

MINUTES

SPECIAL MEETING OF CALIFORNIA FAIR SERVICES AUTHORITY BOARD OF DIRECTORS

April 11, 2005

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)
George Gomes, Board Member
California Farm Bureau
Rick Pickering, Board Member
Alameda County Agricultural Fair
Lonny Wunder, Board Member
Yolo County Fair (40th DAA)
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
Tom Allen,
California Fair Services Authority
Charlie Mitchell,
California Fair Services Authority
Sue Leavitt,
California Fair Services Authority
Melissa Thurber,
California Fair Services Authority
Tom Amberson,
California Fair Services Authority
Kevin Wong, CPA
Gilbert Associates, Inc.
David DeBernardi, CPA
Gilbert Associates, Inc.
Mike Harrington, FCAS, 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 10:08 a.m. in the conference room at 1776 Tribute Road, Suite 200, Sacramento, California on Monday, April 11, 2005.

II. APPROVAL OF MINUTES

Moved by Director Pickering and seconded by Director White to adopt **Resolution Number 05–4** approving the minutes of the regular meeting of February 1, 2005, as presented to the Board of Directors. Motion passed unanimously.

III. 2004 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 joined Bickmore in June 2003 and provides actuarial and risk management consulting services to public entity pools and self-insured organizations and has many years of experience in the actuarial field, including rate making, reserving, financial modeling, and catastrophe management.

Mr. Harrington presented the Board with CFSA's 2004 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, 2004, the 2005 loss rate and projected losses, and 2005 funding guidelines.

Moved by Director White and seconded by Director Gomes to adopt **Resolution Number 05-5** accepting, as presented, the 2004 Actuarial Reports from Bickmore Risk Services for General Liability, Workers' Compensation, and Special Events Liability dated March 8, 2005. Motion passed unanimously.

IV. 2004 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. Kevin has eighteen years of professional experience, including eleven years of experience in providing audit and consulting services to public entity risk pools. Mr. Wong directs Gilbert Associates, Inc.'s services to the risk pool industry.

Mr. Wong presented the 2004 Audit Report which includes the audited financial statements and information on all programs under the control of the 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 Gomes and seconded by Director Wunder to adopt **Resolution Number 05-6** accepting, as presented, the 2004 Audit Report from Gilbert Accountancy Corporation dated February 25, 2005. Motion passed unanimously.

V. 2005 GENERAL LIABILITY RATE

Rick Wood presented the proposed 2005 General Liability fees to the Board and explained that the pool suffered a worse than usual year with reserves up from four hundred thousand dollars (\$400,000.00) over the previous year. Rick explained that although the number of claims remains consistent, the severity of the claims has risen dramatically. With our past conservative reserving practices, CFSA is in a position to absorb the current claims increases, however, there is a need to increase and modify the current rate structure. Staff is currently developing a five year plan to replenish the pool's reserves and bring the confidence margins back in line with CFSA's Risk Pool Goals.

Moved by Director White and seconded by Director Gomes to adopt **Resolution Number 05-7** approving the 2005 General Liability Rate.

WHEREAS, CFSA is faced with increasing the General Liability overall rate by 20% because of the continued exposure based on the high SIR and increased claims costs; and

WHEREAS, CFSA's goal is to implement a five year plan to bring General Liability Program assets back to the desired confidence level; and

WHEREAS, CFSA must rebuild the equity or "adverse development fund" to an appropriate level as a reserve against adverse loss experience; and

WHEREAS, the 2005 General Liability fee proposes to implement modest base rate increases and adjustments to the loss modification ratios specifically targeting those fairs with the worse loss histories;

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

That the total projected liability fees for 2005 be assessed at Two Million Five Hundred Eighty Three Thousand One Hundred Ten Dollars (\$2,583,110.00). Motion passed unanimously.

VI. 2005 WORKERS' COMPENSATION RATE

Rick Wood presented the 2005 Workers' Compensation fees to the Board indicating that CFSA has long been wary of the one catastrophic year when reserving practices would be tested and this is the year. There are currently thirty five (35) claims with reserves over one hundred thousand dollars (\$100,000.00) and seven (7) claims that have been reported to our excess carriers. Fortunately, through conservative reserving policies, continued

growth in the Adverse Development Fund, and strong confidence margins, CFSA has weathered the storm. Staff proposed a modest base rate increase and adjustments to the loss modification ratios that specifically target those firms with the worst loss histories in assessing the 2005 Workers' Compensation Risk Pool fees. In addition, staff is developing a five year plan to replenish the Workers' Compensation Pool's reserves and bring the confidence margins back in line with CFSA's Risk Pool Goals.

Moved by Director Pickering and seconded by Director Wunder to adopt **Resolution Number 05-8** approving the 2005 Workers' Compensation Rate.

WHEREAS, CFSA's Workers' Compensation Program is experiencing a significant increase in claims costs; and

WHEREAS, due to increased claims costs CFSA must adjust the modification fee formula and increase the Workers' Compensation fee assessment by twenty three percent (23%) for 2005, which includes 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

WHEREAS, CFSA must rebuild the equity or "adverse development fund" to an appropriate level as a reserve against adverse loss experience; and

WHEREAS, the prior year's fees will continue to be adjusted to actual payroll at the time of the annual assessments;

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

1. That the Workers' Compensation base rate for 2005 is increased to 6% of payroll and volunteer wages.

2. That the modification rate schedule expand the industry average range from 75% to 160% (the 150% and 160% ranges are new for 2005).

3. A new piece of the five (5) year rebuilding plan is an additional modification ratio currently between 10% to 20% based on losses actually paid out for claims with injury dates from the most recently completed calendar year. Motion passed unanimously.

VII. REVISIONS TO CFSA'S 2005 BUDGET

Annually, CFSA prepares and submits to the Board 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. Due to needed revisions in the modification ratios, individual fairs' loss histories, and increased fees staff recommended the Board approve the 2005 revised budget.

Moved by Director Lim and seconded by Director Gomes to adopt **Resolution Number 05-9** approving CFSA's revised 2005 budget as presented to reflect the recommended changes by Bickmore Risk Services in estimated reserves for the 2005 calendar year. Motion passed unanimously.

VIII. 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 Gomes and seconded by Director White to adopt **Resolution Number 05-10** 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.

IX. 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 Wunder and seconded by Director White to adopt **Resolution Number 05-11** 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 30, 2005, 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.

X. APPOINTMENT OF PUBLIC MEMBER

CFSA's five (5) elected Board Members are responsible for appointing the Public Board Member. The term of the current Public Board Member, George Gomes, expires April 30, 2005. The Board's Public Member shall be knowledgeable in public entity insurance matters, finance matters, banking matters or general business matters related to the conduct of CFSA. In addition, the Public Member shall not be selected from the pool of individuals eligible to serve as Fair Classification System Board Members.

George agreed to stay on the Board should he be reappointed. Because of George's expressed desire to continue as CFSA's Public Board Member, there are no other candidates interested in competing for this appointment. Chairman Ferreira opened the floor to nominations for the Public Board Member. Moved by Director White and seconded by Director Wunder to nominate George Gomes.

Moved by Director Pickering and seconded by Director White to adopt **Resolution Number 05-12** appointing George Gomes as the Public Member to serve on the California Fair Services Authority's Board of Directors for a term of four (4) years beginning May 1, 2005. Motion passed unanimously.

XI. INFORMATIONAL ITEMS

1. Review of CFSA's 2005 Goals

Donna Bardaro, Executive Director, reported that staff had recently met to discuss Agency goals for 2005 and determined that with the impending fair restructuring looming on the horizon, it was necessary to be conservative in setting goals for this year. Donna emphasized that CFSA would like to be able to accommodate new goal areas when the actual planning process begins.

Staff has developed goals in the areas of 1) Communications, to ensure that every member fair understand the scope of their potential risks and the resources available at CFSA to help them manage these risks; 2) Risk Pools, to ensure that the risk pool programs meet the needs of all member fairs in a fiscally prudent and cost effective manner; 3) Financial, providing prudent management of general liability and workers' compensation pool reserves; 4) Safety Programs, to continue to supply high quality loss control and safety

services through in depth training, detailed inspections and site specific fair time and carnival consultations for members and to assist members in eliminating or reducing hazards, and in achieving compliance with required safety regulations; and 5) Other Member Services, to create and deliver programs to meet member needs that fall within the scope of the CFSA Mission and Vision. Staff requested input from the Board on a time line and further implementation.

2. Staff Reports

Administrative Services —

Computer Services CFSA is now successfully set up for the ARP (Alternative Retirement Program) in the CompuShare accounting software. Work has begun with the Finance department to set up standardized pay codes in this area for each fair, ensuring streamlined and accurate reports.

Annual Report Currently writing the first draft of the report and

working closely with the graphic designer on graphics and photos that will tie in with the report's copy theme: "Ready When You Are". Our goal to have the report printed and ready for distribution in May.

Communications Work continues on the General Liability "Accident Investigation" Safety Video. A first rough cut has been reviewed and critiqued by CFSA and the next step is for the editor to fill out the narration with fairground footage. Our goal is to have the video ready for distribution to member fairs in May.

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 CFSA administers the Unemployment Insurance Reimbursement Fund for California fairs. Through this fund, the fairs are reimbursed a percentage of their unemployment insurance costs based on the fair's classification. From July 1, 2003, to June 30, 2004, CFSA reimbursed 66 fairs \$714,959.00 and from July 1, 2004, to March 31, 2005, CFSA has reimbursed 59 fairs just over \$667,960.00.

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). Through December 31, 2004, the PST Program saved fairs \$1,024,416.00. Had the PST Program not been in place, the fairs would have paid Social Security taxes of \$1,142,047.00 compared to the administration fees of \$117,631.00 paid to DPA and CFSA. Of this administration fee, DPA collected \$64,763.00 and CFSA retained \$52,868.00 for administration of the program.

Risk Management — Staff is continuing to work with Driver Alliant, CFSA's broker, on renewal of excess coverage for the General Liability Program. An Insurance Informational Alert will be sent out in April informing member fairs of the changes in coverages due to the new excess liability coverage. Staff is continuing to work on renewing coverages that expire on July 1, 2005. These coverages include excess coverages for the Workers' Compensation and Pooled Property Protection Programs. In early April, staff will be sending out a Request for Proposal for broker services as the current broker services agreement will expire on December 31, 2005.

CFSA staff is in the process of renewing insurance coverages for the Hazardous Special Events Program for rodeos and motorized racing events for 2005. To date, fourteen member fairs have chosen to cover a total of 33 events for rodeos and thirteen member fairs have chosen to cover a total of 28 events for motorized racing.

Special Events There are ten (10) open claims with total reserves of \$111,2392.00 as of February 28, 2005, as compared with nine (9) open claims and \$111,182.00 reserved as of December 31, 2004. For 2005, three (3) new claims were received and two (2) claims were closed, with three (3) litigated claims.

Revenues for the Special Events Program through the end of November 2004 totaled \$697,897 which is 103% of budgeted revenue for 2004. For the same period in 2003, the revenue was \$624,027, representing a 12% increase in revenues and is due partly to the approved 2004 rate increase.

General Liability Claims activity includes 58 open claims with reserves of \$1,927,718.00 as of February 28, 2005. There are two (2) claims that total more than \$900,000 in reserves. Nineteen (19) of these open claims are being litigated. In 2004, For comparison, as of

December 31, 2004, CFSA had 66 open claims with reserves of \$1,922,145.00. Staff is currently tracking 6 claims that have been tendered to other insurance companies. Through the end of February, CFSA has received ten new loss reports, 2 of which were information only reports. As compared to all of 2004, there were a total of 480 loss reports of which three hundred seventy five (375) were information only reports.

Safety — The Safety Department conducted eight (8) facility inspections, three (3) fair time inspections, and five (5) safety training sessions at various member fairs through April, 2005.

Staff Changes Safety Specialist I, Michael Major resigned from his position at CFSA in late February. Michael decided to return to the medical field and has begun completing his degree in nursing. While finishing school, Michael will be working part time in the burn unit at Children's Hospital and CFSA wishes him the best of luck in his endeavor. The Safety Department has hired Michel Klebsch who comes with a strong construction background along with many years of agricultural experience working on the family farm in South Dakota. His background will be a great addition to the safety team.

Special Training/Meetings Tom Allen will be participating, on behalf of CFSA, on this year's "Revenue Generating Committee." Tom Amberson and Alan Payne participated in the "Super Schools" training program at Cal Expo discussing California fire regulations for exhibits and exhibitors.

Maintenance Mania The committee members met in Bakersfield on March 15th to begin planning for next year's event. The 2006 dates for Maintenance Mania are: January 24-26, Kern County Fair; February 7-9, Alameda County Fair.

Workers' Compensation — As of February 28, 2005, total open claims reserves were \$6,677,944.00 (including pre-94 Cal Expo outstanding reserves of \$779,309.) There were 158 open claims, of which 145 were indemnity claims and 13 were medical only (includes 1 Information Only claim open for administrative purposes).

Staff will attend and participate in the Nuts & Bolts training program at Cal Expo on April 5th and 6th. The primary message to the attendees was be the fairs' late reporting of claims and how it impacts the course of treatment and ultimately the costs to handle claims.

3. Executive Director's Report

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

- ▶ Fair Restructuring — Fairs and Expositions recommended that we wait to meet with them on transition issues until after the scheduled outreach meetings regarding governance reform. In the meantime, Donna suggested that the Board have another look at our issues outlined to see if they had any additional input relative to CFSA and the transition of DAAs from state entities to local public corporations.
- ▶ WFA Educational/Training Topics — WFA's Professional Development Committee will be having their first planning meeting on April 14th and CFSA has been asked to provide input on topics of interest for either Manager's Conference in the fall or WFA Convention next year. Donna and the Board then discussed the pros and cons of continuing to offer program content both Manager's Conference and Convention as well as being part of the Convention Trade Show.
- ▶ CFSA Membership — Staff has recently provided the Napa County Fair Association with a quote for participation in the Workers' Compensation Risk Sharing Pool Program. They have expressed the desire to participate in the Program effective May 1, 2005. Napa County Fair joined the General Liability Risk Sharing Program in January of 2004.
- ▶ CFSA Board Meeting Dates — CFSA's regular Board meetings have been the first Tuesday of every even month. Donna asked the Board Members if they would like to change meeting dates from every other month to quarterly meetings as CFSA's Bylaws simply say "Regular Meetings must be held at least annually." Discussion ensued and common consensus among the Board Members was to have quarterly meetings on the second Monday of the quarter beginning with August, 2005.

4. Next Regular Board Meeting

The next scheduled Board meeting is Thursday, August 24, 2005, at 2 p.m. and the next regular Board meeting is scheduled for Monday, November 14, 2005, and quarterly thereafter.

XII. EXECUTIVE SESSION

The Board adjourned from regular session at 12:30 p.m. and went into executive session to discuss liability claims involving Salvador Hernandez, David Schneider, Sheila Mangini, Julia Bartha, Charlotte Bain, Larry McIver, Hollyn D'Lil, et al., ISC, Inc, Larry McIver, Hollyn D'Lil, et at., and Jennifer Lynn Bice and Karen Senn; County of Sacramento and workers' compensation claims involving Robert Putney and Sal Garcia.

XIII. REGULAR SESSION

The Board adjourned from executive session at 1:10 p.m. and regular session was reconvened. The Board took no reportable action on the liability claims or the workers' compensation claim.

VII. ADJOURNMENT

Moved by Director White and seconded by Director Gomes to adjourn. The meeting was adjourned at 1:11 p.m.

CHAIR

ATTEST:

SECRETARY