

**PUBLIC ENTITY PARTNERS  
BOARD OF DIRECTORS  
MINUTES OF MEETING  
DATE OF MEETING: September 27, 2024  
10:16am**

The Board of Directors of Public Entity Partners (“PE Partners”) met at 10:00am on September 27<sup>th</sup>, 2024, at PE Partners’ offices in Franklin, Tennessee.

**Board Members Present:** Vice Chairman Randy Brundige, Councilmember DaVena Hardison, Mayor Lois Preece, Mayor Paige Brown, Todd Smith, Mayor Brian Stover, and Victor Lay.

**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; Chester Darden, Director of Loss Control, Carly Salah, Communications & Research Manager, Allen Dean, IT Manager, Jason Dodson, Assistant IT Manager, Elisha Hodge, Legal Services Consultant, Janine Helton, Assistant Director of Underwriting.

**Also Present:** Russ Farrar, Farrar & Bates; Kristin Berexa, Farrar & Bates; Jim Morrison, PRS; Wade Morrell, TMBF

Randy Brundige called the meeting to order.

Roll call was taken. All members were present except Commissioner Tharpe and Mayor Holden.

**Mayor Brundige - Citizen’s comments?**

**I. Chairperson of the Board Nominated and Elected**

**Motion made by Victor Lay to appoint Mayor Randy Brundige as Chairman of the Board seconded by Mayor Lois Preece. PASSED UNANIMOUSLY.**

**II. If vacant, Vice-Chair of the Board Nominated and Elected**

**Motion made by Todd Smith to appoint the Victor Lay as the Vice-Chairman of the Board seconded by Mayor Lois Preece. PASSED UNANIMOUSLY**

**III. Approval of Minutes**

**Motion made to approve minutes by Victor Lay to approve the minutes of June 2024 seconded by Council Member DaVena Hardison. PASSED UNANIMOUSLY**

**IV. Property Reinsurance Renewal Update**

**Chairman Brundige– Property Reinsurance Renewal Update discussion only, Michael.**

**Michael Fann – Thank you Mr. Chair. As we do every year this time, we renew our workers comp and liability reinsurance on July 1 and then on October 1 is our property reinsurance program and obviously as Amanda can tell you this is one of the largest elements of our budget just because it is extremely expensive. We are currently continuing in a hard market with regard to property coverage, but to give you a briefing of what will go into effect on the first. In the face of a difficult renewal last year in terms of expense and significant increases. We had a very good renewal this year and I really want to give credit to our reinsurance broker Arthur J. Gallagher and specifically Branden Miller who has spoken to this group before for the hard work they did in putting our program together. Just to give you an idea of what property insurance and construction costs and construction inflation and all the things that’s gone on for the last couple of years specifically, really coming out of the pandemic just in this year our overall total insured values of what this organization provides coverage for across the state of Tennessee (the local governments) is now up to \$14.5 billion in local government property values. That represents over a \$2 billion increase just over last year.**

**Again, kudos to all of our team for keeping up with that. Doing the loss control work, doing the underwriting work and certainly doing the finance work to get all of that taken care of. What comes in terms of our overall update on the renewal. Our property program as you know is a multi-layered approach. We now have 44 carriers involved in reinsuring that \$14.5 billion in local government values across the state plus a terrorism policy that has kind of a number of London underwriters and other folks involved in that so really a total of 45 policy programs through that. Our overall exposure that that \$14.5 billion represents a 17% increase just in this year and our total insured exposures. Our rate, even though we've had that kind of increase in what we were insuring, our overall rate had a 7.42% decrease in rate, which on the heels of last year's fairly significant increase was much welcome in the organization. 7.42% rate decrease on property. And then when you work the math on a 17% increase in exposures and a 7.4% decrease in rate our overall premium increased 7.21% over last year, but again the vast bulk of that being exposure increase of what we're insuring now. A very good renewal. Our total expenditure a little over \$17.5 million which we, especially Amanda and I, are pleased to let you know that represents about a \$1/2 million under budget figure. Because we were expecting somewhere in the \$18 million range, so very pleased with that. Does anyone have any questions about...**

**Amanda Shrum - And I'll point out, even though we did see a slight increase in premium we are also fully insured. Last year we had a \$25 million dollar layer that we self-insured it was higher up in the program, but we are fully insured even with that small of an increase. That is a very good renewal.**

**Michael Fann - Yeah, we filled all cells including the one Amanda referred to and we are still insured up to \$500 million dollars. Other comments, questions? Very good. Thank you, Mr. Chairman.**

**V. Financial Reports**  
**a. Financial Reports FYE 6/30/24**

**Amanda Shrum - Good morning everyone we are going to be under tab two. I believe all the financial reports are in that tab. We're going to start with the statement of revenue expenses and changes in net position as of June 30<sup>th</sup>, 2024. As of June 30<sup>th</sup>, Net earned premium was reported at \$74.8 Million - up \$5.1 Million from last year and Total Revenues were reported at \$80.0 Million – which was up \$1.4 million from last year. We realized \$5.8 Million in losses on investments which is reflected in our investment income of \$4.9 million, so that has been taken out of our interest income to kind of net that out to a 4.9.**

**As we look down at the total Loss and Loss Adjustment expense, we reported an increase of \$8.5 Million from last year. Claims paid increased \$3.7 Million.**

**Under Policy acquisition costs they increased \$1.8 Million, but I will say a large portion of that was our full package bonus increase. We were able to up our ranges, we have not changed our bonuses from inception I don't think, the maximum was always \$5,000 for members, on the full package bonus, the maximum is now \$10,000 and we also increased agent bonuses up to 50% from what they were, so like I said Halie had mentioned we're seeing an increase in competition and stuff, our financials came back better than what we had budgeted and expected, so we were able to give that back to them members. So that is reflected there. The G&A expenses were up \$350K from last year. Total Expenses on June 30<sup>th</sup> were \$69.5 Million – an increase from \$58.9 Million.**

**Operating Income came to \$10.5 Million as of year-end. With an increase in Fair Values on Investments of \$4.8 Million, we come to the Change in Net Position of \$15.2 Million leaving an Ending Net Position at year-end of \$128.2 Million. Does anyone have any questions on statements, revenues and expenses.**

**Victor Lay – Nice to see the negative from '23 eliminated.**

**Amanda Shrum – And even from there and when we get to the investments two of the big factors are our investment value increases, we continue to see improvement there and also our actuarial adjustments for our losses Work comp we were favorable our development is coming down in work comp, so that is an adjustment to our loss and loss adjustments once we get those actuarial numbers back, so we are moving in the right direction in all places.**

**Statement of net position we're not going to go through each line, there's just a few things I want to mention here. As of June 30<sup>th</sup> our cash combined with our investments were up \$11.1 Million. Total Assets were up \$16 million while Total Liabilities and Deferred Inflows were up \$4.8 Million. And so, if there's any questions on any of the financials we can discuss.**

**Chairman Brundige – Can I have a motion to approve the financial reports for Fiscal Year 6/30/2024?**

**Motion made to approve financial reports for Fiscal Year 6/30/2024 by Todd Smith seconded by Victor Lay. PASSED UNANIMOUSLY**

**b. Year-End Budget Report FYE 6/30/24**

**Amanda Shrum – If you flip to the next page, the G & A Expenses, the Budget to Actual as of June 30th, this is our budget and actual by department. As of June 30<sup>th</sup> expenses totaled \$11.4 Million which were up \$350K from last year, but under budget by \$1.8 Million for the year, so just wanted to give everyone a recap of that if anyone had any questions there.**

**Motion made to approve Year-End Budget Report FYE 6/30/24 by Mayor Lois Preece seconded by Todd Smith. PASSED UNANIMOUSLY**

**c. Investment Report – August 2024**

**Amanda Shrum - The next few pages you will see investments you've got the actual Investment Portfolio Analysis. And then you have the full report the next 4 or 5 pages behind that, so we're going to take a look at the investment portfolio analysis, it will kind of give us just a summary of what has gone on with the investments. As you will look for August 31st we have seen an increase in market values of \$10 million just since June 30<sup>th</sup> of 2024. At the end of August, the Total Unrealized Loss on investments were down to \$43.8 Million compared to an Unrealized Loss as of 6/30/2024 of \$53.9 Million.**

**At the end of August, the average coupon was 4.00% and the average yield was 4.7%. Based on this portfolio at the end of August, we project our yearly interest income to come to \$11.8 Million roughly. And just to give you an idea even since August our values have dropped a little further, we're kind of in the range of 37-40 million. Of course, after the fed dropped rates 50 basis points it went down and now we're trying to level out a little bit, so there's up some one day but we're kind of in that range right now and we expect to see improvement again before year-end. So if anyone's got any questions on the investments...**

**Motion made to approve Investment Report – August 2024 by Victor Lay seconded by Todd Smith. PASSED UNANIMOUSLY**

**d. Proforma Schedule of Revenues/Expenses FY 2025**

**Amanda Shrum – The last item we've got under the financials is the fiscal year 2025 proforma budget. At the last meeting this board approved the G & A budget for the current year and if anybody wants a copy of that, if you don't have it, I've got some extra copies of the G & A budget. But we're going to go through the proforma, just a few things we want to note here and we can answer any questions that you may have. You look under earned premium we had budgeted 96.8 million of earned premium based on the base rate changes as of 7/1 in estimated exposure increases. The reinsurance expense is estimated at 21 million based on what we've already renewed from work comp and liability as of 7/1 and then as Michael talked about the estimated quote.... Property reinsurance premiums of around 18 million. The net investment income is estimated at 8.9 million, this does take into account 2.5 to \$3,000,000 of realized losses that we expect for this year. We're going to continue the program of looking for ways of investing in higher quality higher yielding assets if we've got a low yielding asset that we can sell for long term investment income we will do**

that, so we've allowed 2.5 to \$3,000,000 in order to do that if needed. Total revenues are estimated at 84.9 million and total expenses are estimated at 84.1 million leaving an estimated operating income of \$800,000 for the year.

**Motion made to approve Proforma Schedule of Revenues/Expenses FY 2025 by Mayor Lois Preece seconded by Council Member DaVena Hardison. PASSED UNANIMOUSLY**

## **VI. Enterprise Contract**

**Michael Fann - Thank you Mr. Chairman. Yes, this is really a housekeeping matter, but it does require a board vote because of the annual amount. This is an agreement that Jim's folks have utilized for a number of years as Enterprise rent-a-car being our preferred rental car organization when we have a claim. In other words, they'll pick you up, they'll bring a car to you, so as a convenience for people who have a claim against one of our members. They are now requiring a written contract and so as you can see this is for claims adjusting and estimated that it could be over \$100,000 annually, so we've had legal review it and have worked through this over the past few weeks and we would recommend that you approve our relationship in writing with Enterprise Rental.**

**Motion made to approve Enterprise Contract by Victor Lay seconded by Mayor Paige Brown. PASSED UNANIMOUSLY**

## **VII. Proposed By-Law Change – Member Meeting - update**

**Michael Fann – This is just for information. We did this back in June gave a briefing of the direction we were hoping to head with regard to a verbal recommendation from the Comptroller's office a number of months ago and as many of you will remember we went through a whole series of bylaws changes in our working with the comptroller's office over the last two years and so this was the final element that we had not been quite able to work out the logistics to. We think we have finally landed on a good place that we will present to you in December with some bylaws change language and you might remember when I gave this briefing in June we wanted to wait on the results and the attendance at our symposium in August and evaluate that. We didn't hit the target that we wanted in terms of the breadth of our membership at our Symposium. We had great numbers, but we still haven't quite hit that 20%. Where we think we have landed and we will be presenting this to you in December with the actual language, hopefully for your acceptance, is that we want to stay with a quorum/goal of 20%. We have not hit that at any of our symposiums over the last 8 or 10 years. The challenge as all of you know is we have out of our just short of 500 members we have a little over 300 cities and towns and we get a significant representation of those cities and towns at our Symposium, but we also have over 180 other agencies, so we are really wanting to use the 20%, to really promote to that, to encourage more and more of our members to**

send at least one representative to the Symposium and so, our goal again, is to have a brief members meeting after this board makes a board member appointment at its June meeting that have our up or down vote to accept this bodies recommendation for either, reappointment of a board member or a new appointment of a board member. So, again that is something that the Comptroller's office has asked us to do and look at obviously when you have 500 entities almost across the state trying to gather for a meeting and get a quorum in the room to vote that's going to be our goal. Now what we finally landed on as a safeguard is if we don't get 20% quorum then it will simply then the action of this board that will stand. In other words, if we don't get the 20% then whatever this board has decided in terms of board appointments at the June meeting would simply stand. So, I think that'll keep our business going, it'll keep this board going, and for continuity's sake I think this will work and I think that's kind of where we've landed. So just wanted you to be aware of that, obviously we will have more discussion as we progress toward our December meeting but that's our intention is to bring you a bylaws change. Accounting for all of that at the December meeting. I'll be happy to try to answer any questions as best I can.

Discussion ensued.

#### **VIII. Date of Next Meeting**

Chairman Brundige - Our next meeting is going to be December 11<sup>th</sup>, that's a Wednesday. And you've got all of the future meetings. Tennessee Municipal League legislative conference, Trustees conference, NLC Trustees Conference in Clearwater, Florida if there's anything left.

Victor Lay made a motion to adjourn, seconded by Mayor Paige Brown. PASSED  
UNANIMOUSLY

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**Randy Brundige, Chairman**

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**Halie Gallik, Secretary**