

**PUBLIC ENTITY PARTNERS
BOARD OF DIRECTORS
MINUTES OF MEETING
DATE OF MEETING: June 21st, 2024
10:00am**

The Board of Directors of Public Entity Partners (“PE Partners”) met at 10:00am on June 21st, 2024, at PE Partners’ offices in Franklin, Tennessee.

Board Members Present: Chairman Curtis Hayes, Vice Chairman Randy Brundige, Mayor John Holden, Todd Smith, Commissioner Sam Tharpe, Victor Lay, Mayor Preece, and Councilmember Hardison. Victor Lay and Mayor Williams were not present.

PE Partners Staff Present: Michael Fann, President/CEO; Amanda Shrum, CFO; Halie Gallik, Board Secretary; George Dalton, Executive Vice President; Celeste Taylor, Director of Human Resources; Callie Westerfield, Director of Member Services; Carly Salah, Communications and Research Manager, Allen Dean, IT Manager, Jason Dodson, Assistant IT Manager, Elisha Hodge, Legal Services Consultant, and Janine Helton, Assistant Director of Underwriting.
Also Present: Russ Farrar and Wade Morrell

Chairman Curtis Hayes called the meeting to order.

Chairman Curtis Hayes – Citizen comments. Any comments to be made? Hearing none we’ll move on to item one.

I. Approval of Board Minutes

Motion made by Todd Smith to approve the board minutes from the meeting of February 23rd, 2024, seconded by Randy Brundige. **PASSED UNANIMOUSLY.**

II. Financial Reports

A. Investment Report – May 31, 2024

Amanda Shrum – Good morning. There should be an investment portfolio analysis in your books. You also have a full report if you want to look at each item or anything in more detail. If you look at the recap, you’ll see that since June 2023, we have seen an increase in our market values of \$2.1 million dollars which puts us at a Total Unrealized Loss on our investment portfolio to \$56.5 million as of May 31st.

At the end of May, our average coupon was 3.93% and the average yield was 4.8%. Based on this, at the end of May, we project our yearly interest income to come to around \$10.9 million. Although that appears to be down some from December, if you will remember at our last meeting, we

discussed our plan to start strategically selling off some of our lower yielding bonds and replacing them with better quality, higher-yielding instruments when the right opportunity presented itself. We've been able to increase our yield from 4.5% in December up to 4.8% at the end of May while also shortening duration and investing in higher quality instruments.

We've also retained some of those proceeds in cash and placed them in LGIP which is earning around 5.3%. So, the additional interest income we have received from the cash and LGIP that's not reflected on the analysis there, we're looking at an additional \$771,000. We've got about 14.5 million dollars in that account, so if you add that, we're looking at around \$11.7 million of interest income by the end of May.

You do have a full report and just as a little tidbit, just since May our market values have gone up about \$6 million, so we are looking at as of the 20th we were at \$50.2 million unrealized loss. So that will go straight to net position, if it stays where we are now. So that is good news.

Motion made by Commissioner Samuel Tharpe to receive May 31, 2024 Financial Statements, seconded by Mayor Lois Preece. PASSED UNANIMOUSLY.

B. Financial Statements – Third Quarter

Amanda Shrum – If you will turn to the Financials for March 31, 2024. We're going to look at the Statement of Revenue, Expenses and Changes in Net Position.

As of March 31st, Net earned premium was reported at \$56.2 Million. This is up \$3.4 Million from last year and Total Revenues are reported at \$59.2 Million – down about \$136,000 from this time last year. And as we stated, while we were talking about the investments about selling off some securities, we actually did realize about \$5.7 Million in realized losses from those sales, so that is going to be reflective in your report.

If you look down at TOTAL Loss and Loss Adjustments you will see that we reported an increase of \$4.8 Million in overall expense from last year. Our Claims paid has increased by \$5.5 Million from last year. Property alone was up \$5.1 Million. We discussed some of the things we've seen in the property line due to storm damages.

Policy acquisition costs increased around \$549,000 from last year and G & A expenses have seen a slight decrease of \$36,000. Under the policy acquisition, an increase in agent commission made up \$458,000 of that.

Total Expenses on March 31st were \$60.3 Million – an increase from \$55.0 Million this time last year. And as you can see, that's roughly where we're going to see the increase in our claims.

Operating Loss is reported at \$1.1 Million as of March 31st. If you add that to our increase in Fair Values on Investments of \$5.8 Million, we are left with a Change in Net Position of \$4.7 Million, leaving an Ending Net Position on March 31st of \$117.6 Million, which is up from \$104.1 Million at this time last year.

Amanda Shrum - Any questions?

Chairman Hayes – I do have one. On that investment report where you said that this report would be net position would be.

Amanda Shrum – From May 31st our \$56 million dollar loss is now \$50 million dollars. So that additional \$6 million would flow straight to the net position if we were reporting as of today with no other changes in expenses or revenue.

I do want to make note that our cash and equivalents along with our market values and investments are up \$3.5 million from last year. Reinsurance recoverable and paid losses was up \$5.5 and basically that's money coming back from reinsurance. Which looks good, but you know we really don't want that many claims hitting a reinsurance layer.

Prepaid reinsurance is at \$2.5 million, which coincides with our increases in the insurance renewals in October. Total assets and deferred outflows is up 14.6, while liabilities only increased about 1.2 from last year.

Chairman Hayes - Any questions?

Motion made by Todd Smith to receive Financial Statements – Third Quarter, seconded by Commissioner Samuel Tharpe. PASSED UNANIMOUSLY.

C. Budget to Actual Report - March 31, 2024

Amanda Shrum – This report shows actual budget expenditures by department. Budget-wise we're actually \$1.5 million under budget.

Motion made by Mayor John Holden to receive Third Quarter Budget to Actual, seconded by Mayor Randy Brundige. PASSED UNANIMOUSLY.

III. General and Administrative Budget - FY 2025

Michael Fann – Thank you Mr. Chairman. I want to really give Amanda and her team all the props for just an amazing job this year. We had obviously some things to look at with some increases that we talked about with regard to our property reinsurance. She and her team put together what we feel like is a very good budget for the coming year. Just a couple of points, after much discussion at the executive team and leadership team level, we're recommending a 3% cost of living increase for

staff, and she'll cover the bulk of that. But the 3% COLA and you'll see at the bottom of our page there that roughly we're still coming in requesting a 3.06% overall increase in budget. So I'll let Amanda walk through some of the highlights.

Amanda Shrum – As Michael just said, under our salaries and benefits, we do have a 3% increase figured in for all employees. There were a handful of merit increases, but we felt like where we are on that to be at 1.22% increase was good. We did take one position out of finance. We recently had two employees complete their CPA. We had a Controller position open, and we were able to promote from within. On travel-related expenses, we show an 18.3% increase. Most of this goes to member services and loss control who have had a push to get back out in the field. We're seeing increasing competition in some areas. Budgeting for extra time and mileage out in the field to be face to face with our members, conference expenses have gone up. If you look down at the member-related expenses, it's pretty consistent.

Under the administrative expenses you will see a jump in office and equipment supplies. This is for computer upgrades. This had not been done since prior to COVID. Depreciation you're going to see a little bit of an increase, that's from the build out of the first floor. You know we've got the training rooms, the additional offices. We had to budget for additional depreciation expense to go with that area.

Under professional expenses. We are going to undertake a capital modeling study again. Those are fairly expensive. I think it's about \$80,000 or up. So that expense is now budgeted in for this year to do a capital modeling study. And we felt like there was a great need for us to do that because our reinsurance retentions went up and we just kind of need to make sure that our range that we're working with still, is still where we need to be. And then for the consultants and professional services line item, the consultant contract for Judy Housley has been removed from the budget.

We've budgeted for just regular increases in items like our commercial insurance along with other facility services like cleaning and landscaping.

Chairman Hayes - When I look at the expenses under legal hotline, is that changing? Am I looking at that right?

Amanda Shrum We're budgeting the same amount as last year, so there's no change in that.

Chairman Hayes - OK. I'll entertain the motion to approve the general administration budget year this year 2025.

Motion made by Mayor John Holden to approve General & Administrative Budget – FY 2025, seconded by Todd Smith. PASSED UNANIMOUSLY

- IV. Contracts
- a. Key Contracts / Agreements

Michael Fann – As part of the June meeting we present a summary, discussion and then approval of key contracts that we utilize. Hopefully, you've had a chance to read the summaries that our leadership team put together, but we will talk through these and then enter in a motion to receive and approve, I should say, our annual contracts.

Item 1 is our loss control program for online risk management forms that we have through BLR that we've been utilizing for the last few years. Our proposed contract amount is up to \$75,000. I'm just going to walk through these. Please stop me if you have questions.

Item 2 is an underwriting contract for our workers comp audit services. We've transitioned from EXL to RTS and we are requesting for our workers comp audit services from EXL authority to engage them not to exceed \$132,000

Item 3 - As a matter of fact, the next three are IT based contracts. Our online claims system, as most of you know, utilizes Origami Risk the estimated contract for fiscal year 25 is \$408,700. This is year three in a three-year agreement with them for our claims management system. A total requested for our basic contract and then our additional needed items that are listed is not to exceed \$110,000.

Item 4 - is our contract for our servers with Flex Central. Again, our contract amount of \$131,000 additional project-based items would take that up to potentially up to \$150,000 for that IT contract.

The final one there, item number 5 is for LBMC Technology for we utilize firewall support OnBase enhancements and disaster recovery. Again, requesting approval for the ability to contract not to exceed \$110,000.

I'll pause there just briefly see if there's any questions on those before we move on. Potentially our maintenance contracts for our operations. Anything at all?

Item 6 - This is our reinsurance contracts for all three of our funds. We just bound as we I think some of us discussed when we were on our NLC conference, we've just bound for July 1 on workers comp reinsurance coverage with Safety National at a little over \$1.8 million for July 1. Safety National also with our combined liability program \$1.38 million. The property coverage which is multi-layered and multiple carriers. We also utilize National League Cities Mutual on that primary layer. But we renewed it last October at \$16.3 million dollars and have already begun working on our 10/1 renewal forthcoming. So, those are our reinsurance numbers to make sure that we can pay the losses that our members will have. So, a little over \$19 million total in reinsurance cost.

Item 7 - is our contract with Public Risk Services and our friend Jim Morrison's wonderful program over there with our contract, requires/has an automatic annual increase of 2.9%. So, the contract amount is estimated in fiscal year '25 at \$5.8 million for claims service.

Item 8 - our sponsorship contribution for the Tennessee Municipal League 2025 amount is \$1.1 million. As you can see, the description from what this board approved two years ago, the next year would be 1.5% of the previous year's net premium, but this year is a flat \$1.1 million contribution.

Item 9 - Our group medical insurance that Celeste Taylor manages for us, estimated fiscal year '25 amount \$585,000 plus an additional \$175,000 estimated for our HSAs for all of our staff.

Item 10 - is an underwriting program with our friends at Huber and Lamb who handle all of our appraisals and property valuations of the next year estimated contract \$675,000. As most of you know, we have Huber Lamb do evaluation inspection service for roughly 25% of our property members each year so everyone's property valued at over \$75,000 per location gets looked at and valued and measured at least every four years. Again, \$675,000 estimated contract there with Huber and Lamb.

Item 11 - General counsel contract for the next year estimated at \$386,000. And then likewise our lobbyist and governmental affairs, a program also managed by Russ Farrar is estimated at \$256,500. Those are the two contracts that Russ Farrar helps us manage.

Item 13 - is our agreement with the University of Tennessee's MTAS - Law Enforcement Program. As you know, for almost 30 years we have supported MTAS' efforts to assist police agencies across the state with good practices. We meet routinely with their consultants. The estimated contract amount is up to \$253,000 estimated for the coming year and that helps fund two law enforcement management consultants, many of you know David Moore and Jeff Styles currently operating in those two positions. A tremendous benefit not only for law enforcement, but just good governance and good practices. And so we continue to ask that you allow us to support those two positions.

Item 14 - is our Loss Control online training program that we supplement with our agreement with Savant Learning Systems for their Virtual Academy online law enforcement training an estimated \$145,000 for the coming year to fund that. I think, Chester, I believe I'm right out of our roughly 243 or 244 police agencies that we insure, a little over 190 of those utilize that program.

Chester Darden - So yeah, we're close to 200 now.

Michael Fann - Excellent, excellent. So that has been a very good program for us. Again, \$145,000 estimated for the coming year.

Item 15 - Our public relations and media assistance group Corporate Image, it's our great communications and research team works with the estimated contract for The Corporate Image for the coming year is \$100,000.

Item 16 - Then our audit services that Amanda helps manage through LBMC. The '25 contract amount for the audit effective June 30th, 2024 estimated to be \$77,000.

Item 17 - As Amanda mentioned earlier, our actuarial services again this year we are requesting to do all three of our actuarial programs. Of course, our annual reserve study we do every time, we obviously do it every year required as a good practice for pools. Then we're going to again do an additional rate study and an additional capital adequacy study this year. So all three of our actuarial studies we are requesting funding to do all three of those. Again, primarily, as Amanda mentioned, we've just made changes to our program. We're still monitoring where our losses are going to level out kind of a post COVID world. And then we have taken on a considerable additional retention in our property program. And so, we just want our actuaries to crunch the numbers one more time and make sure that we are adequately funded for capital adequacy. So up to \$169,000 for those three actuarial studies.

Item 18 - is an HR element group life, accident and disability insurance estimated up to \$50,000.

And then finally, our communications and research effort for our Risk and Insurance symposium that we have every August estimated contract for this coming year's program \$110,000.

So, those are the 19 primary contracts that would need the boards approval.

Chairman Hayes – Alright folks, y'all heard the contracts and the agreements. I'll entertain a motion to accept them.

Motion made by Mayor Randy Brundige to approve the Key Contracts, seconded by Commissioner Samuel Tharpe. PASSED UNANIMOUSLY.

V. Board Member Appointment

Chairman Hayes - Number 5, Board member appointment.

Michael Fann - We have had an open nominations period to fill open board member seats that as you see under your tab there that those applications were open from April 1 through June 10. And we have two board members, Mayor Holden and Councilperson Hardison who are eligible for reappointment. So those two seats are open unless reappointed. And we have a new appointment that we'll cover in a second to replace our outgoing chairman. So, if it's the will of the board, we could take up, Mr. Chairman, the reappointment issue first, if you'd like, in the form of a motion and then move on to filling your seat.

Motion made by Todd Smith to reappoint Mayor Holden and Councilperson Hardison to a second term, seconded by Mayor Randy Brundige. PASSED UNANIMOUSLY

Michael Fann - Congratulations to you, too. Thank you for your willingness to continue to serve.

And then the second piece of that you will notice in your in your board books that we had four nominations applications to replace our outgoing chairman. Obviously, Mayor Hayes is represented as a Middle Tennessee small-town elected official. And so, as we remember our bylaws and our desire for diversity across the state, just keep that in mind, but let me tell you that all four of the nominations received have been vetted and are eligible for service.

The first one there, Keith Morrison, City Administrator in Algood in the Cookeville area. Then Jennifer Moody, city manager of Belle Meade here is locally in the Nashville area. Roger Houck is the city manager of Clinton, Tennessee over near Oak Ridge and in Anderson County. And then the final nominee is Mayor Brian Stover of Thompson Station here in Williamson County. And is the only elected official that has chosen to submit a nomination. So, hopefully you've had a chance to review the information presented in your board book. And Mr. Chairman, I think discussion and then a motion to select one of these four.

Chairman Hayes - All right, one of the four needs to be nominated.

Lois Preece - Was there something in the bylaws that had to be a number of elected officials and a number of city managers?

Michael Fann - Yes, there has to be at least two city managers or administrators, which of course we already that.

Michael Fann - It's a minimum of two and obviously our two are in East and Middle Tennessee. So, but yes, it is a minimum. So, we could have another City Manager and then of course the balance being elected officials.

Chairman Hayes - All right, so I'm ready to take the nomination.

I'll entertain a motion.

Motion made by Mayor Randy Brundige to appoint Mayor Brian Stover of Thompson Station to serve on the PE Partners Board of Directors, seconded by Mayor Lois Preece. PASSED UNANIMOUSLY.

Michael Fann - Mr. Chairman, in light of that, while still under Category 5 under the Board member appointment, I'd like to have the floor for a second to address the board. This monumental day in that it is our Chairman's final meeting. I'd just like to as a point of privilege as CEO to thank him on behalf of our leadership team and our General Counsel's office. We would like to present you with a plaque recognizing his services. We had two of those printed, one to give to Curtis and one to hang in this building.

In recognition of distinguished and dedicated service for the membership of Public Entity Partners, effective risk management practices in local government, the public risk discipline throughout the US and certainly to the taxpayers of the great state of Tennessee, we're leading public entity partners to effective strategic planning, transparent governance, and the organizational transition. We hereby honor William Curtis Hayes, Mayor of Town of Livingston. PE Partners Board of Directors, June 22nd, 2013 through August 31st, 2024. PE Partners Board Chair November 14, 2018 through August 31st, 2024. Tennessee Municipal League President 2016.

Chairman Hayes - Thank you. Well, I wasn't expecting that. I know you said you'd do a little something, but thank you. It's really been a pleasure to be a part of a team. It's been a good run as my mayorship at Livingston, finishing up 18 years.

I just want to say thank you for allowing me to be a part of this team that keeps every member's best interest at heart. I've been on several boards across the state of Tennessee, certainly locally, and I've enjoyed every one of them, but this one takes the cake. I just want to say thank you.

VI. Proposed By-Law Change Discussion.

Michael Fann - Yes, Mr. Chairman, this is just presented as a matter of information. We have been working most specifically our executive team and leadership team on looking at kind of the final recommendation that we received a couple of years ago when we went through our bylaws changes. I think we made, if my memory serves, we made seven different changes to our bylaws that had been suggested by the Comptrollers office for better governance, more transparent governance. And there was one element that we just have not been able to get the logistics put together to do. And so we worked to try to get that done by this meeting. And that is the final recommendation that we just haven't got to from a bylaws perspective is to establish a members meeting, an annual meeting of membership that we foresee taking place at our risk symposium. And so we've been in discussion, especially Halie Gallik and Elisha Hodge have spent considerable time trying to work through the logistics and we know we can get it done. But as I've told a couple of you, part of the difficulty in bringing together almost 500 public entities across the state is to #1 determine what will be a quorum of membership and not just a quorum of who's signed up for our symposium, but who actually would be in the room for a vote at a members meeting. So we're still working through some of that. But the gist of it would be in addition to the period of open nominations for new board members, then this board selecting a nominee, and right now that becomes the appointee. But to add an additional step, which would be an up or down vote on the board's decision to give the members some voice in who is sat on our board of directors. At our September meeting or December meeting, we will be able to present you a recommended bylaws change to allow that to happen such that we would have an adequate number of our members, where each member would get one vote would have to go through that process of the member telling us who represented them and is going to be in the meeting. And we have to get to a level which right now we're drawing somewhere in the neighborhood of 20% of our membership to our symposium. But again, they not only have to be registered and say they're there, they have to be in the room to vote. So we're going to work through that. But I wanted to go on record really and give our chairman credit and go on the record at this meeting that he has led us through these changes. And the opportunity to work together, not only in this building, but with each of you. And then the opportunity to work with the Comptroller's office to make sure that we're doing things above board and in a transparent way

has been our desire from the beginning. And I just wanted to go on the record that we're working on it and we hope to have a proposal for you within the next six months to get that done by next year's 2025 symposium in August.

So Mr. Chairman, I just want to put that out there. Obviously, if you have any questions, I'll be happy to try to address them currently. But as a matter of information that I think will wrap up the suggestions on the Comptroller's office in our governance here at PEP.

Chairman Hayes - Thank you for that. Thank you for your time.

So next the suggested date of the next meeting will be September 27th. On that agenda you will be selecting a new chairman, so that will be on the agenda, along with the new board members that congratulations to John and DaVena being reappointed and Mayor Stover. Any other business?

Todd Smith - Mr. Chairman, can I say something as well? This organization is going to have Chairman Hayes fingerprints all over this organization and that's not just for today, that's for the next 10, 15, 20, 30, 50 years of this organization. You've had an impact on it. And when I first came on the board, I frankly questioned what am I doing? Why did I get involved in this board? And Curtis, I think you had taken over as chair and led this organization through the valley and we're back on the mountain because of your leadership. So I want to say thank you. You know, public service has kind of gone the way of the dodo bird, it doesn't exist anymore. But Curtis is an example of that. Both in your community and across the state. So appreciate what you do to give back.

Mayor Lois Preece - Totally agree with that statement.

Samuel Tharpe - I'll make a few comments. Curtis, I want to congratulate you. First of all, serving, but you didn't have to do it but at the same time you contributed a great deal to PEP and not only that, Tennessee Municipal League all the way to the Bond Fund. So you know your experience as Mayor in Livingston. You're a good man. And to me, your value has had an impact on a lot of people and you're not finished. You're a young man who'll continue to share your blessings and your experience. You have a lot to give and I just want to say thank you for what you have done. You're a good friend. You will be missed and we wish you the best. OK, and remember this. We'll always be your friend, OK?

Mayor Preece – And you're always welcome to play golf in Niota.

Chairman Hayes - Thank you. I'll certainly have to take you up on that again.

Mayor Brundige – You've done a good job.

Mayor Holden - Same here, brother. I appreciate you, appreciate your friendship and all you've done.

Chairman Hayes - Thank you. And while I've been here it's amazing, John Holden's kids have grown up.

Mayor Holden - I know. And she's 24. It's been a while.

Chairman Hayes - Been growth in a lot of areas, that's for sure. All right, two other items.

Michael Fann - You've got a calendar of events in the back of your board books. I've already mentioned the suggested September 27th as our next board meeting. We also went ahead and listed just for your calendar, Wednesday, December 11th would be our December, assuming that's the will of the board would be our December meeting.

Chairman Hayes - Truly been a pleasure to work with all of you. I'm a phone call away. But you're certainly in good hands here with Michael, his staff and team and great General Counsel Russ and so we're on solid ground for sure.

Motion to adjourn made by Mayor Randy Brundige seconded by Mayor John Holden. PASSED UNANIMOUSLY

Randy Brundige, Vice Chairman

Halie Gallik, Secretary