

# MINUTES

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

February 1, 2005

1776 Tribute Road, Suite 200, Sacramento, CA 95815

Kelley Ferreira, Board Member  
San Benito County Fair (33<sup>rd</sup> DAA)  
Rebecca Desmond, Board Member  
Siskiyou Golden Fair (10<sup>th</sup> DAA)  
Rick Pickering, Board Member  
Alameda County Agricultural Fair  
Lonny Wunder,  
Yolo County Fair (40<sup>th</sup> DAA)  
Tony Leo, Alternate Board Member  
Stanislaus County Fair (38<sup>th</sup> DAA)  
Bruce Lim, Appointed Board Member  
Division of Fairs & Expositions  
Donna Horner, Secretary/Treasurer  
California Fair Services Authority  
Rick Wood, Controller  
California Fair Services Authority  
Kirk Trost, 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  
Lori Southerland, EDP Program  
Western Fairs Association  
Robin Hauck, EDP Program  
Western Fairs Association  
Stephanie Azores,  
Western Fairs Association

### I. CALL TO ORDER

A regular meeting of the California Fair Services Authority (“CFSA”) Board of Directors was convened, pursuant to the meeting notice at 10:00 a.m. in the conference room at 1776 Tribute Road, Suite 200, Sacramento, California on Tuesday, February 1, 2005.

### II. APPOINTMENT OF CHAIR AND VICE CHAIR

Vice Chair Ferreira opened the floor to nominations for the office of Chair of the Board of Directors of CFSA. Moved by Director Desmond to nominate Kelley Ferreira as

Chair. There being no other nominations, Director Wunder moved to close nominations and Director Lim, seconded the motion. Motion passed unanimously. Vice Chair Ferreira called for the vote to elect Kelley Ferreira as the new Chair (**Resolution Number 05-1**). Motion passed unanimously.

Chairman Ferreira opened the floor to nominations for the office of Vice Chair of the Board of Directors. Moved by Director Desmond to nominate Rick Pickering as Vice Chair. There being no other nominations, Director Wunder moved to close nominations and Director Leo seconded the motion. Chairman Ferreira called for the vote to elect Rick Pickering as the new Vice Chair (**Resolution Number 05-1**). Motion passed unanimously.

### **III. APPROVAL OF MINUTES**

Moved by Director Desmond and seconded by Director Lim to adopt **Resolution Number 05-2** approving the minutes of the regular meeting of December 7, 2004, as presented to the Board of Directors. Motion passed unanimously.

### **IV. RECOGNITION OF SERVICE OF OUTGOING BOARD MEMBERS**

In recognition of the outstanding service of outgoing Board members Becky Bailey-Findley and Ed Scofield the Board and staff presented plaques in appreciation for their contributions as members of the California Fair Services Authority. Becky served from January 1, 1997, through December 31, 2004, and Ed Scofield served from January 1, 2001, through December 31, 2004. Moved by Director Desmond and seconded by Director Pickering to adopt **Resolution Number 05-3** recognizing Becky's and Ed's service to CFSA. Motion passed unanimously.

### **V. INFORMATIONAL ITEMS**

#### **1. Update on Renewal of 2005 General Liability Program**

Charlie Mitchell, CFSA's Risk Manager, reviewed the current status on the renewal of the 2005 General Liability Program. As reported at the last Board meeting, CFSA's broker, Driver Alliant, solicited renewal proposals for CFSA's liability reinsurance for the 2005 protection year. The goal of this effort was to obtain traditional reinsurance where the carrier reinsures CFSA's Memorandum of Coverage ("MOC") from CFSA's self-insured retention ("SIR") level up to the reinsured limit. However, due to the responses from the market, CFSA was unable to obtain traditional liability reinsurance for 2005 and will instead have an excess liability program.

As a participant in the National Public Entity Excess Program (“NPX”) with fourteen other NPX member pools, CFSA was included with the NPX renewal proposal sent to various carriers. Four proposals were presented to NPX and of the four, two were unacceptable to other NPX members. A proposal presented by an ACE carrier for one year was accepted by NPX and CFSA because it was a fixed cost, excess insurance program involving no reinsurance. The annual premium will be Five Hundred Eleven Thousand Two Hundred Ninety Seven Dollars (\$511,297), a reduction of Twenty Six Thousand Nine Hundred Ten Dollars (\$26,910) from 2004.

There will be a separate excess liability policy with its own terms and conditions that may not be the same as CFSA’s Primary MOC adopted by the Board in December. Staff will have to refer to two coverage documents to determine coverage for a claim which potentially exceeds CFSA’s \$1 million SIR. Staff has compared the coverages between the CFSA Primary MOC and a draft ACE excess policy and requested changes in the draft policy so that the terms and conditions in the two coverage documents are similar and as broad as possible. The same Primary MOC will apply to claims occurring in 2005. Even though something may be excluded in the excess policy, there is still \$1 million of protection provided by CFSA’s Primary MOC.

An Insurance Alert will be distributed to all member fairs describing the new excess policy and outlining the differences in coverage. As staff is successful in rectifying differences, member fairs will receive revised information as it becomes available.

Charlie also indicated that CFSA’s current broker services agreement with Driver, including a one–year extension, expires December 31, 2005, and CFSA will be going out with a formal Request For Proposal for Broker Services in the first quarter of 2005.

## **2. Review of the CFSA Board of Directors Handbook**

Donna Horner, Assistant Director Operations, briefly reviewed CFSA’s Board of Directors Handbook which is an excellent reference for Board members when questions or concerns arise having to do with the Board structure or CFSA’s statutory requirements. It’s also a handy reference when questions arise regarding Board agenda items or when a Board member needs to respond to a member fair’s concerns. With the induction of Rick Pickering and Lonny Wunder to CFSA’s Board of Directors, staff updated and revised the Board of Directors Handbook and distributed copies to all Board members.

**3. Report on Workers' Compensation and General Liability Claims Audit**

Donna Bardaro, Executive Director, shared the conclusions and findings of the Liability and Workers' Compensation Claim Audits for 2005 conducted by Nicholas Cali, Claim Consultant/Auditor, in January. She was extremely pleased to share that the staffing levels and performance are adequate and well above average, reserving philosophy and practices are very sound and both programs meet and exceed claim industry standards as well as the CAJPA Claim Administration Accreditation Standards.

There are no recommendations for improvement in the Liability Program and only a minor recommendation for workers' compensation that pertains to reminding two member fairs that they need to report in a more timely manner. Exit interviews were held to discuss audit findings and conclusions. Mr. Cali was extremely complimentary of CFSA's personnel, performance, procedures, and practices resulting in an excellent audit for both programs.

**4. Staff Reports**

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

Staff is working with the Claims department to get out 1099s with the new IVOS software, and it is working smoothly. Staff is also assisting Claims staff to get the ISO search working. This program gives access to a huge database which will aid in identifying fraudulent claims and repeat offenders for both the Workers' Compensation and General Liability programs.

To meet the growing needs of our Compu–Share users in the fair industry, a new server has been ordered which will speed up response times and give enhanced service overall. The former server will still be used for less advanced and intensive software programs to benefit our member fairs.

**Communications** The General Liability “Accident Investigation” work continues on the safety video. Weather permitting, shooting will begin the week of January 24th. Staff plans to use the Colusa Farm Show as a backdrop for a portion of our narrator scenes, with additional fair sites to be added later.

**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 also 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** Because fairs are self-funded, they do not participate in the State's Unemployment Program and they are responsible for paying all eligible unemployment claims made against individual fairs. 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. Fairs in classes I and II receive 100% reimbursement, classes III and IV receive 80% reimbursement, and classes V through VII receive 60% reimbursement. From July 1, 2003, to June 30, 2004, CFSA reimbursed 66 fairs \$714,959.00 and from July 1, 2004, to December 31, 2004, CFSA has reimbursed 55 fairs just over \$559,232.00.

**Risk Management** — Staff is continuing to work with Driver Alliant, CFSA's broker, on renewal of coverages for several programs. The cost of the excess coverage for the Revenue Protection Program remained the same as 2004 at \$37,500 and the Special Events Program renewed for an increase of less than one percent from 2004 at a cost of \$224,092. Staff is beginning to work on renewing coverages that expire on July 1, 2005, which include excess coverage for the Workers' Compensation and Pooled Property Programs.

CFSA staff implemented the new Hazardous Special Events Program for rodeos and motorized racing events in 2004. To date, twelve member fairs have chosen to cover a total of 26 events, including 18 rodeos and 8 horse shows. For motorized racing, twelve member fairs have chosen to cover a total of 17 events. In January 2005 after the WFA Convention, survey forms will be sent out to all fairs to determine the events to be covered in 2005.

**Special Events** There are nine (9) open claims with total reserves of \$111,182.00 as of December 31, 2004, as compared with sixteen (16) open claims and \$71,016.00 reserved as of December 31, 2004. For 2004, nine (9) new claims were received and nineteen (19) claims were closed, with four (4) litigated claims.

Revenues for the Special Events Program through the end of November 2004 totaled \$660,165 which is 97% of budgeted revenue for 2004. For the same period in 2003, the revenue was \$588,217,

representing a 12% increase in revenues and is due partly to the approved 2004 rate increase.

**General Liability** Claims activity includes 66 open claims with reserves of \$1,922,145.00 as of December 31, 2004. There are two (2) claims that total more than \$800,000 in reserves. Nineteen (19) of these open claims are being litigated. In 2004, CFSA received 115 open claims with reserves of \$1,235,674. Staff is currently tracking 4 claims that have been tendered to other insurance companies. In 2004, CFSA received a total of four hundred eighty (480) loss reports of which three hundred seventy five (375) were information only reports.

**Safety**— The Safety Department met in January to plan the 2005 schedule for fair time and facility inspections and have schedule 25 fair time and 44 facility inspections to be conducted throughout the year beginning with the California Mid–Winter Fair in the Imperial Valley. The new Safety staff received their forklift instructor certifications in December at the Sacramento Safety Center allowing the staff to certify fifty participants in forklift and boomlift operation at Maintenance Mania in Ventura.

**Maintenance Mania** The entire Safety Department participated in the first Maintenance Mania seminar in Ventura. CFSA staff conducted numerous classes and provided the bulk of administrative support for the program. Charlie Wiglesworth and Alan Payne did the majority of all pre–event administration and registration. Their hard work and phone calls to fairs not participating had a great deal to do with the success of the program.

Michael Major, Charlie Wiglesworth and Alan Payne worked two full days in December at the El Dorado County Fair grounds cutting and packaging lumber for this year’s picnic table project. One of the committee’s primary goals this year was to have hands on projects such as electrical, landscape irrigation, along with a competitive team project. With each of these hands on projects, participants will perform an actual installation for the host fair. The projects for Ventura included the successful upgrading and replacement of two electrical load centers as well as the construction of 24 ADA compliant picnic tables. The second seminar will take place February 8, 9 and 10 at the Alameda County Fair grounds and there are currently 130 pre–registered participants for the second seminar.

**Special Training, Inspections, Meetings, and Information** John Kelly, Omar DeGuzman, Al Payne and Charlie Wiglesworth participated in this year's NAARSO Amusement Ride Inspectors Seminar. John and Omar received their "CPO" public swimming pool operator certifications this year which is an important part of the amusement ride program for water related attractions such as Flumes and Bumper Boats. Issues such as water clarity and overall chemical balance is important to health and safety.

**Workers' Compensation** — As of December 31, 2004, total open claim reserves were \$7,043,074 (including pre-1994 Cal Expo outstanding reserves of \$788,382). There were one hundred eighty nine (189) open claims, of which one hundred forty four (144) are indemnity claims and forty five (45) are medical only.

Since 2002, the Legislature has approved three major reforms — chiropractic care and physical therapy, limits on medical care and a greater role for employers in determining care for injured workers all in an attempt to drive down workers' compensation costs. Although the number of claims have declined, claim costs are on the rise. According to the Workers' Compensation Insurance Rating Bureau of California, the average workers' compensation claim rose to about \$52,000, a four percent increase from two years ago and about 150 percent higher than the average cost per claim in 1994. For 2005, staff will be diligently working to educate members, implement a medical network, and increase the members' role in dealing with injured workers.

## **5. Executive Director's Report**

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

- ▶ **Proposed Bill, Board Expenses (SB 1272)** — In response to a series of editorials and news articles in the Sacramento Bee, legislators began looking into the governance of California's 3,300 special districts and SB 1272 was introduced which relates to expenditures and reimbursement by Board members of local agencies in response to the abuses discovered with water district boards. The bill did not pass in 2004, but will be back in the 2005 session. Legal has reviewed the bill and doesn't see anything of concern for CFSA as the bill outlines how CFSA already processes Board expenses.
- ▶ **Appointment of Public Board Member** — In recent communications with George Gomes, it appears that his demanding schedule is going

to prevent him from attending future scheduled Board meetings. George's term as the Public Member expires April 30, 2005. Criteria for a Public Board Member include:

The Public Member shall be knowledgeable in public entity insurance matters, finance matters, banking matters or general business matters related to the conduct of CFSA.

The Public Member shall not be selected from the pool of individuals eligible to serve as Fair Classification System Board Members.

The Public Member shall serve a term of four (4) years.

The five (5) elected Board Members shall appoint the Public Board Member.

- ▶ Discussion with Mike Treacy — Donna met briefly with Mike Treacy to talk about the impact of CPR with respect to CFSA. Mike wanted to know if CFSA had plans or proposals for assisting the fairs should CPR become a reality. There was discussion about areas where CFSA was already assisting fairs and the need to know if those areas would continue. CFSA could be in a position to assist fairs in many areas but planning would be better spent after staff has a chance to see the templates being prepared for distribution to fairs outlining various methods of operation. It was agreed that Fairs and Expositions would share information with CFSA as soon as it was ready for release.

Donna said the big concern right now would be whether or not the Department of Food and Agriculture remains a member of CFSA on behalf of the new special districts or is CFSA looking at entering into new agreements with each fair; and then 1) will CFSA continue to distribute unemployment insurance and 2) what will CFSA's role be in collecting benefit payments from fair employees. CFSA will continue to work with F&E in securing answers to these concerns and in future planning for expansion once there is opportunity to see how the new special districts will operate.

## **6. Next Regular Board Meeting**

The next scheduled Board meeting is Tuesday, April 11, 2005, at 10 a.m.

**VI. EXECUTIVE SESSION**

The Board adjourned from regular session at 11:05 a.m. and went into executive session to discuss liability claims involving Larry McIver, Hollyn D'Lil, et al., and Jennifer Lynn Bice and Karen Senn; County of Sacramento.

**VII. REGULAR SESSION**

The Board adjourned from executive session at 11:29 a.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 Desmond and seconded by Director Wunder to adjourn. The meeting was adjourned at 11:30 a.m.

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**CHAIR**

**ATTEST:**

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**SECRETARY**