

**TEXAS MUNICIPAL LEAGUE  
INTERGOVERNMENTAL RISK POOL**

**Board of Trustees Meeting**

**Hyatt Hill Country Resort, Independence Ballrooms 1 & 2**

9800 Hyatt Resort Drive, San Antonio, Texas 78251

July 19 & 20, 2019

**Trustees Present**

John Fullen, Chair  
Randy Criswell, Vice Chair  
Rickey Childers  
Mary Dennis  
Mary Gauer  
David Harris  
Robert Hauck  
Robert Herrera  
Carol Loughlin  
Bert Lumbreras  
Larry Melton  
Leo Montalvo  
Bennett Sandlin  
Michael Smith  
Jeffrey Snyder  
Henry Wilson

**Staff Present**

Jeff Thompson  
Bob Haynes  
David Reagan  
Susie Green  
Hank Domeracki  
Mike Bratcher  
Tamara Chafin  
Lindsey Fields  
Irvin Janak  
Bo Joseph  
Patti Ledesma  
Paula Marr-Ludwig  
Julie Nguyen  
Atul Poladia  
Mike Raigosa  
Mike Rains

**Staff Present** (continued)

Allan Romer  
Tim Salzman  
Tito Villegas  
Kim Williams  
Debbye Mangum

**Others Present**

Gaye Borden, Wells Fargo  
Denise Davis, Legislative Consultant  
Lisa Kaufman, Legislative Consultant  
Bruce Remington, Wells Fargo

Chair John Fullen called the meeting of the Texas Municipal League Intergovernmental Risk Pool to order at 1:00 p.m. on Friday, July 19, 2019.

1. Roll call and excused absences (Tab 1)<sup>1</sup>

Jeff Thompson reported the absences of Byron Black and Andres Garza and the reasons they asked their absences be excused.

MOTION by Larry Melton, seconded by Rickey Childers to excuse the absences of Byron Black and Andres Garza. Motion carried with unanimous approval.

Chair Fullen congratulated Bo Joseph and Susie Green on their recent promotions.

1:00 p.m. Friday – Board Workshop on Proposed 2019-20 Budget

Hank Domeracki presented the 2019-2020 proposed budget. The presentation included additional information for the new Trustees including the Pool's financial structure and budget components, financial policies, capital projects and depreciation schedules and new initiatives. The staff also presented how the goals were developed and incorporated from the Board

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<sup>1</sup> All references to "Tabs" in these minutes are references to the Tabs in the Board of Trustee Agenda packet.

planning sessions and Board meetings into the budget planning process, the highlights of the proposed budget, including revenues and expenses, equity balances, the general and administrative budget, funding for the upgrades to the Claim Center/Contact Manager/Policy Center and member portal, funding for studies on target equity, on capital efficiency, on feasibility for creating a Captive, studies needed for the 2021 legislative session, and the Pool's continued preparation for succession in leadership roles, including professional development and staff position contingencies.

The Chair introduced and welcomed Mr. Robert Hauck, City Manager of the City of Tomball, to his first Board of Trustees meeting.

Chair John Fullen recessed the meeting at 3:03 p.m.

Chair John Fullen reconvened the meeting of the Texas Municipal League Intergovernmental Risk Pool at 8:00 a.m., Saturday, July 20, 2019.

3. Consideration of Minutes of April 26 & 27, 2019 Board meeting at the Holiday Inn Conference Center, Tyler, TX (Tab 2)

MOTION by Mary Dennis, seconded by Rickey Childers, to approve the April 26-27, 2019, Board of Trustees minutes as set forth under Tab 2. Motion carried with unanimous approval.

4. Consideration of minutes of the April 26, 2019 Nominations Committee meeting (Tab 3)

MOTION by Rickey Childers, seconded by Larry Melton, to approve the April 26, 2019, Nominations Committee meeting as set forth under Tab 3. Motion carried with unanimous approval.

5. Finance and Information Technology Committee

5a. Consideration of minutes of January 25, 2019 committee meeting (Tab 4)

The January 25, 2019 Finance and Information Technology Committee minutes set forth under Tab 4 were approved at the Finance and Information Technology Committee meeting on July 19, 2019.

5b. Report on May 31, 2019 (8-month) Financial Statements and Presentation of June 30, 2019 Financial Statements (Tab 5)

Julie Nguyen presented the report for the May 31, 2019 (8-month) financial statements under Tab 5 and gave an overview of the June 30, 2019 financial results.

5c. Report on May 31, 2019 (8-month) Investment Results, Presentation of June 30, 2019 investment results, and Report on Annual Results by Wells Fargo with update on the sale of Wells Fargo's Institutional Retirement & Trust to Principal Financial Group (Tab 6)

Tito Villegas introduced Gaye Borden and Bruce Remington from Wells Fargo who presented an update on the sale of Wells Fargo's institutional retirement and trust to Principal Financial Group. Mr. Remington presented the annual results of the portfolio managers.

Tito Villegas presented the May 31, 2019 (8-month) investment report and gave an overview of the June 30, 2019 investment results.

5d. Consideration of Proposed Budget for 2019-20 (separate document) including:

1. Authorization for Executive Director to transfer funds within budgets
2. Authorization for Executive Director to make necessary changes in personnel that are not budgeted if growth in new members or added functions warrant the need for such changes
3. Adoption of the 2019-20 Budget

The proposed 2019-2020 Budget was presented at the Board meeting on Friday, July 19, 2019.

MOTION by Carol Loughlin on behalf of the Finance and Information Technology Committee, seconded by Bert Lumbreras, to adopt the 2019-20 Budget. Motion carried with unanimous approval.

MOTION by Randy Criswell, seconded by Leo Montalvo, to authorize the Executive Director to transfer funds within budgets, and make necessary changes in personnel that are not budgeted if growth in new members or added functions warrant the need for such changes. Motion carried with unanimous approval.

5e. Office of Project Management and Analytics Report, including:

1. Update on ongoing business application development,
2. Consideration of updated Business Application & IT Roadmap (Tab 13), and
3. Consideration of authorization of Executive Director to extend Systems Integrator Contract with CapGemini for Claim Center/Contact Manager Upgrade and Policy Center/Billing Center Release 2 (Underwriting and Claims Committee to Report) (Tab 14)

Atul Poladia presented the updated conceptual business application and IT roadmap under Tab 13. Atul Poladia reviewed the Pool's depreciation expense schedule and explained that though depreciated expenses will decrease in the future as the depreciated expenses of the capitalized projects conclude after seven years, going forward, investment in the Pool's business applications and infrastructure will need to continue at or near the current rate just to keep up with all of the initiatives, projects, and infrastructure maintenance. He also noted that, in accordance with the Board's policy, budgets for all eligible new projects will continue to be brought before the Board for consideration and approval, consistent with the Project Execution Framework.

MOTION by Carol Loughlin on behalf of the Finance and Information Technology Committee, seconded by Leo Montalvo, to adopt the updated Conceptual Business Application and IT Roadmap as set forth under Tab 13. Motion carried with unanimous approval.

Lindsey Fields presented the recommendation to extend the Systems Integrator Contract with CapGemini for Claim Center/Contact Manager upgrade and policy center/billing center release 2 as set forth under Tab 14.

MOTION by Mary Dennis on behalf of the Underwriting and Claims Committee, seconded by Rickey Childers,

- To extend the executed agreement, dated March 23, 2017, with CapGemini to provide System Integrator services for the Policy and Billing Center System Release 2 and ClaimCenter / Contact Manager Upgrade development and authorize the Executive Director to enter a contract with CapGemini at a cost not to exceed \$3.5M, provided that the contract contemplates successful development and implementation of both projects.
- Adopt the presented Policy and Billing Center System Release 2 and Claims Center / Contact Manager Upgrade budget of \$5.3 million. (and an additional \$500K in contingency for a total project budget of \$5.8M).

Motion carried with unanimous approval.

5f. Update on Resurfacing of Texas Municipal Center Roof (Tab 7)

Hank Domeracki presented the update on the resurfacing of the Texas Municipal Center roof approved at the April Board meeting which authorized the Executive Director to enter into a contract if the total bid was at or below \$700,000, met all specifications, including approved materials and warranties, and work could begin in June 2019. The low bidder meeting all the conditions was Duro-Last, Inc., using Trumble Construction for installation, for a cost of \$448,872.92.

5g. Information Technology Report (Tab 8)

The Information Technology Report under Tab 8 was submitted for the Board's review without an oral presentation.

6. Underwriting & Claims Committee

6a. Consideration of minutes of April 26, 2019 committee meeting (Tab 9)

The April 26, 2019, Underwriting and Claims Committee meeting minutes set forth under Tab 9 were approved at the Underwriting and Claims Committee meeting on July 19, 2019.

6b. Report regarding Final Property Reinsurance Placement Effective May 1, 2019 (Tab 10)

The report regarding the final property reinsurance placement effective May 1, 2019 was submitted for the Board's review without an oral presentation.

6c. Consideration of Independent Adjusting Firms Handling TMLIRP Claims (Tab 11)

Mike Rains presented the report on the independent adjusting firms which handle claims for the Risk Pool. Two firms are being added to the list of adjusting firms. The staff anticipates five independent adjusting firms on the list will be paid over \$100,000 by the Pool during the next fiscal year. The list of adjusting firms is set forth under Tab 11.

MOTION by Mary Dennis on behalf of the Underwriting and Claims Committee, seconded by David Harris, to approve the adjusting firms identified to the Board under Tab 11 as approved independent adjusters and service providers. Motion carried with unanimous approval.

6d. Consideration of Cyber Liability Reinsurance Agreement Renewal with Beazley for 7-month period, beginning October 1, 2019 (Tab 12)

Bob Haynes presented the cyber liability reinsurance agreement renewal with Beazley for a 7-month period beginning October 1, 2019 through May 1, 2020. The Pool provides cyber liability and data breach response coverage for all Members participating in Real and Personal Property and/or General Liability coverages. Since finalized reinsurance terms are not available in July for an October 1 renewal, the seven-month renewal will allow future Board approval based on firm costs and coverage terms. In 2020, the renewal will be for a May 1 to May 1 period.

MOTION by Mary Dennis on behalf of the Underwriting and Claims Committee, seconded by Larry Melton, to authorize staff to renew reinsurance coverage with Beazley on October 1, 2019 for a 7-month term to May 1, 2020, with all subsequent renewals on May 1 of each year or if this shortened term is not available from the reinsurer, staff is authorized to renew the coverage for a full year, or up to 19 months, provided pro-rated monthly costs remain within 15% of the current cost of \$559,000, or \$46,500 monthly. Motion carried with unanimous approval.

6e. Office of Project Management and Analytics Report, including:

1. Update on ongoing business application development,
2. Consideration of updated Business Application & IT Roadmap (Tab 13), and
3. Consideration of authorization of Executive Director to extend Systems Integrator Contract with CapGemini for Claim Center/Contact Manager Upgrade and Policy Center/Billing Center Release 2 (Tab 14)

See item 5e. under Finance and Information Technology Committee.

6f. Consideration of Clarification of Monoline Property Coverage Requirement (Tab 15)

Bob Haynes presented the clarification of the monoline property coverage requirement as adopted at the April 2019 Board meeting. The revised restriction on property coverage adopted in April 2019 is recommended to read as follows:

1. NEW Real and Personal Property coverage will not be written on a monoline basis without the member also purchasing from the Pool either Workers' Compensation or General Liability, Errors and Omissions Liability and Law Enforcement Liability (if Law Enforcement Liability is applicable).
2. NEW Automobile Physical Damage and/or Automobile Catastrophe coverages will not be written on a monoline basis without the member also purchasing from the Pool either Automobile Liability or Workers' Compensation.
3. Property coverage will not be written for any current member who moves all other lines of coverage other than Property to another provider;
4. Monoline Real and Personal Property, Automobile Physical Damage or Automobile Catastrophe coverage will continue to be supported for members who currently only have that coverage for a maximum of three years to allow the member to purchase other required lines of coverage or withdraw from the Pool (i.e. these members are "grandfathered" until the 2022-23 Fund Year).
5. These restrictions shall not apply to members that obtain only a small line of property coverage (e.g. animal mortality, crime, mobile equipment or Real & Personal Property) from the Pool of less than 10% of the member's entire real and personal property, as long as this line of coverage does not have a higher potential for loss than the member's remaining real and personal property portfolio not covered by the Pool.

MOTION by Mary Dennis on behalf of the Underwriting and Claims Committee, seconded by Jeffrey Snyder, to revise the restrictions on Property Coverage adopted in April 2019 as set forth above. Motion carried with unanimous approval.

6g. Consideration of Contract with Local Gov U for Online Training Services (Tab 16)

Irvin Janak presented the contract with LocalGovU for online training services under Tab 16. The courses offered through LocalGovU address a wide range of local government functions: public safety, utilities, public works, etc. The Pool has paid a fee of \$4.25 per course until 2018. LocalGovU approached the Pool regarding a new platform with a \$20,000 fee to retain the \$4.25 cost per course. Rather than accept the additional fee, the Pool agreed to an increase in the cost per course of \$4.50 and began the process to issue a Request for Proposals. LocalGovU was the only responder. Based on previous usage, the Pool negotiated a fee of \$4.20 per course provided the Pool purchases a minimum of 30,000 courses per fiscal year.

MOTION by Mary Dennis on behalf of the Underwriting and Claims Committee, seconded by Rickey Childers, to execute a new contract with LocalGovU (Praetorian Digital) for a minimum purchase of 30,000 courses per year at \$4.20 per completed course for three years beginning October 1, 2019, with three one-year renewal options beginning October 1, 2022. Motion carried with unanimous approval.

6h. Update on Workers' Compensation Reinsurance catastrophic coverage placement, effective November 1, 2019 (Tab 17)

Bob Haynes presented the update on the workers' compensation reinsurance catastrophic coverage placement under Tab 17. The Pool has requested quotes for Workers' Compensation Reinsurance catastrophic coverage placement through the Pool's reinsurance broker Guy Carpenter, LLC. The Pool has requested quotes for two options:

- \$15M x \$10M per occurrence, \$10M maximum any one life, and 1 100% reinstatement
- \$10M x \$15M per occurrence, \$10M maximum any one life, and 1 100% reinstatement.

The Pool would continue to retain a significant portion of the Workers' Compensation exposure (either \$10 million or \$15 million) and be protected up to \$25 million (\$10 million any one life) with one reinstatement. The staff will provide a recommendation for the Board's consideration at the October meeting.

6i. Significant Cases and Legal Developments impacting the Pool (Tab 18)

Bo Joseph presented the significant cases and legal developments impacting the Pool under Tab 18.

6j. Liability and Property Claims Report on Hurricane Harvey (Tab 19) \*

The Liability and Property Claims Report under Tab 19 was submitted for the Board's review without an oral presentation.

k. Workers' Compensation Claims Report on trends concerning workers' compensation claims (Tab 20) \*

The Workers' Compensation Claims Report under Tab 20 was submitted for the Board's review without an oral presentation.

6l. Underwriting Report on underwriting results, loss ratios, and the Quarterly Report by Victor O. Schinnerer & Company, Inc. regarding revenues received and contract activities (Tab 21)

The Underwriting Report under Tab 21 was submitted for the Board's review without an oral presentation.

6m. Loss Prevention Report on member surveys, training, and property valuations conducted (Tab 22)

The Loss Prevention Report under Tab 22 was submitted for the Board's review without an oral presentation.

6n. Subrogation Report (Tab 23)

The Subrogation Performance Report under Tab 23 was submitted for the Board's review without an oral presentation.

6o. Member Services Report including Membership Activity (Tab 24)

The Member Services Report under Tab 24 was submitted for the Board's review without an oral presentation.

Chair John Fullen called for a recess at 9:15 a.m.

Chair John Fullen reconvened the meeting at 9:33 a.m.

7. General Counsel Report on Legislative Activities (Tab 25)

David Reagan introduced Lisa Kaufman and Denise Davis, new legislative consultants for the Risk Pool. They presented an update on the legislative session, mainly firefighters' presumption statute, PTSD for first responders, and the addition of peace officers to the presumption statute.

8. Executive Committee

8a. Consideration of an amendment to the Administrative Services Contract with the Texas Municipal League (Tab 26)

Jeff Thompson presented the amendment to the Administrative Services contract with the Texas Municipal League under Tab 26. The original working agreement with TML is the TML fee will not increase unless TML implemented a general dues increase for its members. TML instituted this increase to members effective January 1, 2019. The Executive Director of TML is requesting a 5% increase in annual fees to \$933,817 effective October 1, 2019, for administrative services and license to use TML's name, pursuant to the working agreement.

MOTION by Larry Melton, seconded by Bert Lumbreras, to approve and authorize the Chair of the Board to execute an amendment to the Administrative Services Contract with TML effective October 1, 2019, with an annual fee of \$993,817. Motion carried with unanimous approval.



8b. Consideration of request from the Mayor of the City of Pasadena for the Pool to Quote Property Coverage Options (Tab 27)

Jeff Thompson presented the request from the Mayor of the City of Pasadena for the Pool to quote the City's property coverage. The Risk Pool cancelled the City's property coverage after Hurricane Ike due to their failure to comply with the terms of the Interlocal Agreement and the litigation brought against the Risk Pool by the City. The City has remained a Member of the Pool with liability and workers' compensation coverages. Mr. Thompson stated that a thorough review would be made to ensure Hurricane Ike repairs have been completed, review property schedules and values before providing a quote from the Risk Pool.

MOTION by Bert Lumbreras, seconded by Robert Hauck, to provide a quote for the City of Pasadena. Motion carried with unanimous approval.

8c. Update on Efforts to Address Enhanced Investment Authority Provided Under SB 2551 (Tab 28)

Jeff Thompson presented the update to address enhanced investment authority provided under SB 2551 passed by the Legislature which expanded the type of investments that can be made by governmental entities and Pools in order to fund lifetime income benefits and death benefits under the Workers' Compensation statute. The Pool will be working on the overall strategy for developing a new investment fund over the next three to six months. The staff will bring further updates to the October 2019 and January 2020 Board meeting.

8d. Human Resources Report identifying employment changes (Tab 29)

The Human Resources Report under Tab 29 was submitted for the Board's review without an oral presentation.

8e. Consideration of the Compensation of the Executive Director

This item was discussed in Executive Session.

9. Comments by Ex-officio Members from and to TML and Employee Benefits Boards

Michael Smith, ex officio from the TML Health Benefits Pool, reported the TML Health Benefits Pool has approved issuing credits for approximately \$6 million to Member cities based on their longevity and loss ratios for each city.

Henry Wilson, ex officio from TML, reported a total of 2,000+ city-related bills were filed this past legislative session and 330 were passed, the most ever. Chapter 312, Tax Code, on tax abatement was extended for another ten years, but with the 3.5 percent cap on property tax revenue increases will make it difficult for cities to execute 312, Tax Code, or 380, Local Gov't. Code, agreements because they have lost the ability to raise the funds for these programs. Case in point, the hotel the Pool is going to stay at for the next Board meeting, the City of Hurst gave an

abatement for property taxes and hotel/motel taxes. After this legislative session, the City may not be able to do that in the future.

Regarding other bills that passed, subdivision plats will be deemed to be approved if no action is taken within 30 days. A governmental body must now allow the public to address the body on any agenda item before or during the consideration of the item on the open meeting agenda. City officials now have to forward all public information on their cellphones and private devices to the governmental body. Also, cities cannot regulate building materials or aesthetics except those approved by the International Building Code. The City of Hurst had an ordinance in place that homes had to be at least 85% masonry, that ordinance is now dead. Short-term rentals regulations died; allowing 6 chickens in your back yard did not pass; prohibiting arrests for Class C misdemeanors did not pass; and requiring all imminent domain cases to be compensated by 145% did not pass.

Bennett Sandlin commented on SB 29, which would have prohibited paying lobbyists and would have prevented cities from joining TML, if TML lobbies. Through grassroots efforts, the bill died on the House floor. TML is being criticized for lobbying with taxpayer dollars, which is not true. Lobbyists are paid through private sector programs. TAC and TASB are facing the same problems, so TML will work closely with those associations to counter that bill next session. Regarding the building material bill, it is not clear what is allowed by the International Building Code. In some cases, the International Building Code allows homes to be built out of straw bales. That is not going to set well with neighbors. There is a chance of this bill being rollbacked next session when legislators realize the extent of what is allowed by the International Building Code.

Mary Gauer, ex officio to the TML Board of Directors, stated that the Legislative session is now adjourned and she can sleep a little easier.

Chair John Fullen called for a recess at 10:40 a.m.

Chair John Fullen reconvened the meeting at 10:51 a.m.

Chair John Fullen announced it was now 10:52 a.m. and the Board of Trustees would go into Executive Session to discuss claims and lawsuits under items 10a., 10b., 10c., and 10d. under Texas Government Code section 551.071, and personnel matters under Agenda item 8e. under Texas Government Code 551.074.

## 10. Executive Session

- 10a. Workers' Compensation Claims Report including selected items concerning (1) fatality claims, (2) large exposure claims, (3) presumption claims and (4) new claims that have reserves exceeding \$150,000

This item was discussed in Executive Session.

- 10b. Liability and Property Claims Report on claims that have indemnity reserves exceeding \$300,000, expense reserves in excess of \$150,000

This item was discussed in Executive Session.

- 10c. Consideration of settlement agreement in *City of Pharr, Texas v. Texas Municipal League*; Cause No. C-2246-15-A; In the 92nd District Court of Hidalgo County, Texas

This item was discussed in Executive Session.

- 10d. Status of lawsuits in which the Pool is a Party

This item was discussed in Executive Session.

Chair John Fullen reconvened the open session of the Board of Trustees at 12:20 p.m. The Chair took up Agenda Items 10c. and 8e. for action by the Board of Trustees.

- 10c. Consideration of settlement agreement in *City of Pharr, Texas v. Texas Municipal League*; Cause No. C-2246-15-A; In the 92nd District Court of Hidalgo County, Texas

MOTION by Mary Dennis, seconded by Leo Montalvo, to approve the proposed settlement agreement in *City of Pharr, Texas v. Texas Municipal League* for a payment of \$750,000 and authorize the Executive Director to execute the Release and Contract of Settlement. Motion carried with unanimous approval.

- 8e. Consideration of the Compensation of the Executive Director

MOTION by Randy Criswell, seconded by Leo Montalvo, to increase in salary of the Executive Director to \$353,739 effective October 1, 2019, and also authorize the Executive Director to contract with a personnel consulting firm to study the compensation and salary compression of the Executive staff and to propose recommendations. Motion carried with unanimous approval.

11. Meeting Schedule and Board Continuing Education (Tab 30)

Chair Fullen noted the Board continuing education opportunities under Tab 30 and asked the Board members to let Jeff Thompson or Patti Ledesma know if they would like to attend any of the sessions.

- 11a. Select a location for the July 23-24, 2021 Meeting

Chair Fullen stated the Executive Committee discussed a location for the July 23-24, 2021 Board of Trustees meeting and recommended San Antonio.

MOTION by Mary Dennis, seconded by Leo Montalvo, to recommend San Antonio as the location for the July 23-24, 2021 Board of Trustees meeting. Motion carried with unanimous approval.

Next Board Meeting:

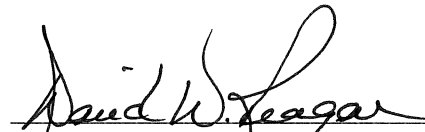
October 25-26, 2019  
Hurst Conference Center  
Hurst, TX

Jeff Thompson thanked the Board. He stated it was a pleasure to work with the Board and the staff at the Pool, and he is very thankful to be at the Pool.

12. Adjournment

Chair John Fullen adjourned the meeting of the Texas Municipal League Intergovernmental Risk Pool at 12:30 p.m.

Approved by the Board of Trustees on  
October 26, 2019

  
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David W. Reagan, Board Secretary

All meetings of the Texas Municipal League Intergovernmental Risk Pool are open to the public. However, the Pool reserves the right to recess into Executive Session on any matter set forth on this agenda which qualifies for a closed meeting under Texas Government Code Anno. Sections 551.071 to 551.076.