

# MINUTES

## SPECIAL MEETING OF CALIFORNIA FAIR SERVICES AUTHORITY BOARD OF DIRECTORS

May 10, 2007

1776 Tribute Road, Suite 200, Sacramento, CA 95815

Rick Pickering, Board Member  
Alameda County Agricultural Fair  
Lonny Wunder, Board Member  
Yolo County Fair (40<sup>th</sup> DAA)  
Rebecca Desmond, Board Member  
Siskiyou Golden Fair (10<sup>th</sup> DAA)  
Kelley Ferreira, Board Member  
San Benito County Fair (33<sup>rd</sup> DAA)  
Ed Scofield, Board Member  
Nevada County Fair (17<sup>th</sup> DAA)  
John Root, Board Member  
Public Member  
Bruce Lim, Board Member  
Division of Fairs & Expositions  
Donna Horner, Secretary/Treasurer  
California Fair Services Authority  
Rick Wood, Controller  
California Fair Services Authority  
Christy Layton, Legal Counsel to CFSA  
Miller, Owen & Trost

Donna Bardaro, Executive Director  
California Fair Services Authority  
Charlie Mitchell,  
California Fair Services Authority  
Tom Allen,  
California Fair Services Authority  
Sue Leavitt,  
California Fair Services Authority  
Tom Amberson,  
California Fair Services Authority  
Melissa Thurber,  
California Fair Services Authority  
Alan Payne,  
California Fair Services Authority  
Bill J. Cox,  
Plumas–Sierra Fair  
Kevin Wong,  
Gilbert Associates, Inc.  
Mike Harrington,  
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 1:15 p.m. in the conference room at 1776 Tribute Road, Suite 200, Sacramento, California on Thursday, May 10, 2007.

## II. APPROVAL OF MINUTES

Moved by Director Scofield and seconded by Director Wunder to adopt **Resolution Number 07-07** approving the minutes of the regular meeting of February 5, 2007, as presented to the Board of Directors. Motion passed unanimously.

## III. RECOGNITION OF SERVICE OF OUTGOING BOARD MEMBER

The Board and staff presented a plaque in appreciation and recognition of George Gomes sixteen (16) years of guidance and support to CFSA. He served as the first Public Member of the California Fair Services Authority from June 1991 through April 2007. George thanked Donna Bardaro and all CFSA staff and board members he's worked with over the years. When the JPA was started 20 years ago, no one had a vision of what it could become, but it's been a lesson of the opportunities we can create for ourselves, if we just look beyond the norm. Much has been accomplished with CFSA's guidance, which couldn't have been provided without the right people at the right time.

George believes all the change brought about by CFSA has been for the good of the industry, and he is proud to have been a part of this organization and its success for such a long time. Even though he won't be on the Board, he looks forward to watching CFSA continue. George complimented the Board members on their willingness to serve in this volunteer position, and for being elected by, and respected by their peers.

The Board thanked George for his continued support to the fair industry, his leadership through the years and his support of CFSA. Moved by Director Lim and seconded by Director Ferreira to adopt **Resolution Number 07-08** recognizing George's service to CFSA. Motion passed unanimously.

## IV. APPOINTMENT OF THE PUBLIC MEMBER

George Gomes, CFSA's Public Member, resigned his position effective March 12, 2007, when the Governor appointed him Undersecretary for the California Department of Food and Agricultural. An inquiry was made to see if the alternate Public Member, John Root, might be interested in serving as the Public Member. John agreed to serve if appointed. There being no other candidates of interest it was moved by Director Desmond and seconded by Director Scofield to adopt **Resolution Number 07-09** appointing John Root as the Public Member to serve on the California Fair Services Authority Board of Director for a term of four (4) years beginning May 7, 2007. Motion passed unanimously.

## **V. 2006 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 2006 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, 2006, the 2007 loss rate and projected losses, and 2007 funding guidelines.

Moved by Director Ferreira and seconded by Director Root to adopt **Resolution Number 07-10** accepting, as presented, the 2006 Actuarial Reports from Bickmore Risk Services for General Liability, Workers' Compensation, and Special Events Liability dated February 14, 2007. Motion passed unanimously.

## **VI. 2006 AUDIT REPORT**

Rick Wood introduced Kevin Wong, from Gilbert Associates, Inc., who served as the engagement partner on CFSA's audit and supervised the planning and the management of the fieldwork team. Mr. Wong presented the 2006 Audit Report which includes the audited financial statements and information on all programs under the control of CFSA. The audit was conducted in accordance with Generally Accepted Auditing Standards and was also conducted in accordance with Generally Accepted Government Auditing Standards in order to maintain CFSA's eligibility for California Association of Joint Powers Authorities (CAJPA) Accreditation with Excellence. This subsequent reporting provides an audit report on conditions noted in the areas of internal control and compliance with laws and regulations.

Moved by Director Lim and seconded by Director Desmond to adopt **Resolution Number 07-11** accepting, as presented, the 2006 Audit Report from Gilbert Accountancy Corporation dated April 17, 2007. Motion passed unanimously.

## **VII. 2007 GENERAL LIABILITY FEES**

The proposed 2007 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.

Rick Wood stated that in the past ten years, CFSA's General Liability Program has experienced four (4) years of adverse loss experience, the most recent being 2005. 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, 2006 appears to be a better than average claims year.

The cost of CFSA's excess insurance policy has steadily increased over the past ten years and is projected to remain at current levels or higher for quite some time into the future. It is also very unlikely that CFSA's Self-Insured Retention ("SIR") level will be reduced from the current level of \$1 million per occurrence. There is good news in that CFSA has been able to secure re-insurance for 2007 rather than an excess policy as in previous years.

Moved by Director Desmond and seconded by Director Ferreira to adopt **Resolution Number 07-12** approving the 2007 General Liability Fees.

**WHEREAS**, Over the past ten (10) years, CFSA has experienced four (4) years of adverse loss experience; 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 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 2007 General Liability base fee includes another 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 Six Hundred Forty Nine Thousand Fifty Dollars (\$2,649,050.00). Motion passed unanimously.

### **VIII. 2007 WORKERS' COMPENSATION RATE**

Staff is recommending that the 2007 Workers' Compensation Risk Pool fees use the same 6% base rate used in 2005 and 2006. Individual fair's actual fees may increase or decrease from the previous year due to loss history and varying levels of payroll.

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 and 2006 will be substantially better than the actuaries have projected, which will help in rebuilding the Adverse Development Fund.

Moved by Director Scofield and seconded by Director Wunder to adopt **Resolution No. 07-13** approving the 2007 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 fee assessment was increased by twenty three percent (23%) which included increasing the base rate from 5.75% to 6%; and

**WHEREAS**, In 2006 CFSA's goal was 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 2007 will remain at 6% of payroll and volunteer wages.

## **IX. AMENDMENT TO CALPERS CONTRACT**

Staff is proposing the addition of One–Year Final Compensation to CFSA’s current CalPERS retirement benefits. This proposed amendment to include Section 20042 (One–Year Final Compensation) would bring CFSA in line with the majority of public agencies and the District Agricultural Associations in the State of California. This improved benefit would apply to employees retiring after the effective date of the CalPERS contract amendment.

CFSA's current employer contribution rate is 11.092%, and will decrease to 10.832% as of July 1, 2007, (this is a .26% decrease). In July of 2008 the contribution rate is projected to drop an additional .432%. CFSA's budgeted 2007 taxable salary base is \$2,036,161. The increase to amend the CalPERS contract to include One–Year Final Compensation is 1.49%. With the increase and the current projected reductions adding the additional benefit would increase CFSA's annual contributions in 2007 by \$12,522 (only six months) and in 2008 by \$20,647 (a full 12 months). CalPERS does not provide projected rates for more than two years. For comparison, the District Agricultural Associations current CalPERS rate is 16.997%.

Moved by Director Desmond and seconded by Director Wunder to adopt **Resolution Number 07–14** to approve an amendment to contract between the Board of Administration California Public Employees’ Retirement System and the Board of Director California Fair Services Authority.

**Whereas**, the Public Employee’s Retirement Law permits the participation of public agencies and their employees in the Public Employees’ Retirement System by the execution of a contract, and sets forth, the procedure by which said public agencies may elect to subject themselves and their employees to amendments to said law; and

**Whereas**, one of the steps in the procedures to amend this contract is the adoption by the governing body of the public agency of a resolution giving notice of its intention to approve an amendment to said contract, which resolution shall contain a summary of the change proposed in said contract; and

**Whereas**, the following is a statement of the proposed change:

To provide Section 20042 (One–Year Final Compensation) for local miscellaneous members.

**NOW, THEREFORE, BE IT RESOLVED** that the governing body of the above agency does hereby give notice of intention to approve an amendment to the contract between said public agency and the Board of Administration of the Public Employees’

Retirement System, a copy of said amendment being attached hereto, as an "Exhibit" and by this reference made a part hereof. Motion passed unanimously.

## **X. TERMS AND CONDITIONS OF THE 2007 GENERAL LIABILITY RISK SHARING PROGRAM**

As reported at the last Board meeting, there has been a significant change in the way losses are covered over the self-insured retention of \$1 million. Staff was able to secure a reinsurance agreement for 2007 as opposed to a separate excess liability policy or policies for prior years. The General Liability Program now has one coverage document for any loss up to the protection limit of \$10 million per fair. This change necessitates a revision to the Memorandum of Primary Liability Coverage (Primary MOC) that has been in effect since January 1, 2004. The new MOC is based on the Primary MOC and there are no changes in the coverages. Staff recommends that the Board adopt the MOC effective January 1, 2007.

Moved by Director Ferreira and seconded by Director Root to adopt **Resolution Number 07-15** approving the Memorandum of Coverage Stating the Terms and Conditions of the General Liability Risk Sharing Program Administered by California Fair Services Authority effective January 1, 2007. Motion passed unanimously.

## **XI. INFORMATIONAL ITEMS**

### **1. 2007 Liability and Workers' Compensation Claims Audits**

Donna Bardaro, Executive Director, presented to the Board the results of the 2007 Claims Audits conducted by Nicholas Cali on February 7 and 8, 2007. The audit findings confirmed staffing levels and performance continue to be adequate and well above average, reserving philosophy and practices continue to be sound and both programs meet and exceed claims industry standards and the CAJPA Claims Administration Accreditation Standards.

There were no recommendations for improvement in the Liability Program and only two recommendations for the Workers' Compensation Program that pertained to continued late reporting of claims by some member fairs and the need to report to the excess carrier on two claims close to being in excess of the fifty percent (50%) SIR.

Staff informed the Board that action was immediately taken to notify the excess carrier on the two claims nearing fifty percent of the SIR and further stated there is continued communication with member fairs to encourage

timely reporting of claims. Mr. Cali continues to be extremely complimentary of personnel, performance, procedures and practices of both pooled programs.

## 2. Staff Reports

**Administrative Services**—Staff is working with Western Fairs Association’s Professional Development Committee (“Pro Dev Committee”) to offer input and training at both the 2007 CFA Fall Conference and the 2008 Western Fairs Association Convention.

**Computer Services** Staff has added new Compu–Share Accounting clients, including Napa Town & Country Fair, and the new Joint Powers Authority (CASS). Staff continues to make fair visits with the Finance department to showcase and offer services to new fairs.

**Video Production** All of the in–studio scenes for CFSA’s third video, “Think Safety. Work Safely,” have been taped and are currently being edited. Our next step is to take the video crew to a fairground and using the fairground as a backdrop, tape the remaining scenes. Once this is done, we’ll add special effects and titles. Weather permitting, we anticipate to have the video completed in the fall of 2007.

**Annual Report** Content for the 2006 annual report is being written and a final graphic design has been selected. The working title for the report is: Our Story: Past, Present & Future ~ 20 Years of Serving California’s Fairs. The anticipated print date for the report is June.

**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. Staff is currently in the process of switching from Smith Barney to Charles Schwab with a projected savings of over 10 basis points annually. CFSA will continue to use Madison Investment Advisors, Inc. as CFSA’s investment advisors.

**Unemployment Insurance** On behalf of the Division of Fairs and Expositions (F&E), CFSA administers the Unemployment Insurance Reimbursement Fund for California fairs. F&E funds the Program in the amount of \$950,000 per fiscal year and fairs are reimbursed a

percentage of their unemployment insurance costs based on the fair's classification. For the fiscal year July 1, 2006 to June 30, 2007, fairs in classes I and II are projected to receive 100% reimbursement, classes III and IV will receive a 70% reimbursement, and classes V through VII will receive a 40% reimbursement of their unemployment insurance costs.

**PST Program** CFSA acts as the pass through for the Part Time, Seasonal and Temporary Employee (PST) Program administered by the Department of Personnel Administration (DPA). For the calendar year 2007 the PST Program has saved the fairs \$85,768.00. Had the PST Program not been in place, the fairs would have paid Social Security taxes of \$96,982 compared to the administration fees of \$11,214 paid to DPA and CFSA. Of this administration fee, DPA collected \$6,174 and CFSA retained \$5,040 for administration of the program.

**Property Insurance Program** The Property Insurance Pool has been hit with high excess policy premiums and unusually high claims for the past several years. The Division of Fairs and Expositions (F&E) annually contributes \$450,000 to the Program which currently has a balance of \$382,167. The Division has made it clear they are committed to keeping the Program in place and will be prepared to fund the additional amount necessary to pay the renewal premium in July. A letter outlining the potential shortfall was sent to F&E on March 1, 2007, and staff is awaiting their response.

**Risk Management** — Staff is currently working with our broker on renewal of coverages that will expire around July 1, 2007. These include excess coverages for the Workers' Compensation and Pooled Property Protection Programs. Staff is continuing their efforts to renew coverage for the Hazardous Special Events Program which includes rodeos and motorized racing events for 2007. Review of the survey form sent to fairs in early February have resulted in 13 member fairs electing to cover a total of 40 rodeo and/or horse show events and 18 member fairs wanting coverage for 26 motorized racing events.

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

hazardous activities or all contracts over \$15,000 involving non-hazardous activities are submitted to CFSA for an insurance certificate review. As of the end of December, staff had reviewed 1,982 contracts in 2006 as compared with 1,665 contracts in 2005. This is an increase of 317 contracts. CFSA continues to focus its efforts on getting all member fairs in the Liability Program to submit their contracts for insurance certificate review and approval. As part of these efforts, CFSA staff this next year will be making fair visits to train personnel as well as to perform certificate compliance audits.

**Property Protection Program** The Pooled Property Protection Program has had a total of thirty seven (37) reported claims, five (5) of which remain open. The open claims consist of four (4) losses in 2006 and one (1) new loss in 2007. It is estimated that the Pool could incur up to \$400,000 on the open claims and staff is continuing to work with individual fairs and the California Construction Authority to resolve the open claims.

**Special Events** Revenues for the Special Events Program through the end of December 2006 totaled \$753,636 which was 108% of the budgeted 2006 revenue of \$700,000. For the first three months in 2007, the revenue was \$143,592 as compared with \$118,503 in 2006 representing a 21% increase in revenues.

Claims activity in the Special Events Program included eight (8) open claims with total reserves of \$477,204 as of March 31, 2007 as compared with five (5) open claims and \$462,709 in reserves as of December 31, 2006. There is one (1) claim with reserves in excess of \$250,000. So far in 2007, three (3) new/reopened claims were received, and one (1) claim was closed. There are currently three (3) litigated claims. For comparison, for all of 2006 there were nine (9) new claims received, and eight (8) claims were closed.

**General Liability** Claims activity includes 44 open claims with reserves of \$2,035,245 as of March 31, 2007. There are two (2) claims with over \$500,000 in reserves. Sixteen of these open claims are being litigated. As of December 31, 2006, CFSA had 50 open claims with reserves of \$1,037,919. The change in reserves is primarily due to reserve increases in two (2) cases. So far in 2007, CFSA received ten (10) new/reopened claims while 16 have been closed. Through the end of March 2007, CFSA received 28 new loss reports, of which 19 were information only reports. Staff is currently tracking twelve (12) claims that have been tendered to other insurance companies.

**Safety** — From February through May 2007, staff has been involved in various projects, provided training and conducted inspections for numerous member fairs. Safety services includes: 1) safety programs review and development planning meetings with fair CEOs and staff; 2) pre-fair walkthroughs and risk reviews; 3) consultations including fairtime safety and risk control consultations; 4) special staff training for boom-lift, forklift and operator certification, and CPR/First Aid training; and 5) assistance with fair staff in IIPP development and staff training.

**Maintenance Mania** Safety staff was extremely involved in the 2007 maintenance mania programs conducted at the Kern County and Shasta District Fairs. CFSA sponsored, prepared and served the Wednesday lunch for seminar participants at both fair locations. Staff also provided instruction in the following areas:

- ▶ Aerial Lift Safety Training and Certification
- ▶ Forklift Safety Training and Certification
- ▶ CPR/First Aid Training and Certification
- ▶ IIPP Overview & Training
- ▶ Hazardous Communications Training
- ▶ Hazardous Waste Training
- ▶ Leadership Training for Senior Maintenance Staff
- ▶ Beginning Electrical Instruction

Staff believes that the Maintenance Mania Program is an invaluable tool for the ongoing training of maintenance staff at our member fairs' and for the fair industry as a whole. Thus far this year, CFSA has spent nearly \$30,000 in its continued commitment to the success of the Program.

**Special Area Meetings** Tom Allen and Rick Wood represented CFSA at four special Area meetings conducted by the Division of Fairs and Expositions in their ongoing efforts to provide better communication with California's fairs. CFSA used these opportunities to discuss the positive direction and changes made to the Safety Program with the new fair loss focus. The goal was to tie the midway program changes back to CFSA's fundamental role of helping individual members improve their own risk and safety programs, as well as the health of the entire risk program. Staff emphasized the specific changes that were made, and those that will remain in place with regard to carnival midway safety issues and informed members of the master contract with International Leisure Consulting, should they decide to include and pay for that extra layer of inspection.

**Workers' Compensation** — As of March 31, 2007, total open claims reserves were \$5,158,495.00 (including pre-94 Cal Expo outstanding reserves of \$638,389.) There were 161 open claims, of which 136 were indemnity claims and 24 were medical only (this includes one (1) Information Only claim open for administrative purposes).

**3. Next Regular Board Meeting**

The next Board meeting is scheduled for August 22, 2007.

**XII. EXECUTIVE SESSION**

The Board adjourned from regular session at 3:35 p.m. and went into executive session to discuss a liability claim involving Larry McIver, Hollyn D'Lil & Michael Dunne, and, a workers' compensation claim involving Richard Miller.

**XIII. REGULAR SESSION**

The Board adjourned from executive session at 3:58 p.m. and regular session was reconvened. The Board took no reportable action on the liability or workers' compensation claims.

**IX. ADJOURNMENT**

Moved by Director Desmond and seconded by Director Wunder to adjourn. The meeting was adjourned at 4 p.m.

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**CHAIR**

**ATTEST:**

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**SECRETARY**