

**TEXAS MUNICIPAL LEAGUE
INTERGOVERNMENTAL RISK POOL
Board of Trustees Meeting
Hyatt Regency Lost Pines, Baron's Ballroom E-G
575 Hyatt Lost Pines Road, Lost Pines, TX 78612
January 25, 2020**

Trustees Present

John Fullen, Chair
Randy Criswell, Vice Chair
Byron Black
Rickey Childers
Andres Garza
Mary Dennis
Mary Gauer
David Harris
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
Mike Bratcher
Tamara Chafin
Hank Domeracki
Lindsey Fields
Susie Green
Irvin Janak
Bo Joseph
Patti Ledesma
Paula Marr-Ludwig
Julie Nguyen
Atul Poladia
Mike Raigosa
Mike Rains
Allan Romer

Staff Present (continued)

Allan Romer
Tim Salzman
Tito Villegas
Kim Williams
Debbie Sherwood

City of Pharr

Patricia Rigney, City Attorney
Ed Wiley, Interim City Manager
Alex Meade, former City Manager

Others Present

Dan Smereck, Strategic Asset Alliance
Carrie Rice, Johnson Lambert, LLP
Amy Strachan, Johnson Lambert, LLP

Chair John Fullen called the meeting of the Texas Municipal League Intergovernmental Risk Pool to order at 8:01 a.m. on Saturday, January 25, 2020.

1. Roll call and excused absences (Tab 1)¹

Jeff Thompson reported the absence of Robert Hauck and the reason he asked his absence to be excused.

MOTION by Rickey Childers, seconded by David Harris, to excuse the absence of Robert Hauck. Motion carried with unanimous approval.

2. Consideration of minutes of October 25-26, 2019 Board meeting in Hurst (Tab 2)

MOTION by Rickey Childers, seconded by Jeffrey Snyder, to approve the October 25-26, 2019 Board of Trustees minutes set forth under Tab 2. Motion carried with unanimous approval.

Chair Fullen introduced Debbie Sherwood, who will assist taking Board minutes. David Reagan announced the retirement of Debbye Mangum, and that Debbie Sherwood of the Pool's Legal Department will assist taking minutes for Board meetings.

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

9. Consideration of Pool Membership of City of Pharr (Tab 26)

Chair Fullen took up Agenda Item 9. without objection.

Attending on behalf of the City of Pharr were Mr. Alex Meade, former City Manager, Ms. Patricia Rigney, City Attorney, and Mr. Ed Wiley, Interim City Manager. Mr. Meade expressed the City's desire to continue membership with the Pool. Jeff Thompson presented the Staff's recommendations for the City's continued membership. It was the Staff's recommendation that the current coverage with the City of Pharr be cancelled, effective March 31, 2020, unless the City agreed to one of the following two alternatives to continue its Property Coverage from the Pool:

Alternative 1

- The Pool shall not pay more than Actual Cash Value or 100% of the value of the individual damaged structure reported and shown on the Property Schedule, whichever is less. If only a portion of the structure is damaged, the Pool shall not pay more for Actual Cash Value than 100% of the Actual Cash Value of the damaged portion of such structure, not to exceed 100% of the value of the damaged structure reported on the Property Schedule. Included within the value of the individual damaged structure reported and shown on the Property Schedule shall be machinery, equipment, furniture, fixtures, and other contents in the structure.
- The deductible for each occurrence shall be \$25,000 or 1% of the individual scheduled Building Value for each damaged structure at the time of loss, whichever is greater.

Alternative 2

- The Pool will not pay more than the Replacement Cost Value or 125% of the value of the individual damaged structure reported and shown on the Property Schedule, whichever is less. If only a portion of the structure is damaged, the Pool shall not pay more for Replacement Cost Value than 125% of the Replacement Cost of the damaged portion of such structure, not to exceed 125% of the value of the damaged structure reported and shown on the Property Schedule. For structures with a roof older than 15 years, the Pool shall only pay Actual Cash Value of the individual damaged roof. Included within the value of the individual damaged structure reported and shown on the Property Schedule shall be machinery, equipment, furniture, fixtures, and other contents in the structure.
- The deductible for each loss occurrence shall be \$100,000 or 5% of the individual scheduled Building Value for each damaged structure at the time of the loss, whichever is greater.

Included in each option above, the Pool will have the right to have any roofs of the City's structures shown on the Property Schedule inspected by a vendor of the Pool's choice to determine if the roofs have been sufficiently repaired or replaced to warrant continued coverage by the Pool. The Pool shall have the right to discontinue coverage on any roof upon providing 30 days' written notice to the City. Should the City desire to elect one of the alternatives above to continue its Property Coverage from the Pool, the conditions and restrictions shall remain in place for three years.

MOTION by David Harris, seconded by Bert Lumbreras, to authorize the termination of the Property Coverage provided to the City of Pharr unless the City agrees to the terms and conditions of one of the alternatives recommended by the Staff, and the conditions of such alternative shall remain in effect for a period of six years.

Discussion ensued regarding the length of time for the recommended conditions of the selected alternative to remain in effect. Bert Lumbreras withdrew his second to the pending motion; and David Harris then withdrew his motion.

MOTION by Bert Lumbreras, seconded by Mary Dennis, to authorize the termination of the Property Coverage provided to the City of Pharr, effective March 31, 2020, unless the City agrees to the terms and conditions of one of the alternatives recommended by the Staff, which will remain in effect for a period of three years. Motion carried with unanimous approval.

3. Public Comment on Agenda Items

Chair John Fullen opened the floor for public comments regarding agenda items. There were no comments made by members of the public.

4. Finance & Information Technology Committee

a. Consideration of minutes of October 25, 2019 committee meeting (Tab 3)

The October 25, 2019, Finance & Information Technology Committee minutes set forth under Tab 3, were approved at the Finance & Information Technology Committee meeting on January 24, 2020.

b. Staff presentation of year-end results and presentation by Johnson Lambert & Company, LLP of Financial Audit for October 1, 2018 to September 30, 2019, and Staff Response (Tab 4)

Bert Lumbreras reported the Finance & Information Technology Committee accepted the financial audit by Johnson Lambert & Company as reported.

Julie Nguyen presented an overview of the financial highlights and year-end results for the fiscal year of October 1, 2018 to September 30, 2019. Amy Strachan and Carrie Rice of Johnson Lambert & Company, LLP presented the results of the financial audit for the fiscal year of October 1, 2018 to September 30, 2019, as set forth under Tab 4.

MOTION by Bert Lumbreras on behalf of the Finance and Information Technology Committee, seconded by Robert Herrera, to accept the financial audit for the fiscal year of October 1, 2018 to September 30, 2019 by Johnson Lambert & Company, LLP. Motion carried with unanimous approval.

c. Review of November 30, 2019 (2-month) Financial Statements and presentation of December 31, 2019 Financial Statement (Tab 5)

Bert Lumbreras reported that the Committee heard the staff report on the results for the November 30, 2019 (2-month) financial statements as set forth under Tab 5 and the overview of the December 31, 2019 financial results. The report is under Tab 5 for Board review.

- d. Review of November 30, 2019 (2-month) Investment Report and presentation of December 31, 2019 Investment Report (Tab 6)

Bert Lumbreras reported that the Committee heard the staff presentation and the report on investment results is under Tab 6 for Board review

- e. Consideration of adoption of Expanded Investment Flexibility Methodology, Eligible Assets Range and Allocation of funds for the new account (Tab 7)

Tito Villegas presented the highlights of the expanded investment flexibility methodology, eligible assets and allocation of funds for the new account set forth under Tab 7, which were discussed at length during the Board Planning Session on January 24, 2020.

MOTION by Bert Lumbreras, on behalf of the Finance and Information Technology Committee, seconded by Robert Herrera, to accept the recommendations of the Finance and Information Technology Committee to adopt the recommendation of the Staff set forth under Tab 7 for setting the initial range for the authorized assets, the authorized investments, the investment benchmark, the investment structure, and the funding of the workers' compensation death benefits and lifetime income benefits (LTB) investment portfolio. Motion carried with unanimous approval.

- f. Consideration of Investment Policy Revisions (Tab 8)

Tito Villegas presented the proposed revisions to the investment policy set forth under Tab 8.

MOTION by Bert Lumbreras on behalf of the Finance and Information Technology Committee, seconded by Jeffrey Snyder, to approve the resolution set out under Tab 8 readopting the Pool's investment policy with amendments attached thereto and effective January 25, 2020. Motion carried with unanimous approval.

- g. Consideration of extending Manulife Asset Management Contract for two years (Tab 9)

Tito Villegas presented the recommendation of extending Manulife Asset Management Contract for two years, as set forth behind Tab 8.

MOTION by Bert Lumbreras on behalf of the Finance and Information Technology Committee, seconded by David Harris, to extend the Manulife Asset Management Contract for a period of two years. Motion carried with unanimous approval.

- h. Consideration of the award of a Depository Contract to Frost Bank for three years with two one-year contract extensions beginning June 1, 2023 and ending May 31, 2025 (Tab 10)

Tito Villegas presented the recommendation to award a depository contract to Frost Bank for three years with two one-year extensions, as set forth under Tab 10.

MOTION by Bert Lumbreras on behalf of the Finance and Information Technology Committee, seconded by Robert Herrera, to approve a three-year Depository Contract, from June 1, 2020 to May 31, 2023, with two successive one-year contract extension options, with Frost Bank, as set forth behind Tab 10. Motion carried with unanimous approval.

- i. Consideration of exercising a two-year extension of Actuarial Services contract with Rudd and Wisdom, Inc. (Tab 11)

Tito Villegas presented the recommendation under Tab 11 of exercising a two-year extension of the actuarial services contract with Rudd and Wisdom, Inc.

MOTION by Bert Lumbreras on behalf of the Finance and Information Technology Committee, seconded by Robert Herrera, to approve a two-year extension of the actuarial services contract with Rudd and Wisdom, Inc., as set out under Tab 11. Motion carried with unanimous approval.

- j. Report from Office of Project Management and Analytics, including status on Progress for Business Application & IT Road Map (Tab 12)

Lindsey Fields presented the Report from Office of Project Management and Analytics under Tab 12. David Reagan explained the Pool's decision regarding its rescission of the Capgemini contract based on Capgemini's repudiation of the contract. Ms. Fields indicated Staff is researching options, including other systems integrators, for Release 2 of Policy Center and Billing Center and also reanalyzing options for upgrading Claim Center and Contact Manager. Ms. Fields indicated that stabilization development will still be able to continue based on the previously granted authority by the Board, and the goal is to stay within the \$5.8 million budget approved by the Board in 2019. Ms. Fields also indicated the project scopes may need to be revisited and the two projects split into separate budgets at a future Board Meeting in April or July.

- k. Information Technology report on status of hardware and software updates to the computer systems (Tab 13)

The Information Technology report on status of hardware and software updates to the computer systems under Tab 13 was submitted for the Board's review without an oral presentation.

- l. Human Resources Report identifying employment changes (Tab 14)

The Human Resources Report identifying employment changes under Tab 14 was submitted for the Board's review without an oral presentation.

5. Underwriting and Claims Committee

- a. Consideration of minutes of October 25, 2019 committee meeting (Tab 15)

The minutes of the Underwriting and Claims Committee meeting of October 25, 2019 set forth under Tab 15 were approved at the Underwriting and Claims Committee meeting on January 24, 2020.

- b. Members Services Report including Annual Review of Membership Activity (Tab 16)

Jeff Thompson introduced Aaron Hardiman, recently promoted to the position of Manager of Member Services after having been with the Pool for more than five years. Aaron Hardiman presented the Member Services Report including Membership Activity set forth under Tab 16.

c. Significant Cases and Legal Developments impacting the Pool (Tab 17)

Bo Joseph presented significant cases and legal developments impacting the Pool set forth under Tab 17.

d. Liability and Property Claims Report on claims trends (Tab 18)

The Liability and Property Claims Report on claims trends set forth under Tab 18 was submitted for the Board's review without oral presentation.

e. Workers' Compensation Claims Report on trends concerning workers' compensation claims (Tab 19)

The Workers' Compensation Claims Report on trends concerning workers' compensation claims set forth under Tab 19 was submitted for the Board's review without oral presentation.

f. Report from Office of Project Management and Analytics, including status on Progress for Business Application & IT Road Map (Tab 12)

See Item 4.j. under the Finance and Information Technology Committee.

g. Underwriting Report on underwriting results and loss ratios, including the Quarterly Report by Victor O. Schinnerer & Company, Inc. regarding revenues received and contract activities (Tab 20)

The Underwriting Report set forth under Tab 20 was submitted for the Board's review without oral presentation.

h. Loss Prevention Report on member surveys, training and property valuations conducted (Tab 21)

The Loss Prevention Report set forth under Tab 21 was submitted for the Board's review without oral presentation.

i. Subrogation Performance Report (Tab 22)

The Subrogation Performance Report set forth under Tab 22 was submitted for the Board's review without oral presentation.

Chair John Fullen called for a recess at 9:30 a.m.

Chair John Fullen reconvened the meeting at 9:48 a.m.

6. Comments by ex officio Members from and to TML and TML Health Benefits Boards

Michael Smith, ex officio from TML Health Benefits Pool, reported the largest cost-driver, at present, is the cost of prescription drugs. To assist in resolving this issue, the Health Pool recently submitted an RFP for a Pharmacy Benefits Manager. A Strategic Planning Session was held at the Health Pool's last Board meeting. Plans are to meet next week to begin the implementation

process of some of the items discussed. The Health Pool is promoting a new TML Wellness Program and is encouraging it be reviewed by all Members

Henry Wilson, ex officio from the TML Board of Directors, reported that activity is relatively minimal as the Legislature is not in session. The Committee on State Affairs is hearing testimony regarding the possible elimination of business property tax, which will pass the burden onto homeowners and will be a significant hit for small cities. Bennett Sandlin stated the elimination of business property taxes is an alarming prospect.

Mr. Sandlin, ex officio from the Texas Municipal League, indicated there has been significant restructuring of the League's Legislative Services Department, now renamed 'Grassroots and Legislative Services Department.' Shanna Igo, head lobbyist, retired after 33 years and Monte Wynn has been promoted to head the department. The goal is to achieve a much more grassroots-oriented approach to lobbying. Further, the League has hired a new external lobbyist, Jesse Ancira. Mr. Ancira, a former deputy comptroller, became Chief of Staff for House Speaker Joe Strauss. While serving as Chief of Staff to Speaker Strauss, Mr. Ancira also served as mayor of Taylor, Texas. Mr. Ancira, who is well-respected around the Capitol, will work with Mr. Wynn as head lobbyist.

Mr. Sandlin reported hearings will be held next week in the Comptroller's office and the House Ways & Means Committee regarding new sales tax sourcing rules creating destination-based sourcing for in-state sales. By way of example, Mr. Sandlin stated how the city of Round Rock will be greatly affected due to the loss of sales tax generated by Dell Computers. The new rules will shift sourcing of sales tax from Round Rock to all the other Texas cities who receive those computers. In response, the League held an emergency meeting of its Executive Committee on September 16, 2019, and decided it must maintain a neutral position, knowing that for every loser, there is a city who is a winner in sales tax sourcing shifts. It is the League's pledge to provide solid information about this process. Bill Longley on the League's staff is the expert in this matter. The new rules should go in effect sometime in March 2020.

Mr. Sandlin also reported during the Executive Committee, the League endorsed the federal bill entitled the United States Mexico Canada Agreement ('USMCA'), replacing the North America Free Trade Agreement ('NAFTA'). Endorsement of the bill should strengthen relations with the administration in Washington. Of note, the White House contacted the League two days ago and invited TML President Eddie Daffern to attend the signing of the bill in Washington.

Mary Gauer, ex officio to TML Board of Directors, had no additional comments.

Andres Garza, ex officio to the TML Health Benefits Pool, had no additional comments.

7. General Counsel's Report

a. General Counsel's Report on Legislative Activities (Tab 23)

David Reagan presented the General Counsel's report on legislative activities set forth under Tab 23.

b. Consideration of legislative services contract with Davis Kaufman (Tab 24)

David Reagan presented the recommendation to enter into a new Legislative Consulting Services Agreement with Davis Kaufman, set forth under Tab 24. Mr. Reagan updated the amount of the annual cost cited in the report from \$138,240 to \$137,240, stating certain costs had already been paid and, therefore, reduced the amount to be paid.

MOTION by Andres Garza, seconded by Mary Gauer, that the Board authorize the execution of the new Legislative Consulting Services Agreement with Davis Kaufman for the period of February 1, 2020 to July 31, 2021, at an annual cost of \$137,240. Motion carried with unanimous approval.

8. Consider a resolution authorizing representation in IRS matter concerning penalties for tax years 2016 and 2017 and confirming the authority of the Executive Director to execute IRS power of attorney form 2848 (Tab 25)

David Reagan presented the recommendation of a resolution authorizing representation in an IRS matter concerning penalties for tax years 2016 and 2016 and confirming the authority of the Executive Director to execute an IRS power of attorney form 2848, as set forth under Tab 25. Michael Smith reported a verbal agreement had been received from the IRS that all penalties were being abated.

MOTION by Andres Garza, seconded by May Gauer, that the Board affirm the authority of the Executive Director to execute IRS power of attorney form 2848. Motion carried with unanimous approval.

9. Consideration of Pool Membership of the City of Pharr

This item was taken up earlier in the meeting.

Chair John Fullen announced it was now 9:59 a.m., and the Board of Trustees would go into Executive Session to discuss claims and lawsuits under Agenda items 10.a., 10.b., and 10.c., under Texas Government Code section 551.071.

10. Executive Session

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

This item was discussed in Executive Session.

b. Liability and Property Claims Report on claims that have indemnity reserves exceeding \$300,000, expense reserves in excess of \$250,000

This item was discussed in Executive Session.

c. 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 10:33 a.m. There were no actions to be taken on the items discussed in Executive Session.

11. Meeting Schedule and Board Continuing Education (Tab 27)

Jeff Thompson discussed the upcoming AGRiP and NLC RISC conferences

a. Select a location for the January 28-29, 2022 Meeting

Jeff Thompson suggested the dates for the January 2022 meeting be changed to January 27-28, 2022. Discussion was held to have the meeting in the Greater Austin area

MOTION by Leo Montalvo, seconded by Byron Black, that the dates of the January 2022 meeting be changed from January 28-29, 2022 to January 27-28, 2022. Motion carried with unanimous approval.

Chair Fullen announced the next Board meeting will be held in Corpus Christi, Texas, at the Holiday Inn Downtown on April 24-25, 2020.

12. Adjournment

MOTION by Randy Criswell, seconded by Larry Melton, to adjourn the meeting of the Texas Municipal League Intergovernmental Risk Pool Board of Trustees meeting at 10:38 a.m. Motion carried with unanimous approval.

Approved by the Board of Trustees on
April 25, 2020


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.