TEXAS MUNICIPAL LEAGUE
INTERGOVERNMENTAL RISK POOL

Board of Trustees Planning Session Meeting

Horseshoe Bay Resort
200 Hi Circle North – Yacht Club Ballroom
Horseshoe Bay, TX 78657

January 30, 2025 (8:30 AM)

Trustees Present

Bert Lumbreras, Chair
Austin Bleess, Vice-Chair
Mike Alexander
Rickey Childers
Chris Coffman
Emily Crawford
J.W. "Buzz" Fullen
Allison Heyward
Harlan Jefferson
Opal Mauldin-Jones
Mike Land
Kimberly Meismer
David Ruthledge
Bennett Sandlin

Staff Present

Jeff Thompson
Lindsey Fields
Ryan Burns
Susie Green
Aaron Hardiman
Scott Houston
Irvin Janak
Bo Joseph
Paula Marr-Ludwig
Julie Nguyen
David Nix
Atul Poladia
Mike Raigosa
David Reagan

Staff (Cont).

Jessica Rodriguez
Debbie Sherwood
Jeffery Snyder
Tito Villegas
Melinda Walter
Kim Williams

Others Present

Ron Cox, Ron Cox Consulting
Dan Greeensweig, League of Minnesota Cities Insurance Trust
Jeff Rieder, Ward/AON Consulting
John Duke, CPM Texas
John Rosato, Southwest Consulting

Chair Bert Lumbreras called the meeting of the Board of Trustees of the Texas Municipal League Intergovernmental Risk Pool Planning Session to order at 8:30 AM on Thursday, January 30, 2025. Rickey Childers led those in attendance in an invocation. Chair Bert Lumbreras led those in attendance in the Pledge of Allegiance to the United States flag and the Texas flag.

1. Roll call and excused absences

   Jeff Thompson reported the absence of Mary M. Dennis, Randy Criswell, and Holly Gray and the reasons for their absences.

   MOTION by Opal Mauldin Jones, seconded by Mike Land, to excuse the absences of Mary M. Dennis, Randy Criswell, and Holly Gray. Motion carried with unanimous approval.

2. Public Comment on Agenda Items

   Chair Bert Lumbreras opened the meeting to public comment on any item on the agenda for this meeting. No comments were made. Chair Bert Lumbreras closed the meeting to public comments.

3. Introduction and Comments from Invited Guests from the League of Minnesota Cities Insurance Trust (Tab 3)

   Jeff Thompson introduced Dan Greensweig to the Board of Trustees. He is the Pool Administrator for the League of Minnesota Cities Insurance Trust.

   Dan Greensweig outlined the governance, operations, services, and trends of the League of Minnesota Cities Insurance Trust (LMCIT), which began in 1980 and provides Property/Casualty and Workers' Compensation Coverage. The LMCIT Property/Casualty Fund has 1225 Members, $200 million in assets, and $105 million in annual premiums. The

Workers' Compensation Fund has 1004 Members, $440 million in assets, and $100 million in annual assets. LMCIT moved into its current building in 1995, which is currently being remodeled because of the decrease in the need for space due to remote work by employees caused by the pandemic. This has resulted in a need to figure out how to maintain a good culture for and engagement from its employees.

Current priorities for LMCIT are developing a governance structure to handle conflict with Members, training new Member officials and employees on what LMCIT does, and law enforcement. In the law enforcement area, the challenge is high profile cases, police recruiting and retention, and PTSD among the officers. LCMIT recently conducted a study of 85 Members' law enforcement departments and identified 61 best practices in law enforcement, including 5 aspects of organizational health. From this list of best practices, LMCIT released a list of 10 best practices that showed the strongest correlation to reducing claims.

Dan Greensweig participated in the entire Board meeting to provide his experience and comments to the subject matter being discussed.

4. <u>Consider Board Governance Matters, including the Pool Mission Statement, Pool Guiding Objectives and Pool Core Values</u>

Ron Cox, the facilitator for the Board Planning Session, led the Board in a discussion of the Board governance model, which included a review of the Pool's mission statement, its guiding objectives, and its core values. In the discussion it was noted that the Board and the staff regularly refer to the Pool mission statement and core values in setting policy and making recommendations to the Board. The mission statement, guiding objectives, and core values are still relevant today.

The governance schedule calls for full review and discussion of different aspects of the Pool's governance model as follows:

- Mission Statement and Objectives – 2025
- Bylaws – 2023/2026
- Coverage Document – as needed (2024/2026)
- Code of Conduct Policy – 2023/2026
- Board Travel and Expense Policy – 2023/2028
- Board Survey – 2028 (conducted in 2018 and 2024)
- Sponsorship Agreement with TML – as needed (2023)
- Target Equity Study – 2027
- Comp and Class Review – 2025

5. <u>Consideration of the Pool's Membership Philosophy</u>

Jeff Thompson provided the Board with an overview of the history of the Pool Membership growth and how the environment and complexities of some of the Members have changed. Originally, the Pool was composed of only cities, but over time the Pool allowed other local governmental entities to join the Pool. At the time other local governmental entities were allowed to join, exposures covered by the Pool for all local governmental entities did not differ significantly, Jeff Thompson provided an overview of the current environment and threats the Pool surrounding the Pool's Members.

- Adverse selection is a potential problem (treating Members the same)
- The Pool is vulnerable to competitive threats for Members who can receive lower rates (likely short-term) due to excellent loss experience
- Shifting strategy from retention, as opposed to growth (the Pool may be stronger through targeted shrinking)
- The Pool's financial capacity has come into sharper focus (Property, Cyber and Governance changes have sharpened recently)
- Disputes among different types of public entities covered by the Pool are more prominent

Bo Joseph presented the Pool's strategy for Membership in the past, but the Pool is now entering into a maturity phase. The Pool now needs to clarify who it is through a Membership philosophy that focuses on treating Members "equitably" (not necessarily equally), maintaining municipal interests, recognizing the Pool's capacity, and addressing threats from within the partnership.

The staff proposed, with one change suggested by the Board, the following Membership Philosophy to provide consistent guidance to the Board and staff in dealing with Members:

- The Pool operates as a partnership among its Members rooted in Shared Purpose—a collective commitment to providing stability, security, and financial protection for municipalities and municipal interests. Membership in the Pool is not merely transactional; it is a collaborative relationship founded on mutual trust, resource pooling, and the shared goal of safeguarding public services.
- Through Collective Resilience, Members enhance their capacity to manage risks and recover from setbacks, ensuring the continuity of vital services for the communities they serve. Each Member has an obligation to act responsibly and in alignment with the Pool's Mission, contributing to the partnership's overall strength and effectiveness.
- Recognizing the principle of Equitable Responsibility, the Pool ensures that contributions, benefits, and costs are shared fairly equitably among Members. Governance, eligibility criteria, and rating adjustments (including rates, deductibles, and limits) are applied thoughtfully to address exposures or actions that do not align with the Pool's standards or the spirit of partnership, maintaining fairness and accountability.
- Finally, the Pool is committed to Long-Term Sustainability. By adapting to evolving risks and maintaining financial stability, the Pool ensures enduring value and support for its members, securing the ability to serve municipal interests effectively over time.

The staff also presented an amendment to the Mission Statement that reflects and is aligned with the Membership Philosophy.

> The Mission of the Texas Municipal League Intergovernmental Risk Pool is to ~~offer and provide~~ facilitate and empower a partnership amongst Texas municipalities (and other eligible local governments) by providing ~~with~~ a stable and economical source of risk financing and loss prevention services

- The Board deferred action on the Membership Philosophy and the revised Mission Statement until its meeting the next day on January 31, 2025.

Chair Bert Lumbreras recessed the meeting at 10:52 AM.

Chair Bert Lumbreras reconvened the meeting at 11:08 AM.

6. Consideration of the Pool's Property Coverage Offering to Current and New Pool Members

Lindsey Fields and Mike Raigosa provided an overview to the Board of the Property Program's performance. The Property Program has encountered several major weather events the past years and implemented several changes to the program. The long-term viability of the program is an issue that needs to be addressed. The equity for the Property Program remains low and the present and future concerns for the program are as follows:

- Inflation continues – claims & scheduled values of insured properties are increasing rapidly.
- Property exposure growth – new and current Members' growth is increasing the values and numbers of properties to be covered, increasing exposure.
- Property Reinsurance – the Pool's reinsurance retention and expense are increasing.
- Auto Physical Damage & Auto Catastrophe coverage needs adjustment.
- The Pool's Earthquake coverages/losses seem to be increasing.
- We must anticipate the next major named storm.
- We must avoid the Pool becoming the market of last resort.

Lindsey Fields presented the following proposed strategy for the long-term viability of the Property Program:

- Continued rate strengthening.
- Continue reinforcing the insurance to value on scheduled properties with inflation factors in the higher projected range and valuation review.
- Modifications to Auto Catastrophe Coverages.
- Consider limiting earthquake capacity.
- Continue to adjust deductibles.
- Review problem member types rating and coverage.
- Continue a reinsurance approach that limits catastrophic losses.

Lindsey presented the recommendation that the Pool set a property equity goal of 2:1 contribution to equity ratio to be reached in five years using the proposed strategy above for the Property Program.

MOTION by Chris Coffman, seconded by John "Buzz" Fullen, that the Property Program equity goal is to reach a 2:1 contribution to equity ratio in five years using the strategy for the Property Program set forth above. Motion carried with unanimous approval.

Chair Bert Lumbreras recessed the meeting at 12:13 PM.

Chair Bert Lumbreras reconvened the meeting at 1:09 PM.

7. Consideration of the Future of the Texas Municipal Center and its relocation, including a governance framework, a timeframe and a budget (including a capital budget amendment) for the site selection phase

Jeff Thompson presented the financial implications for the Pool in the relocation of the Texas Municipal Center by either purchasing a site and building new offices or purchasing a new building. It is estimated this would cost $100 million. The presentation covered, among other matters, the impact on the investment liquidity profile, the impact on the Target Equity Range, depreciation of the new building on financial statements, increase in operating costs, potential lease revenue, and the sale of the existing Texas Municipal Center.

Jeffery Synder presented the proposed governance structure and the role of the Visioning Committee. The Visioning Committee will continue to review staff recommendations before being presented to the Board, and the Committee will meet at least two weeks prior to Board Meetings. The Visioning Committee will be responsible for presenting recommendations to the Board.

John Duke, CPM Texas, presented the following various stages for the project, the timeline for each phase, future decision points, and the estimated cost to be incurred in each phase:

Conceptual Timeline of Phases:

- Phase I – Visioning (complete – October 2024)
- Phase II – Assembling the Team (complete – January 2025)
- Phase III – Site Selection (11 months)
- Phase IV – Preconstruction (18 months)
- Phase V – Construction (27 months)
- Phase VI – Move In (2 months)

Expenditures for Each Phase:

- Phase I - Visioning - $150,000 (operational budget)
- Phase II – Assembling the Team - $20,000 (operational budget)
- Phase III – Site Selection - $500,000 (capital budget)
- Phase IV – Preconstruction - $8,000,000* (capital budget)
- Phase V – Construction - $70,000,000 (capital budget)
- Phase VI – Move In - $100,000 (capital budget)
- Totals: $78.6 Million (capital)* and $170,000 (operational)
  *Not inclusive of Land Costs

Future Board Decision Points:

- Phase III: Shortlist of Potential Sites (July 2025)
  Final Site Selection/ Final Purchase & Sale Agreement (October 2025)
  Adopt Phase IV Preconstruction Budget (October 2025)
- Phase IV: Overall Design and Fidelity to Visioning Process
  Overall Construction Budget
- Phase V: Quarterly Reports on Progress/ Variance Expectations
- Phase VI: Resolution of Intent to Occupy

The Pool is entering into Phase III, which is the site selection phase. This phase is estimated to be an 11-month phase and should be completed in 2025. It is anticipated that total costs of $500,000 will be incurred for design team and civil engineer evaluations, broker services, legal reviews, and market studies.

The staff and Pool consultant, John Duke of CPM Texas, recommend the Pool retain John Rosato, Southwest Consulting, to serve as the Pool's broker. John Rosato made a presentation of his experience and qualifications.

MOTION by Austin Bleess, seconded by Allison Heyward, to approve the Governance Structure, Future Board Decision Points, and Conceptual Timeline of Phase, all as outlined above, and to approve the Phase III Scope and Capital Budget Amendment of $500,000. Motion carried with unanimous approval.

Chair Bert Lumbreras recessed the meeting at 2:08 PM.

Chair Bert Lumbreras reconvened the meeting at 2:24 PM.

8. Consider the Preliminary Results of the Pool's Compensation and Classification Plan Study and the Board's Compensation Philosophies

Chair Bert Lumbreras commented that he and Vice-Chair Austin Bleess have reviewed and discussed the preliminary results of the compensation and classification plan. For the first time, the Executive Director is included in the study, but the Executive Director needs to be a part of the discussion since he is the head of the organization. Today, the Board is only discussing the framework of the study, not the details and it is his opinion that the Executive Director should be a part of that discussion. There was consensus from the Board on that point. Chair Bert Lumbreras also asked the Board to think about how the process can be formalized beyond a philosophy to make sure the Board is taking care of the Pool's employees.

Jeff Thompson stated that the discussion should provide feedback to AON on the preliminary draft of the report and the proposed compensation philosophy. Specifically, the Board should provide guidance on the market comparables, the timeframe for conducting market surveys, and the time interval for Board review of the compensation/classification plan.

Melinda Walter provided a history of the Pool's previous compensation studies and the demographics of the Pool's workforce. The Pool has a history of attracting exceptional talent. Over its fifty-year history, it has shifted from an almost entirely city-centric hires to hiring individuals with experience operating a mature insurance organization. The Pool has experienced a very low turnover, and 31.5% of its staff is currently eligible to retire. The average age of the current staff is 49.4 years old. The compensation study is to ensure the Pool's compensation and benefits package is competitive in the relevant comparable private and public sector market in order to continue to attract and maintain qualified employees.

Jeff Rieder, Ward/AON Consulting, presented an overview of the study conducted by AON, including the analytics, the proposed Compensation Policy, and the key recommendations. The Board indicated it was appreciative and impressed with the draft report. There was consensus that the report properly identified the comparable market. There was much discussion on whether the Compensation Philosophy should target the 50th percentile of the comparable market or target a higher percentile of the comparable market.

The Board did not take action on the Compensation Philosophy. It was the Board consensus to allow the staff to provide alternatives, along with associated costs and a timeframe for such alternatives, at the April or July Board meetings.

9. Consider any Additional thoughts on Planning Session Topics and Future Planning Session Topics

Jeff Thompson suggested at the next planning session there be a topic on ethics and a topic on AI. There will be many other topics to consider, but Jeff Thompson suggested that the agenda for the next planning session be developed over the next six months.

10. Adjournment

Chair Bert Lumbreras adjourned the meeting of the Texas Municipal League Intergovernmental Risk Pool Board of Trustees at 4:11 PM.

Approved by the Board of Trustees on
April 24, 2025

David W. Reagan

David W. Reagan, Board Secretary