

**TEXAS MUNICIPAL LEAGUE  
INTERGOVERNMENTAL RISK POOL  
Board of Trustees Meeting  
Hotel Emma – Elephant Cellar  
136 E. Grayson St., San Antonio, TX 78215  
July 20 & 21, 2018**

**Trustees Present**

Peter Vargas, Chair  
Rickey Childers  
Randy Criswell  
John Fullen  
Andres Garza  
Mary Gauer  
Robert Herrera  
Carol Loughlin  
Larry Melton  
Leo Montalvo  
Pat Norriss  
Bennett Sandlin  
Michael Smith  
Henry Wilson

**Staff Present**

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

**Staff Present (con't)**

Atul Poladia  
Mike Raigosa  
Mike Rains  
Allan Romer  
Tim Salzman  
James Sharkey  
Tito Villegas  
Kim Williams  
Debbye Mangum

**Others Present**

Gaye Bordon, Wells Fargo  
Bruce Remington, Wells Fargo

Chair Peter Vargas called the meeting of the Board of Trustees of the Texas Municipal League Intergovernmental Risk Pool to order at 1:00 p.m. on Friday July 20, 2018.

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

Jeff Thompson reported the absences of Byron Black and Michael Talbot, and the reasons they asked their absences be excused.

MOTION by Larry Melton, seconded by John Fullen, to excuse the absences of Byron Black and Michael Talbot. Motion carried with unanimous approval.

2. 1:00 PM Friday – Board Workshop on Proposed 2018-19 Budget

Jeff Thompson presented an overview of the budget preparation and goals for the 2018-19 fiscal year. Hank Domeracki and Julie Nguyen reported on the budget goals, budget construction, new reinsurance structure, target equity, property valuations, capital outlay, the individual funds, and reviewed the Administrative Fund and its expenses.

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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.

MOTION by Robert Herrera, seconded by Mary Gauer, to adjourn the Board of Trustees meeting of the Texas Municipal League Intergovernmental Risk Pool at 2:39 p.m., July 20, 2018. Motion carried with unanimous approval.

Chair Peter Vargas called the meeting of the Texas Municipal League Intergovernmental Risk Pool to order at 8:00 a.m., Saturday, July 21, 2018.

Chair Vargas recognized Pat Norriss for her years of service on the TMLIRP Board of Trustees and noted that this was her last official meeting.

1. Roll call and excused absences (Tab 1)

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

3. Consideration of Minutes of April 28, 2018 Board meeting at the Hotel Galvez, Galveston, TX (Tab 2)

MOTION by Rickey Childers, seconded by Andres Garza, to approve the April 28, 2018 Board of Trustees minutes as written under Tab 2. Motion carried with unanimous approval.

4. Nominations Committee

a. Election of Committee Chair

Peter Vargas announced he had been elected Chair of the Nominations Committee.

b. Review Board Election Process (Tab 3)

David Reagan presented the review of the Board election process.

c. Consideration of nominations for Places 11-14 on the Board of Trustees for the 2018 election for six year terms beginning October 1, 2018

MOTION by Leo Montalvo, seconded by Randy Criswell, to place nominations for Places 11-14 on the Board of Trustees ballot for the 2018 election for six year terms beginning October 1, 2018. The nominations were as follows:

- Place 11 – Randy Criswell, Incumbent
- Place 12 – Bert Lambreras, City Manager, City of San Marcos
- Place 13 – Byron Black, Incumbent
- Place 14 – David Rutledge, Mayor, City of Bridge City

Motion carried with unanimous approval.

- d. Consideration of the nomination and appointment of a citizen Trustee for a six year term to Place 15 of the Board of Trustees, beginning on or after October 1, 2018

MOTION by Andres Garza, seconded by Larry Melton, to appoint Rickey Childers to Place 15 of the Board of Trustees, beginning October 1, 2018. Motion carried with unanimous approval.

- e. Consideration of appointment of a Trustee to fill the unexpired term of Place 3, beginning October 1, 2018 and ending on October 1, 2020

MOTION by Rickey Childers, seconded by Randy Criswell, to appoint Mr. Jeffrey Snyder, City Manager of Plainview, to fill the unexpired term of Place 3 on the Board of Trustees beginning October 1, 2018 and ending on October 1, 2020. Motion carried with unanimous approval.

- f. Consideration of appointment of a Trustee to fill the unexpired term of place 7, beginning October 1, 2018 and ending on October 1, 2022

MOTION by Robert Herrera, seconded by Mary Gauer, to appoint Ms. Mary Dennis, Mayor of Live Oak, to fill the unexpired term of Place 7 on the Board of Trustees beginning October 1, 2018 and ending October 1, 2022. Motion carried with unanimous approval.

- g. Consideration of the qualification of the Board Vice-Chair to be elevated to Board Chair as of October 1, 2018

MOTION by Andres Garza, seconded by Leo Montalvo, that John Fullen continues to be qualified to serve as Chair and shall be elevated to Chair of the Board of Trustees as of October 1, 2018. Motion carried with unanimous approval.

- h. Consideration of the nomination and election of a Board Vice-Chair to take office on October 1, 2018

MOTION by Rickey Childers, seconded by Leo Montalvo, to elect Randy Criswell to Vice-Chair of the Board of Trustees as of October 1, 2018. Motion carried with unanimous approval.

## 5. Finance and Information Technology Committee

Carol Loughlin reported that she had been named Interim Chair of the Finance and Information Technology Committee.

### 5a. Consideration of minutes of April 27, 2018 committee meeting (Tab 4)

The April 27, 2018 Finance and Information Technology Committee meeting minutes set forth under Tab 4 were approved at the Finance and Information Technology Committee meeting on July 20, 2018.

5b. Report on May 31, 2018 (8-month) Financial Statements and Presentation of June 30, 2018 Financial Statements (Tab 5)

Julie Nguyen presented the report on the May 31, 2018 (8-month) financial statements under Tab 5 and gave an overview of the June 30, 2018 financial results.

5c. Report on May 31, 2018 (8-month) Investment Results and report by Wells Fargo, and Presentation of June 30, 2018 investment results (Tab 6)

Mr. Bruce Remington from Wells Fargo presented the review of the annual investment performance and results as of May 31, 2018. Tito Villegas presented the investment results for the 8-month period ending May 31, 2018, under Tab 6, and gave an overview of the June 30, 2018 investment results.

5d. Consideration of authorizing the Executive Director to purchase up to twelve fleet vehicles under a Board approved governmental cooperative purchasing agreement. (Tab 7)

The Pool received four bids meeting specifications for fleet vehicles, including BuyBoard, Texas Smart Buy, Texas Procurement and Support Services, and one independent dealer. The lowest bidder meeting specifications was Caldwell Country Chevrolet, Caldwell, Texas, for the 2019 Chevrolet Impala LT at a price of \$25,674.75. The staff recommended the purchase of 11 vehicles at this time and the option to purchase a twelfth vehicle, if deemed necessary.

MOTION by Carol Loughlin on behalf of the Finance and Information Technology, seconded by Leo Montalvo, to approve the purchase of 11 vehicles for \$282,422.25 with the option to purchase a twelfth for \$25,674.75 at a later date, if deemed necessary, from Caldwell Country Chevrolet in Caldwell, Texas, and authorize the Executive Director to enter into a contract to purchase the vehicles. Motion carried with unanimous approval.

5e. Update on Target Equity Range for Combined Funds and Minimum Funding Levels for Operating Funds after considering the New Reinsurance Structure (Tab 8)

Hank Domeracki presented the update on the target equity range for combined funds and the minimum funding levels for operating and non-operating funds after consideration of the new reinsurance structure, which reduced the capital requirement by \$72.3 million.

5f. Consideration of Proposed Budget for 2018-19 (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. Authorization to change the practice of expensing Independent Adjusters fees for property and liability claims from an unallocated administrative expense to an unallocated claims expense and revise the Proposed 2018-19 Budget accordingly

4. Authorization to discontinue the aggregate coverage provision in the Property and Reinsurance Funds as was presented in the Property Reinsurance recommendation at the April 2018 Board meeting
5. Adoption of the 2018-19 Budget

MOTION by Carol Loughlin on behalf of the Finance and Information Technology Committee, seconded by Robert Herrera to:

1. Authorize Executive Director to transfer funds within budgets,
2. Authorize 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. Authorize to change the practice of expensing Independent Adjusters fees for property and liability claims from an unallocated administrative expense to an allocated claims expense and revise the Proposed 2018-19 Budget accordingly,
4. Authorize discontinuing the aggregate coverage provision in the Property and Reinsurance Funds as was presented in the Property Reinsurance recommendation at the April 2018 Board meeting, and,
5. Adopt the 2018-19 Budget.

Motion carried with unanimous approval.

5g. Report from Office of Project Management and Analytics Report, including report on Progress for Business Application & IT Road Map (Tab 9)

The report from the Office of Project Management and Analytics, including the status on progress for business application and the IT road map under Tab 9 was submitted for the Board's review without an oral presentation.

5h. Information Technology report on status of hardware and software updates to the computer systems (Tab 10)

The Information Technology report under Tab 10 was submitted for the Board's review without an oral presentation.

5i. Human Resources Report identifying employment changes (Tab 11)

The Human Resources Report under Tab 11 was submitted for the Board's review without an oral presentation



6. Underwriting and Claims Committee

6a. Consideration of minutes of April 27, 2018 committee meeting (Tab 12)

The April 27, 2018 Underwriting and Claims Committee meeting minutes set forth under Tab 12 were approved at the Underwriting and Claims Committee meeting on July 20, 2018.

6b. Report regarding Final Property Reinsurance Placement Effective May 1, 2018 (Tab 13)

Bob Haynes presented the report under Tab 13 on the final placement of property reinsurance effective May 1, 2018. The final gross reinsurance expense was \$22.0 million, below the \$22.2 million presented to the Board at the April meeting. The final reported numbers for 2018-19 are non-adjustable as long as insured values for the Pool do not increase or decrease by more than 10%. The Pool placed \$250 million in exposures and the Property and Reinsurance Funds will retain \$82 million of the exposure. The reinsurance contract terms and conditions will be revised to reflect changes to flood coverage, as approved by the Board which become effective October 1, 2018.

6c. Consideration of Authorization of a Flood Reinsurance Program through the Coastal Storm Fund (Tab 14)

Bob Haynes presented the recommendation for the authorization of a flood reinsurance program through the Coastal Storm Fund as set forth under Tab 14. Since the Pool has limited its baseline flood coverage to \$1.5 million, minimum, to \$5 million, maximum, the Pool staff has been looking for alternatives for its members for excess flood coverage. One alternative through VOSCO is Dual ReAmerica, who is not interested in writing members who have had previous flood losses or are in Tier One. Another alternative is through facultative reinsurance markets. Guy Carpenter, LLC has indicated it can find full support at the \$5M in excess limits, and less likely to find support for the \$10M and \$15M limit layers. If a Member selects the facultative reinsurance, it will be through the Pool and the Pool would retain control of the claims handling and claims payments. Each Member will be individually underwritten. The staff recommendations are as follows:

1. Authorize Guy Carpenter, LLC to place coverage on behalf of the Pool for any and all members who might elect excess flood coverage through these options, and
2. Authorize the Pool to accept up to a 5% quota share of the placement of excess limits up to \$15 million, including the derived premiums and potential associated losses, using the Coastal Storm Fund as the vehicle for offering the coverage.

MOTION by Randy Criswell on behalf of the Underwriting and Claims Committee, seconded by Robert Herrera, to authorize Guy Carpenter, LLC to place coverage on behalf of the Pool for any and all Members who might elect excess flood coverage through the above options, and authorize the Pool to accept up to a 5% quota share of the placement of excess limits up to \$15 million, including the derived premiums and potential associated losses, using

the Coastal Storm Fund as the vehicle for offering the coverage. Motion carried with unanimous approval.

6d. Consideration of Independent Claims Adjusting Providing Services for TMLIRP (Tab 15)

Mike Rains presented the recommendation for consideration of independent claims adjusting services for the Pool's claims as set forth under Tab 15. The staff recommended adding four auto appraisal companies and nine real and personal property appraisal firms to the Board approved independent adjusters list. 4T Partnership is a roofing consultant firm that will be used to assist Members with reroofing scope development, bid preparation, and project management. The staff anticipates nine independent adjusting firms will be paid over \$100,000 during the next fiscal year.

The staff recommends the Board approve the addition of the new independent adjusting firms as set forth under Tab 15.

MOTION by Randy Criswell on behalf of the Underwriting and Claims Committee, seconded by Larry Melton, to approve the additional independent adjusting firms as set forth under Tab 15. Motion carried with unanimous approval.

6e. Consideration of Payroll Audit Services with Dylong & Associates for an Initial Three Year Term with Option to Extend for Two Additional Years (Tab 16)

Paula Marr-Ludwig presented the recommendation for payroll audit services for Workers' Compensation for a three-year period with the two one-year options to extend the agreement. The Pool received four responses to an RFP issued on May 9, 2018. Two of those responding were unable to make a proposal due to the size of the project, and the other two proposals were from the current provider, R. Dylong and Associates, Inc. in Rockwall, Texas, and a previous provider, Overland Solutions, Inc. in Overland Park, Kansas. The staff recommends the current provider, R. Dylong and Associates, Inc., due to their understanding of the audit project, the number of auditors available, and the costs associated with the audits. The staff recommends awarding the payroll audit services contract to R. Dylong and Associates, Inc. for a three-year period with two one-year options to extend the agreement with fees of \$98.50 per hour for Field Audits and \$34 flat fee for each Telephone Audit, increasing to \$101.50 per hour and a \$35 flat fee for years four and five, effective September 1, 2018.

MOTION by Randy Criswell on behalf of the Underwriting and Claims Committee, seconded by Leo Montalvo, to award the payroll audit services to R. Dylong and Associates, Inc. for a three-year period with two one-year extension options, effective September 1, 2018, as set forth under Tab 16. Motion carried with unanimous approval.

6f. Report from Office of Project Management and Analytics Report, including report on Progress for Business Application & IT Road Map (Tab 9)

See 5g. under Finance and Information Technology Committee.

6g. Significant Cases and Legal Developments impacting the Pool (Tab 17)

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

Chair Peter Vargas called a recess at 9:10 a.m.

Chair Peter Vargas reconvened the meeting at 9:16 a.m.

6h. Liability and Property Claims Report on trends concerning liability claims and property claims, including a report on Hurricane Harvey

Mike Rains presented an update on Hurricane Harvey claims.

6i. Workers' Compensation Claims Report on (a) trends concerning workers' compensation claims (Tab 18)

The Workers' Compensation Claims Report under Tab 18 was submitted for the Board's review without an oral presentation.

6j. Underwriting Report on underwriting results, loss ratios, and the Quarterly Report by Victor O. Schinnerer & Company, Inc. regarding revenues received and contract activities (Tab 19)

The Underwriting Report under Tab 19 was submitted for the Board's review without an oral presentation.

6k. Loss Prevention Report on member surveys, training, and property valuations conducted (Tab 20)

The Loss Prevention Report under Tab 20 was submitted for the Board's review without an oral presentation.

6l. Subrogation Report (Tab 21)

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

6m. Member Services Report including Membership Activity (Tab 22)

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

7. Presentation of Pool's Communications Strategy, Core Values and Website Redesign (Tab 23)

Bob Haynes, Tamara Chafin, and Aaron Hardiman presented the Pool's communications strategy. The communications strategy includes external and internal messaging that accurately



portrays the Pool as a risk sharing partnership. To that end, a communications firm, adWhite, has been retained to spearhead external communications; an internal communications plan has been developed; and the Pool's redesigned website is nearing completion. Specific external communications activities have included the establishment of social media accounts, development of ads for Texas Town and City and other professional conferences and the publishing of blogs. The internal communications plan includes a purpose statement and core values. The purpose statement reads as follows: "To partner with local government so that Texas communities are stronger together." Core values include: public service, fiscal responsibility, operational excellence and integrity. Finally, with regard to internal communications two teams will be established, one to promote core values and the other to develop an on-boarding program that will be coordinated with a broader "Pool U" curriculum. In addition, the staff gave a short demonstration of the website redesign which is expected to be launched in late summer.

#### 8. General Counsel Report on Legislative Activities (Tab 24)

David Reagan presented the General Counsel's report on legislative activities under Tab 24.

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

Henry Wilson, ex officio member from TML Board of Directors, stated there is a move to have municipal officials declare party affiliation in municipal elections and his senator is in favor of this. TML is working on getting information out on why this is not a good idea. Legislators also want to lower the rollback property tax rate to 4% and the Governor wants to limit local entities budget increases to 2.7%. TML is developing a presentation on "My City, My Decision." TML felt that the term 'local control' was obsolete and implied that cities wanted total control. Hopefully, there will soon be a PowerPoint and video to distribute across the state. TML is encouraging local elected officials to meet with the local Chambers of Commerce or community service organizations to start a groundswell on a grassroots level that Texas thrives because of the local governments. Mr. Wilson stated that he believes that 95% of all economic development in cities is derived from participation in either tax abatement, sales tax abatement, or waived fees. Without the ability to forego this revenue, certain private sector projects would not have been built, and cities and Texas would not have grown economically as much. Local communities define the services that they want their local government to provide and what might be needed on the Gulf Coast may not be needed in Lubbock. If you go to a one size fits all, Texas will not be advancing the way it has in the past ten years. We have a handle on how to run our cities. Mr. Wilson reported the resolutions process for the TML legislative program is changing and the last time the TML resolutions committee will meet will be at the annual conference in October 2018, if the new bylaws are approved by the TML membership. The new process will combine all the joint resolutions committees into one committee that will present the TML Board with a legislative package.

Bennett Sandlin, Executive Director of TML, reported TML has a strong partnership with business groups for the 2019 Legislative session regarding revenue caps. The cities and counties were alarmed at the prospect of losing the tax abatement authority. Chapter 312 of the Tax Code, is expiring because that statute has a built-in Sunset date. TML partnered with the umbrella Chamber groups and businesses and they will withdraw support for revenue caps

in 2019 in exchange for TML's help in reenacting the tax abatement law. TML has the support of Texas Association of Business and the Texas Taxpayers and Research Association, and having these groups not supporting revenue caps will be influential. Mr. Sandlin stated that if the legislature selects a moderate House Speaker, that should help TML on revenue caps. If the legislature selects a conservative House Speaker TML will have a difficult time on revenue caps.

Mary Gauer, ex officio to TML Board of Directors, stated, "Our home, our decision" rings very clear to someone in central Texas. Some years back, ranchers around Fort Hood had an organization with the motto, "Our lives, our land" while attempting to stop the Federal government from expanding Ft. Hood. It was a successful campaign and thinks that "Our home, our decision" will be successful with coming up with support for TML.

Mike Smith, ex officio member from TML Multi-State Intergovernmental Employee Benefits Pool, reported that the IEBP Board had selected a new Executive Director, Jennifer Hoff, who has previous Pooling experience. Ms. Hoff is expected to begin in August and transition into the job when Susan Smith retires on October 1, 2018.

Chair Peter Vargas announced it was now 10:20 a.m., and the Board of Trustees would go into Executive Session at 10:30 a.m. to discuss claims and lawsuits under Agenda items 10a., 10b., and 10c., under Texas Government Code section 551.071, and personnel matters under Agenda item 10.d., 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. Status of lawsuits in which the Pool is a Party

This item was discussed in Executive Session.

10d. Consideration of the compensation for the Executive Director

This item was discussed in Executive Session.

Chair Peter Vargas reconvened the open session of the Board of Trustees at 11:16 a.m. The Chair took up Agenda Item 10.d. for action by the Board of Trustees.

10d. Consideration of the compensation for the Executive Director

MOTION by Robert Herrera, seconded by Andres Garza, to approve a 4% increase in the compensation for the Executive Director effective October 1, 2018. Motion carried with unanimous approval.

11. Meeting Schedule and Board Continuing Education (Tab 25)

11a. Select a location for the July 27-28, 2020 Meeting

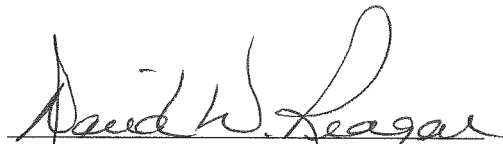
San Antonio at the Hotel Emma was suggested for the July 27-28, 2020, Board meeting.

MOTION by Carol Loughlin, seconded by Rickey Childers, to hold the July 27-28, 2020 Board of Trustees meeting in San Antonio at the Hotel Emma. Motion carried with unanimous approval.

12. Adjournment

MOTION by Carol Loughlin, seconded by Andres Garza, to adjourn the Board of Trustees meeting of the Texas Municipal League Intergovernmental Risk Pool at 11:22 a.m. Motion carried with unanimous approval.

Approved by the Board of Trustees on  
October 27, 2018



David W. Reagan, Board Secretary