuss liability claim involving Angela Malos, Maliyah Martin & Cody Robinson; Michael Smith & Christa Smith; Harold Carter; Rochelle Richards; workers' compensation claims of Daniel White and Hank MacDougall; and to discuss the Executive Director's performance.

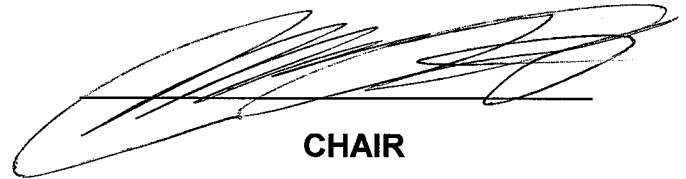
VIII. REGULAR SESSION

The Board adjourned from executive session at 6:25 p.m. and regular session was reconvened. The Board took no reportable action on the liability or workers' compensation claims or the performance of the Executive Director.

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IX. ADJOURNMENT

Moved by Director Pickering and seconded by Director Bullis to adjourn. The meeting was adjourned at 6:26 p.m.



CHAIR

ATTEST:



SECRETARY

RESOLUTION NO. 10 – 18

Adopted by the California Fair Services Authority

November 1, 2010

RESOLUTION APPROVING THE MINUTES OF SEPTEMBER 1, 2010

BE IT RESOLVED BY THE CALIFORNIA FAIR SERVICES AUTHORITY:

That the minutes of the special meeting of September 1, 2010, as presented to the Board of Directors at this meeting are hereby approved.



CHAIR

ATTEST:



SECRETARY

RESOLUTION NO. 10 – 19

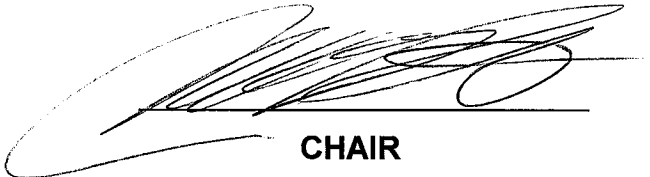
Adopted by the California Fair Services Authority

November 1, 2010

RESOLUTION APPROVING THE REVENUE PROTECTION PROGRAM'S 2011 FEE STRUCTURE

BE IT RESOLVED BY THE CALIFORNIA FAIR SERVICES AUTHORITY:

That the current fee structure for the Revenue Protection Program remain the same as 2010 effective January 1, 2011, and that the status of the Program be re-evaluated at this time next year.



CHAIR

ATTEST:



SECRETARY

RESOLUTION NO. 10 – 20

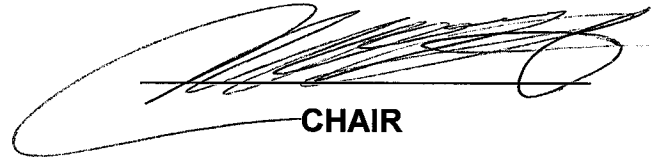
Adopted by the California Fair Services Authority

November 1, 2010

RESOLUTION APPROVING CFSA'S PUBLIC BOARD MEMBER

BE IT RESOLVED BY THE CALIFORNIA FAIR SERVICES AUTHORITY:

That the Board of Directors hereby appoints John Root as the Public Member to serve on the California Fair Services Authority's Board of Directors for a term of four (4) years beginning January 1, 2011.



CHAIR

ATTEST:



SECRETARY

RESOLUTION NO. 10 – 21

Adopted by the California Fair Services Authority

November 1, 2010

RESOLUTION APPROVING CFSA'S 2011 OPERATING BUDGET

BE IT RESOLVED BY THE CALIFORNIA FAIR SERVICES AUTHORITY:

That the 2011 operating budget for California Fair Services Authority is hereby approved as submitted and reviewed by the Board of Directors.



CHAIR

ATTEST:



SECRETARY