

**TEXAS MUNICIPAL LEAGUE
INTERGOVERNMENTAL RISK POOL
Board of Trustees Meeting
Hotel Valencia – Verona Room
150 E. Houston Street, San Antonio, TX 78205
July 21 & 22, 2017**

Trustees Present

Peter Vargas, Chair
Byron Black
Rickey Childers
Randy Criswell
Andres Garza
Mary Gauer
Robert Herrera
Carol Loughlin
Larry Melton
Leo Montalvo
Pat Norriss
George Shackelford
Michael Smith
Michael Talbot
Charles Wax
Henry Wilson

Staff Present

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

Staff Present (con't)

Allan Romer
Tim Salzman
Tito Villegas
Debbye Mangum

Also Present

Pam Beachley, Legislative Consultant
Gaye Borden, Wells Fargo Bank
Paige Demeter, PricewaterhouseCoopers
Christy Drake-Adams, TML Legal Dept.
Bruce Remington, Wells Fargo Bank
Kevin Wick, PricewaterhouseCoopers

Chair Peter Vargas called the meeting of the Board of Trustees of the Texas Municipal League Intergovernmental Risk Pool to order at 3:00 p.m. on Friday, July 21, 2017.

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

Jeff Thompson reported the absences of John Fullen and Bennett Sandlin and the reasons they asked their absences to be excused.

MOTION by Larry Melton, seconded by Charles Wax, to excuse the absences John Fullen and Bennett Sandlin. Motion carried with unanimous approval.

2. 3:00 p.m. Friday – Staff Presentation of the Proposed 2017-18 Budget.

Hank Domeracki presented an overview of the 2017-18 budget, which included an explanation of the new initiatives being proposed. Jeff Thompson provided information on the plan to maximize member communications and Bob Haynes addressed the new proposed property valuation program. Julie Nguyen presented the financial highlights for the 2017-18 budget.

Chair Peter Vargas recessed the Board of Trustees meeting on Friday, July 21, 2017 at 3:36 p.m. until 8:00 a.m. on Saturday, July 22, 2017.

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

Chair Peter Vargas reconvened the Board of Trustees meeting at 8:00 a.m., Saturday, July 22, 2017.

Chair Peter Vargas introduced Christy Drake-Adams from TML sitting in for Bennett Sandlin in his absence.

Chair Peter Vargas awarded a five-year plaque and pin to Jeff Thompson, Executive Director.

3. Consideration of Minutes of April 29, 2017 Board meeting at Hilton Garden Inn, South Padre Island, TX (Tab 2)

MOTION by Larry Melton, seconded by Robert Herrera, to approve the April 29, 2017 Board of Trustees minutes as written under Tab 2. Motion carried with unanimous approval.

4. Consideration of the minutes of the January 20, 2017 Nominations Committee meeting (Tab 3)

David Reagan noted that since the Nominations Committee does not meet at regular intervals and the Committee membership may change before the next Committee meeting, it is appropriate for the Board to review and approve the minutes of the January 20, 2017 Nominations Committee meeting as set forth under Tab 3.

MOTION by Larry Melton, seconded by Byron Black, to approve the January 20, 2017, Nominations Committee minutes, as written under Tab 3. Motion carried with unanimous approval.

5. Finance and Information Technology Committee

5a. Consideration of minutes of April 28, 2017 committee meeting (Tab 4)

The April 28, 2017 Finance and Information Technology Committee meeting minutes set forth under Tab 4 were approved at the Finance and Information Technology Committee meeting on July 21, 2017.

5b. Report on May 31, 2017 (8-month) Financial Statements and Presentation of June 30, 2017 Financial Statements (Tab 5)

Julie Nguyen presented the financial statements under Tab 5 for the 8-month period ending May 31, 2017 and gave an overview of the June 30, 2017 financials.

5c. Report on May 31, 2017 (8-month) Investment Results and report by Wells Fargo, and Presentation of June 30, 2017 investment results (Tab 6)

Tito Villegas presented the investment results for the 8-month period ending May 31, 2017, under Tab 6 and gave an overview of the June 30, 2017 investment results.

Tito Villegas introduced Gaye Borden from Wells Fargo who had assisted in the transition to Wells Fargo as Custodial Investment Managers. Mr. Villegas introduced Mr. Bruce Remington from Wells Fargo who presented a review of the annual investment performance and results as of May 30, 2017.

5d. Presentation of report from PwC on Target Equity Funding Levels on a Pool-wide (Combined Fund) and Operating Fund Basis (Tab 7)

Hank Domeracki presented an overview of the Target Equity Funding Levels under Tab 7. Kevin Wick from PricewaterhouseCoopers presented its report on the Target Equity Funding Level study. The target equity funding level study is planned to be discussed further at the 2018 Board Planning Session.

MOTION by George Shackelford on behalf of the Finance and Information Technology Committee, seconded by Charles Wax, to accept the Target Equity Funding Level report from PricewaterhouseCoopers. Motion carried with unanimous approval.

5e. Consideration of revisions to TMLIRP Purchasing Policy (Tab 8)

George Shackelford reported that the Finance and Information Technology Committee recommended approval to the Board of the revisions to the Purchasing Policy as set forth under Tab 8.

MOTION by George Shackelford on behalf of the Finance and Information Technology Committee, seconded by Byron Black, to:

1. include the provisions concerning the procurement of goods and services under Subchapters D and F of Chapter 271 of the Local Government Code and designate the Purchasing Agent as the authorized individual to act on behalf of the Pool for those programs;
2. provide that all purchases and payment approvals require at least two signatures, authorize the Department Heads to approve purchases and approve payments up to and including \$1,000, provide Division Managers authority up to and including \$5,000, and authorize the Chief Financial Officer authority for purchases and payment approvals up to and including \$25,000. Authorize the Executive Director to approve purchases and payment approvals over \$25,000 and retain the approval authority of the Executive Director to approve purchases and enter into contracts up to and including \$100,000;
3. authorize the Executive Director to make purchases or enter into contracts made under the State of Texas purchasing programs or from Board approved governmental purchasing cooperatives whereby the amount of the purchase is at or below the amount approved in the budget for that expenditure or contract; and
4. approve the purchasing and payment approval workflow changes as designated in this revised purchasing policy.

Motion carried with unanimous approval.

5f. Consideration of authorizing the Executive Director to purchase up to ten fleet vehicles under a Board approved governmental cooperative purchasing agreement. (Tab 9)

George Shackelford reported that the Finance and Information Technology Committee recommended to the Board that the Executive Director be given the authority to purchase ten (10) fleet vehicles as set forth under Tab 9. Four bids were received from the governmental cooperative purchasing agreement with Silsbee Ford being the lowest bidder for the 2018 Ford Taurus SEL for \$27,098.71 each for a total cost of \$270,987.10. Chair Peter Vargas requested that future RFP's include more than one make and model of a passenger vehicle.

MOTION by George Shackelford on behalf of the Finance and Information Technology Committee, seconded by Byron Black, to approve the purchase of ten 2018 Ford Taurus SEL fleet vehicles from Silsbee Ford in the amount of \$270,987.10 and authorize the Executive Director to enter into a contract for the purchase of the vehicles from Silsbee Ford. Motion carried with unanimous approval.

5g. Consideration of Proposed Budget for 2017-18 (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 terminate contract with Mesirow Financial Investment Inc. for investment services and reassign investment management responsibilities to Chief Investment Officer

Hank Domeracki presented this item at the Friday Board meeting. George Shackelford reported that the Finance and Information Technology Committee had recommended the adoption of the proposed budget for 2017-18 (separate document).

MOTION by George Shackelford on behalf of the Finance and Information Technology Committee, seconded by Charles Wax, to adopt the 2017-18 proposed budget and authorize the Executive Director to transfer funds within budgets, authorize the 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, and authorize the termination of the contract with Mesirow Financial Investment Inc. for investment services and reassign those investment management responsibilities to the Chief Investment Officer. Motion carried with unanimous approval.

5h. Consideration of Guidewire Policy Center Underwriting Project (Tab 17) (Underwriting & Claims Committee to Report), consisting of:

1. Adoption of Overall Project Budget;
2. Authorization of Design & Development Phase by clearing "Commit" gate of the Pool's Project Execution Framework,
3. Authorization of Agreement with Capgemini for Professional Services for the Design & Development Phase, and

4. Authorization of Executive Director to amend the Scope of the Design and Development Phase to expend Contingency with the Project Budget

This item was considered by the Board under the Underwriting and Claims Committee report, item 6.f.

5i. Report from Office of Project Management and Analytics Report, including report on Progress for Business Application & IT Road Map (Tab 10)

The report from Office of Project Management and Analytics, including report on progress for business application and IT Road Map report under Tab 10 was submitted for the Board's review without an oral presentation.

5j. Information Technology report on status of hardware and software updates to the computer systems (Tab 11)

The Information Technology 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 28, 2017 committee meeting (Tab 12)

The April 28, 2017 Underwriting and Claims Committee meeting minutes set forth under Tab 12 were approved at the Underwriting and Claims Committee meeting on July 21, 2017.

6b. Report regarding Final Property Reinsurance Program for May 1, 2017 to May 1, 2018 and Status on RPF for Reinsurance Intermediary Services (Tab 13)

Michael Talbot reported the Underwriting and Claims Committee discussed the Final Property Reinsurance Program for May 1, 2017 to May 1, 2018 and the status of the RPF for Reinsurance Intermediary Services under Tab 13. There was no action necessary.

6c. Consideration of Cyber Liability Reinsurance Agreement Renewal with Beazley (Tab 14)

Michael Talbot reported that the Underwriting and Claims Committee discussed the Cyber Liability Reinsurance Agreement renewal with Beazley under Tab 14 and recommended to the Board that the Executive Director be granted the authority to renew the agreement effective October 1, 2017, provided there is no change in base level costs or coverage.

MOTION by Michael Talbot on behalf of the Underwriting and Claims Committee, seconded by Leo Montalvo, to authorize the Executive Director to renew the Cyber Liability Reinsurance Agreement Renewal with Beazley effective October 1, 2017, provided there is no change in base level costs or coverage. Motion carried with unanimous approval.

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

Michael Talbot reported that the Underwriting and Claims discussed the Independent Claims Adjusters providing services for the Pool under Tab 15. The committee recommended to the

Board the approval of the five independent adjusting firms identified as having projected budgets over \$100,000 along with the other 28 firms found in Exhibit A of Tab 15.

MOTION by Michael Talbot on behalf of the Underwriting and Claims Committee, seconded by Pat Norriss, to approve the independent claims adjusters providing services for TMLIRP as set forth under Tab 15. Motion carried with unanimous approval.

6e. Consideration of Property Valuation Firms Providing Services for TMLIRP (Tab 16)

The report and recommendation to contract with Property Valuation Firms to assist in the valuation of certain unique and high value properties was submitted for the Board's review without an oral presentation.

6f. Consideration of Guidewire Policy Center Underwriting Project (Tab 17) consisting of:

1. Adoption of Overall Project Budget;
2. Authorization of Design & Development Phase by clearing "Commit" gate of the Pool's Project Execution Framework,
3. Authorization of Agreement with Capgemini for Professional Services for the Design & Development Phase, and
4. Authorization of Executive Director to amend the Scope of the Design and Development Phase to expend Contingency with the Project Budget

Michael Talbot reported that each of the four staff recommendations on the Guidewire Policy Center Underwriting Project were discussed in the Underwriting and Claims Committee and the Committee recommended adoption of the four staff recommendations under Tab 17.

MOTION by Michael Talbot on behalf of the Underwriting and Claims Committee, seconded by Andres Garza, to adopt the proposed project budget for the implementation phase attached to Tab 17 as Appendix A, authorize the design and development phase of the Underwriting Project thereby clearing the "commit" gate of the Pool's project execution framework, authorize the Executive Director to enter into an agreement with Capgemini for professional services for the design and development phase of the Underwriting Project for a cost not to exceed \$5.1 million, and authorize the Executive Director to amend the scope of the design and development phase to expend the contingency funds allocated within the project budget.

Chair Peter Vargas stated that the Executive Committee had discussed a change to the Purchasing Policy to provide some flexibility to the Executive Director regarding change orders which is what the last part of the committee's motion addresses. The Chair asked David Reagan to prepare an amendment to the Pool's purchasing policy for the Board's consideration at the next Board meeting that would allow the Executive Director to enter into change orders on Pool contracts with the following limitations:

1. The change order must be within the scope of the original contract;
2. Funds for change order must be within funds budgeted for the contract; and
3. Total costs of all change orders for the contract not to exceed 25% of the original contract.

Paula Marr-Ludwig presented the staff's recommendations for the Guidewire Policy Center Underwriting Project under Tab 17.

MOTION was restated by Michael Talbot on behalf of the Underwriting and Claims Committee, seconded by Leo Montalvo, to adopt the proposed project budget for the implementation phase attached to Tab 17 as Appendix A, authorize the design and development phase of the Underwriting Project thereby clearing the "commit" gate of the Pool's project execution framework, authorize the Executive Director to enter into agreement with Capgemini for professional services for the design and development phase of the Underwriting Project for a cost not to exceed \$5.1 million, and authorize the Executive Director to amend the scope of the design and development phase to expend the contingency funds allocated within the project budget. Motion carried with unanimous approval.

6g. Consideration of Offering Proposal for the City of San Antonio Excess Workers' Compensation Coverage (Tab 18)

Paula Marr-Ludwig presented the staff proposed options for a proposal to the City of San Antonio for excess workers' compensation coverage. The City of San Antonio is seeking proposals for excess workers' compensation coverage effective on October 1, 2017 with retentions of \$1million, \$1.5 million, or \$2.0 million.

The staff presented three options for the Board's consideration. Provide proposals with a retention of \$1.5 million or \$2.5 million with a \$1 million corridor deductible, or a \$5 million retention, with no corridor deductible, and contributions of \$800,000, \$400,000, or \$200,000, respectively, with a 5%, 10%, or 15% surcharge. The Underwriting and Claims Committee, recommended a \$5 million retention, excess coverage of \$5 million per occurrence with a \$10 million aggregate for a contribution of \$500,000. The above options included a \$5 million per occurrence limit and a \$10 million annual aggregate.

MOTION by Michael Talbot on behalf of the Underwriting and Claims Committee, seconded by Randy Criswell, to offer the City of San Antonio a proposal for Excess Workers' Compensation coverage of \$5 million per occurrence and a \$10 million aggregate limit; with a \$5 million retention for a contribution of \$500,000; and charge the staff to develop a policy going forward for Excess Workers' Compensation coverage. A rollcall vote was taken with George Shackelford, Randy Criswell, Michael Talbot, Rickey Childers, Robert Herrera, Carol Loughlin, Larry Melton, Leo Montalvo, and Pat Norriss voting in favor of the motion, and Byron Black, Mary Gauer, Andres Garza, Peter Vargas, and Charles Wax voting against the motion. Motion carried.

Carol Loughlin requested that when the staff develops the excess workers' compensation policy that they include a way to unwind our current position in a way that is fair and non-discriminatory should the Board decide to no longer offer an excess workers' compensation policy.

6h. Report from Office of Project Management and Analytics Report, including report on Progress for Business Application & IT Road Map (Tab 10)

The Report from the Office of Project Management and Analytics under Tab 10 was submitted for the Board's review without an oral presentation.

6i. Significant Cases and Legal Developments impacting the Pool (Tab 19)

Bo Joseph presented significant cases and legal developments impacting the Pool under Tab 19.

6j. Liability and Property Claims Report on (a) Executive Summary and Response on Recent Claims Audit of Liability and Property Claims Department and (b) on trends concerning liability claims and property claims (Tab 20)

The Liability and Property Claims Report under Tab 20 was submitted for the Board's review without an oral presentation.

6k. Workers' Compensation Claims Report on (a) trends concerning workers' compensation claims, and (b) Executive Summary and Response on Recent Claims Audit of Workers' Compensation Claims Department (Tab 21)

The Workers' Compensation Claims Report under Tab 21 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 22)

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

6m. Loss Prevention Report on member surveys, training, and property valuations conducted (Tab 23)

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

6n. Subrogation Report (Tab 24)

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

6o. Member Services Report including Membership Activity (Tab 25)

The Member Services Report under Tab 25 was submitted for the Board's review without an oral presentation.

7. General Counsel's Report (Tab 26)

Pam Beachley, legislative consultant, and David Reagan, reported on activities of the 2017 Legislative session and the special called session under Tab 26.

Chair Peter Vargas called for a 10-minute recess at 10:00 a.m.

Chair Peter Vargas reconvened the meeting at 10:11 a.m.

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

Henry Wilson, ex officio from the TML Board of Directors, stated that the current Special Called Legislative Session is very contentious and anti-city. Some of the bills being considered in special session are extremely detrimental to cities. Mr. Wilson stated that city officials need to continue to contact their legislators and let them know that Texas cities help the state of Texas grow and develop economically. There are some things that the State does that really makes the state attractive, but the deals that make businesses come to Texas are mostly done by cities. If what cities can do becomes limited, there will be a negative effect on the growth of Texas.

Charles Wax stated that there are three issues cities are looking at this special session: (1) limitations on property tax, (2) annexation limitations which hinders economic development; and (3) allowing people living in an area considered for annexation to be the only ones who get to vote on whether the annexation will occur. The third issue allows a small population to control the development of the city. All three of these issues have a direct impact on communities and a secondary impact on this Board.

Christy Drake-Adams, sitting in for Bennett Sandlin from TML, reiterated the need of cities to contract their Representatives and Senators. In the Special Session, senate bills are flying through committees and house bills are moving a bit slower.

Mary Gauer, ex officio to TML Board of Directors, reported that she had given her report to the TML Board which she believes was favorably received. She was surprised at the number of people who approached her after the meeting to say they did not realize the relationship between the TML Board and the TMLIRP Board and how all the cities were mutually involved in TMLIRP services.

Michael Smith, ex officio from TML MultiState Intergovernmental Employee Benefits Board, said they met last week and discussed the possibility of the Affordable Care Act being repealed or being repealed and replaced. He stated that rates went up for TMLIRP and as with most cities an average of 13%. He said they have been able to keep rates down, but unless something significant happens with health care, that might not be possible in the future.

Andres Garza, ex officio to TML MultiState Intergovernmental Employee Benefits Board, reported that the Employee Benefits Pool is attempting to increase its equity which will be healthy financially. He reported that the Board is doing a tremendous job in keeping rates down with all the health care problems.

9. Executive Committee Report

9a. Consideration of New Administrative Services Contract with the Texas Municipal League (Tab 27)

David Reagan presented the recommendation for a new administrative services contract with Texas Municipal League under Tab 27. The Pool has had a contract with TML since July 1990. TML is requesting a 5% increase in the fee under the contract, which increases the annual fee to \$889,350, effective October 1, 2017.

MOTION by Larry Melton, seconded by Andres Garza, to approve the new Administrative Services Contract with TML effective October 1, 2017, for an annual fee of \$889,350, as set forth under Tab 27, and authorize the Chair of the Board to execute the contract. Motion carried with unanimous approval.

9b. Human Resources Report identifying employment changes (Tab 28)

The Human Resources Report under Tab 28 was submitted for the Board's review without an oral presentation.

10. Executive Session

Chair Peter Vargas announced that it was now 10:30 a.m. and the Board of Trustees would go into Executive Session to discuss claims and lawsuits under Agenda items 10a., 10b, and 10c., under Texas Government Code section 551.071, and item 10d., personnel matters under Texas Government Code section 551.074.

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 \$250,000

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

Chair Peter Vargas reconvened the open session of the Board of Trustees at 11:13 a.m. The Chair took up Agenda Item 10.d., in conjunction with Agenda Item 5.g. concerning the Budget for 2017-18.

10d. Consideration of the compensation for the Executive Director

MOTION by Charles Wax, seconded by Larry Melton, to approve a 3.5% merit increase of the Executive Director's salary effective January 1, 2018, and for Hank Domeracki and his staff to bring back by the October 2017 Board meeting, if possible, recommendations to deal with the TMRS offset for the Executive Director and options that might be available to address the offset, and examine salary compression between the Executive Director, the Associate Director, and department heads. Motion carried with unanimous approval.

11. Meeting Schedule and Board Continuing Education (Tab 29)

11a. Select a location for the July 19-20, 2019 Meeting

The Executive Committee recommended the City of San Antonio as the location of the July 19 & 20, 2019 Board meeting.


MOTION by Charles Wax, seconded by Byron Black, to hold the July 19-20, 2019 Board of Trustees meeting in the City of San Antonio. Motion carried with unanimous approval.

Chair Peter Vargas asked if any of the Board members might want to attend a hockey game after the October Board meeting in Allen. He asked that a memo be sent out to get a better count so he could reserve a box for the game.

12. Adjournment

Chair Peter Vargas adjourned the Texas Municipal League Intergovernmental Risk Pool Board of Trustees meeting at 11.14 a.m. Motion carried with unanimous approval.

Approved by the Board of Trustees on
October 21, 2017


David W. Reagan, Board Secretary