

**PUBLIC ENTITY PARTNERS
BOARD OF DIRECTORS
MINUTES OF MEETING
DATE OF MEETING: December 2, 2022
10:00am**

The Board of Directors of Public Entity Partners (“PE Partners”) met at 10:00am on December 2, 2022, at PE Partners’ offices in Franklin, Tennessee.

Board Members Present: Chairman Curtis Hayes, Vice Chairman Randy Brundige, Councilmember DaVena Hardison, Mayor Bobby King, Mayor Lois Preece, Todd Smith, Commissioner Sam Tharpe, and Victor Lay.

PE Partners Staff Present: Michael Fann, President/CEO; Amanda Shrum, CFO; Halie Gallik, Board Secretary; George Dalton, Vice President of Risk Services; Celeste Taylor, Director of Human Resources; Callie Westerfield, Director of Member Services; Anthony Ponessa, Director of IT; Chester Darden, Director of Loss Control.

Also Present: Ross V. Smith, Farrar & Bates; Wade Morrell, Tennessee Municipal Bond Fund, Dr. Christa Martin

Chairman Hayes called the meeting to order.

Chairman Hayes – First, I would like to welcome Ms. DaVena Hardison to our board. This is her first official board meeting. Ms. DaVena was selected from a pool of folks that put in for the position in middle Tennessee. She was selected then ratified by this board to serve in the role of board member, which was made vacant by Dr. Christa Martin. I want to welcome Ms. DaVena Hardison to the board. (Room applauds.)

I also want to give a heartwarming thank you to Dr. Martin for everything you have done with Public Entity Partners, Tennessee Municipal League, and the Tennessee Municipal Bond Fund. (Room applauds.) In your community over 30 years of service to the City of Columbia, I know that you’ll be missed at the City. Job well done.

Roll Call was taken. All members present except Mayor John Holden.

I. Approval of Board Minutes

Motion made by Victor Lay to approve the board minutes from the meeting of September 30, 2022, seconded by Vice Chairman Brundige. **PASSED UNANIMOUSLY.**

II. Financial Report

a. Investment Report – October 31, 2022

Amanda Shrum – Good morning, everyone. First on the agenda, we have the Investment Report. We are actually seeing the Investment Report from October 31st. Normally, we would be seeing the previous month, but considering November 30th was only two days ago, we needed more time to wrap it up.

As of October 31st, we held securities with a book value of \$297.2 million and a fair value of \$219.8 million leaving an unrealized loss of \$77.4 million. The average coupon in the portfolio was 3.6% and the average current yield was 4.8%. Since the last report in August, we have seen continued market value declines through September and October, however, in November with financial data that was released that the economy was starting to slow and inflation coming down, it has very slowly improved.

As of yesterday, market values were actually showing an unrealized loss at \$62.4 million. So, we're heading in the right direction. It may take a little time, but we're going to be much better off.

Todd Smith made a motion to approve the Investment Report – October 31, 2022, seconded by Commissioner Tharpe. Roll Call Vote was taken. PASSED UNANIMOUSLY.

b. Financial Statements September 30, 2022

Amanda Shrum – If you will look at the Statements of Revenue, Expenses and Changes in Net Position. As of September 30th, our net premium is up 3.8%, however, with our decreased investment income of \$1.9 million, we are down in total revenues from this time last year by \$1.2 million.

Total Losses and Loss Adjustment Expense is up 4.48%, or \$620,000, from this time last year. If you look at that by line of coverage, we're actually showing an overall increase of Liability Expense of 22.4%, an overall increase in Property Expense of 41%, and an overall reduction in Work Comp Expense of about 31% from this time last year to give you the breakdown by individual lines.

Total Policy Acquisition Cost is down from last year by about \$80,000 mainly due to the decreases in audit fees paid and the reduction of the TML contribution.

Total G&A Expense increased by \$376,000 from this time last year, but still remains under budget by \$334,000.

The Operating Loss as of September 30th comes to \$1.4 million, as compared to this time last year of operating income of \$706,000. Again, our Investment Income is one of the main contributing factors along with some increases in our Loss & Loss Adjustment Expense.

With a further reduction of our market values of our investments of \$20.6 million, we report a decrease in our Net Position of \$22 million, leaving us with an Ending Net Position as of September 30th of \$87.4 million. Like I said, the market has rebounded after September 30th it dropped. What we have seen, the increases come in, if we were to report that with nothing else changing as of November 30th, we would have been about \$8 million up in Net Position from where we were. I'm hoping to see our Net Position in much better shape by quarter end on December 31st.

Any questions?

Chairman Hayes – Any questions from Ms. Shrum?

Amanda Shrum – Then if we move to the Statement of Net Position.

As of September 30th, Total Assets & Deferred Outflows of \$279.4 million are down from \$345.8 million last year, a decrease of \$66.4 million. Contributing factors were the loss of value in our investments with a decrease of \$46 million and decrease in Cash of \$15 million. Another factor in the decrease in assets is also our decrease in our Prepaid Reinsurance of \$7.7 million. The change in renewal dates for our Property Reinsurance shifted that Prepaid Reinsurance on the asset side.

Total Liabilities have increased \$2.2 million from last year to \$190 million. The biggest factor was an increase in the Unearned Premium of \$3.5 million which tracks with our increase in Written Premium of \$3.9 million.

Our ending Net Position fell \$70.2 million from this time last year, that's not from year-end-from this time last year, to \$87.5 million and as of September 30th, we have Total Liabilities, Deferred Inflows, and Net Position at \$279 million.

Questions?

Chairman Hayes – Does anyone have any questions?

Victor Lay – So, from your perspective of where we are, obviously we see lots of decreases from where we were a year ago. We all understand why. What's your gut feeling on where we're headed and where you think we'll be by the end of the fiscal year?

Amanda Shrum – Well, obviously things happen every day that we don't expect. We are seeing the trends moving. The Fed is expected to have another rate hike – probably not 75 points but 50 points which will continue to help slow the economy. We feel it's going to take a little while, but by the end of the year – by the end of our fiscal year, we'll be in much better shape than we are right now.

Michael Fann – I agree with Amanda. Just to continue that line of thinking, it was very nice to have the November that we had. Because we hadn't had anything like that since last December. In our conversations with our investment consultant, Harry, he told us three or four months ago that this is literally the worst market in fifty years. Well, we're only 43 years old, so it's definitely the worst that we've ever seen in this organization. Amanda and her team have done a tremendous job. I think we're all fairly confident as we head towards June 30 that, especially after a nice November, that things will be looking up for sure.

Todd Smith – This disruption in the market does that warrant us looking at the investment strategy overall? Does it weaken anything with our investments strategy?

Amanda Shrum – At this point, I know that I have talked to our investment consultant, and he has mentioned... Last year when all of this started, we joked that we just need in cash, but we can't operate without investment income. Had we known where it was going, had anyone known, probably everyone would have pulled out and put everything in cash until things got better.

Michael Fann – But that would have been catastrophic in its own way.

Amanda Shrum – Then you go to the risk that you take on to do that too. We are watching it. We're open to new ideas. We're also, in order to track it too, we've got to think about the software and stuff that we have in place to do that tracking. If we're going to take on different investments that our software won't track market values for us to be able to report. Then we would need to look at that as well.

Michael Fann – The flexibility that this board has granted us within the last two years helps. It's already helped us reposition a number of our investments so that when things start coming back even better, we'll recover quicker. It's just hard to say right now.

Vice Chairman Brundige – I'll just tell you I spoke to my financial advisor this week and she said we are in the worst market since the 1930s. And she said we've been down and it's starting to come up. It's going to be slow coming up... And November was good to us. But there are still going to be some rough spots before long, but when this market comes out it's going to go higher than what it was when this started out. That's just what we're working through.

Commissioner Tharpe – I personally think you need to lean into the advice of our consultants. We have a great staff. They're going to stay on top of it. And if it gets bad, I'm sure we will do what we can to identify what's best for PEP. We've had consultants over the years, and they have guided us quite well. I'm sure that we're going to stay on task with whatever we need to do.

Chairman Hayes – Yes sir. Well, it's a work in progress.

Commissioner Tharpe – We've got to be a little patient right now.

Chairman Hayes – There's no silver bullet for doing this or doing that. But you've got to stay on and keep working on it. I agree with Sam, listening to our consultants along with the knowledge that you and Amanda have and going from there. Kind of like natural gas prices right now.

Commissioner Tharpe made the motion to approve the Financial Statement September 30, 2022, seconded by Mayor Preece. Roll Call Vote was taken. **PASSED UNANIMOUSLY.**

c. General & Administrative Budget Report as of 9.30.22

Amanda Shrum – The last item, the Budget to Actual – I'm not going to go through it line by line. The G&A came in at \$2.9 million, approximately \$334,000 less than the budget of \$3.2 million.

You'll notice that the Communications & Research Budget shows a large overage and that is 100% because of the Symposium expenses. We do that Symposium early in our fiscal, so all of those expenses push out the first part of the year, but the overall budget for the year is covered.

Motion was made by Victor Lay to approve the General & Administrative Budget Report as of 9.30.22, seconded by Vice Chairman Brundige. Roll Call Vote was taken. PASSED UNANIMOUSLY.

III. Origami Contract

Michael Fann – Thank you, Mr. Chairman. As most all of you know, we made a transition September of 2020 with our claims management system to the Origami product, which really is the favored product in our industry. We continue to have to update things and work through our data conversions. We also have budgeted projects that you have already approved such as our EDI claims filing project. What we're asking for here is an extension, in other words, an approval of an amendment to our Origami contract that you passed last June. That contract would have ended on March 13th so this will extend it to June 30th, so we'll get it on a 7/1 contract rotation. So, it will be an extension from March 13th to June 30th. It also includes funding for that amount of time to take it to a 7/1 renewal and we're asking for authority to increase our support hours and the services that we get from Origami, not to exceed \$110,000 to get us to 7/1. Then on our annual contracts review, we will present the full year in June, but right now this would extend us from March 13th to 7/1 and up to \$110,000.

Ross Smith – I'm just going to add really quick that you may see language in there about not boycotting Israel that may raise some questions. I just wanted to explain why that's in there. The Legislature actually passed a statute that says contracts over \$250,000 that are public contracts have to have that language or they're void. So, your cities may also want to look at that because the legislature put that in statute to show support for Israel. So, as public entities, your cities may be subject to that. I believe the statutory section 5, but I'm just pitching that because it's kind of an odd sentence to be in there and I wanted you to know why it's there. Halie, actually, reminded us of it when she saw we didn't have it. That's why it's in there in case there's any question. Because if it's not in there, the statute says it can be voided. It probably raised a few eyebrows, but I just wanted to make sure that was clear.

Motion made by Mayor King to approve the Origami Contract Extension as requested, seconded by Victor Lay. Roll Call Vote was taken. PASSED UNANIMOUSLY.

IV. Coverage for 22/23 Fund Year

Michael Fann – Mr. Chairman, if I could, I'd like to start with... For those of you that were able to be engaged with us through our strategic planning event/session yesterday, Halie kind of delved into this a little bit. And I will turn it over to her, but this is a continuation of that discussion and our desire to move any coverage changes. Historically, we have presented those in February, and it's just as she explained yesterday, it's just not enough time for us to do what we need to do and, certainly, our IT Department if there are any system changes that those coverage changes dictate. It gives our IT team the 90 days they need to get those changes made. So, Halie if you want to delve into that.

Chairman Hayes – So, what you're looking for is just an extension? Is that what you...

Michael Fann – We as a matter of policy, it is our desire to start bringing coverage changes each year at the December Board Meeting instead of the February meeting. A general board policy move.

Halie Gallik – To add to that, we would likely still have some coverage changes in February because we don't want to be inflexible. But if we have new coverage areas that within our underwriting system would necessitate our IT Department to program new modules, it's very difficult to give them the amount of time they need to be able to make those programmatic changes without having more notice. And so, as a board of directors, you all set the direction for our coverage documents and the direction for our organization. So, if we can have more feedback about large coverage changes that you all would be interested in or want us to explore, earlier in the December timeframe we'd be better served to carry those out for our fund year. All the coverage changes that you all approve will go into effect July 1 with any policy that renews after July 1, that is any policy that renews after July 1, it lasts for the full year. To really implement those efficiently, we need to give our IT team 90 days.

So, with that, for July 1 of 2023, we don't have new coverage areas. We do believe that in February we will bring in some working tweaks to some of the existing coverages we have, but they would not be new coverage areas. And we wanted to get your feedback to see if that is in line with what you are wanting.

Michael Fann – And, so, our discussion yesterday, and then again today, so we won't have anything for this meeting. We just wanted to make it a matter of policy that this board would agree with. And the tweaks we'll bring in February, probably.

Chairman Hayes – Any questions? So, how's the motion need to read?

Michael Fann – Do we need a motion or just consensus?

Halie Gallik – It's really just consensus. It would be a change to the board calendar that we gave you last month.

Michael Fann- So, without objection, we'll adjust the calendar accordingly.

V. Strategic Plan

Michael Fann – I'll get it started, Mr. Chairman. We wanted a placeholder for this meeting because we knew we were meeting yesterday. I think that we arrived at consensus that we did not want to rush it and adopt anything today. We will be getting with Ms. King and making sure that all the tweaks and so forth that we made through that process yesterday are in order. Obviously, we want to spend some time with Commissioner Tharpe since he was not able to join us and walk through it with him. I think we're going to do some communications to our membership to tell them the direction we're headed toward in February and then ask you to adopt the new strategic plan in February. George, I know you kind of have driven the herd, so to speak to our planning process. Do you have anything you want to add?

George Dalton – Just a few things to share with everyone. We had a great day yesterday working on our strategic plan. And, obviously, the long-term goal of that is the success of Public Entity Partners. Also, we had great discussions, improved working

relationships between the board and staff, which is very, very important as we move forward together. Furthermore, we agreed to modify several of our organizational priorities that will allow us to be more responsive to the demands and the marketplace, and to our internal and external stakeholders. Improve member relations and services. And, again, have a positive impact on the taxpayers of Tennessee. Ultimately, our priorities were, indeed, modified and we put forth strategies in the areas of communications, expanding those; service to members, ensuring we have new strategies in place to improve services; further still, organizational culture and development, which would focus on our employees, which we all know our employees are our number one resource. We want to make certain that we take steps to build strong relationships with them, shape the culture in a positive way and create an environment where employees not only want to come here, stay here, and look forward to working for us for the long haul. Also, stakeholder relations looking at a situation where we are building relationships with them and increasing our collaborations in service to our members and to the public.

Lastly, planning and project management looking at a comprehensive and inclusive approach towards engaging our members; engaging our internal departments so that we can provide better services to the public. Have continuous improvement in service to our members in the grand scheme of things and we're looking forward, as Michael mentioned, to finalizing the final product. Once we get that finalized, we will definitely get it to Commissioner Tharpe to share that information with him and bring this back before the board for final approval so that we can hit the ground running and serve the members and the taxpayers of Tennessee. Thank you very much.

Chairman Hayes – Can I just say great job in particular to the leadership team for doing an outstanding job. Your presentations and wealth of knowledge. I can't remember who said it, Victor or Todd, during the strategic planning session: to have a strategic plan in one thing, but to go through with it and make sure it is followed, is another. Kudos to everyone on the leadership team. I know Commissioner Tharpe, looks forward to seeing the presentation in Paris, Tennessee. We won't take any action on that. As George says, we'll bring that back up in February meetings.

Chairman Hayes – Councilmember Hardison, this is your first meeting. Job well done, is there anything you'd like to say?

Councilmember Hardison – Just thank you for the opportunity and I'm excited about what the future is to hold.

Chairman Hayes – You've got some big shoes to fill. (Room laughs)

VI. Date of Next Meeting – Suggested: February 24, 2023

Chairman Hayes – Our next meeting will be February the 24th, that will be February the 24th. Of course, here at this office. Everybody good with that date? February 24th.

VII. Other Business

Michael Fann – In addition, under tab 6, additionally on your calendar of events. We have our annual Symposium typo, it's 2023 next year. It's essentially the same week in

August that we had it this past year, August 23-25th at the Marriott. Obviously, we want, if possible, to get that on your calendar. We'd love to see each of you there, I know many of you were able...

Then right above that you'll see the AGRIP Governance Conference. Just a quick word, I know that I'd sent an email regarding that earlier. Traditionally, we've tried to send the board members that were available to a pooling governance conference at least once a year. Traditionally, we tried to do the NLC-RISC conference that five or six of you were able to go to last year to our meeting in Pittsburgh. I think it was in May, does that sound right, Halie? That conference is still on but is a little "iffy" simply because of the location. They are going to have that conference in Portland, Oregon in May. So, after discussions with the Chair, and largely due to the fact that we are members of this organization called AGRIP, and I'll say another word about it in a second, our board has not attended their governance conference. We felt like it is a good idea to make a shift to that. As a matter of fact, just before the pandemic in March of 2020 I spoke at the AGRIP Governance Conference that March. We have attended and spoken at this event – AGRIP stands for the Association of Governmental Risk Pools, whereas, NLC-RISC is statewide municipal league pools, which is exactly what we are, there's only 28 or 30 of those around that participate in NLC-RISC. This is a much bigger conference. It's still about Trustees and board members coming to learn about governance of risk pools. And like I said, we are not only a member of NLC-RISC, but we are also a member of AGRIP and know those folks. Jackie will be reaching out to each of you, but I encourage you to, if possible, get that on your calendar for consideration, and then she'll be reaching out to see if you're going to be able to go to that meeting in March. It is in Orlando, and we hope that many of you, if not all of you, as board members, can attend that governance conference. Any questions about the AGRIP Conference?

Chairman Hayes – Yes, and it may be a little bit early but is there agenda out yet?

Michael Fann – No, actually we just got, this week, Jackie and I got the initial link just to start registration. So, all that will be forthcoming. As soon as we have that we will distribute that, for sure. But it will be topics similar to what NLC-RISC puts out. As most of you know, beyond our world, the state municipal league affiliated pools... Many states handle pooling dramatically differently than we do. California, obviously, or all three of the west coast states are pretty diverse in the way they do pooling. For example, in California, there's a contra-costa county pool though it's just the county and five or six municipalities within that county and they just do their own pool. There are also parks and recreation pools, and utility board pools. So, there's a handful of states that have extremely small pools that try to do their business that way where we are a statewide organization. So, you'll get some diversity of view at that of the way things are handled. Illinois' another good example where they have a municipal league pool, then they also have these smaller pools also. Anyway, I think you'll get a lot out of it. I think it will be a different experience than, typically, the NLC-RISC, but it'll be really good. Other questions, or thoughts?

Michael Fann – So, we're doing the AGRIP Conference, and we'll lean upon those of you that are able to go to that, and have been to NLC-RISC, to make some judgements going forward as to which one or alternating. We'll leave that to the board.

Chairman Hayes – Also in your package, Ms. Halie gave everyone a sheet that looks like this that lets everyone know the board term limits. In particular, if you're in term one, term two as we redesigned and put some expirations on folk. So, if you'll just take a look at that and if you have any questions... Some of you have asked me about that. Two terms are all you can serve consecutively, so if you've got one term up, you're in your consecutive. It will always be TML president, it will always be they have a seat on the PEP board. So, I wanted to give you some information. Thank you, Halie, for putting that in the package.

Michael Fann – That is designed to replace the page that's in the board orientation book we gave everybody a copy of, correct?

Halie Gallik – Yes.

Michael Fann – So, it's been updated for our current board.

Chairman Hayes – Any other business? Hearing none, I'll accept a motion to adjourn.

Victor Lay made a motion to adjourn at 10:38am, seconded by Vice Chairman Brundige. PASSED UNANIMOUSLY.



William Curtis Hayes, Chairman



Halie Gallik, Secretary