

**PUBLIC ENTITY PARTNERS
BOARD OF DIRECTORS
MINUTES OF SPECIAL CALLED MEETING
DATE OF MEETING: June 17, 2022
10:00am**

The Board of Directors of Public Entity Partners (“PE Partners”) met at 10:00am on June 17, 2022, at PE Partners’ offices in Franklin, Tennessee.

Board Members Present: Chairman Curtis Hayes, Vice Chairman Randy Brundige, Mayor John Holden, Mayor Lois Preece, Mayor Mike Werner, Todd Smith, Commissioner Sam Tharpe, Victor Lay and Mayor Ken Moore.

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: Russ Farrar, Farrar & Bates; Ross V. Smith, Farrar & Bates; Jim Morrison, Public Risk Services; Wade Morrell, Tennessee Municipal Bond Fund

Chairman Hayes called the meeting to

I. APPROVAL OF MINUTES

a. Board Meeting of February 18, 2022

Victor Lay made a motion to approve the minutes of the Board of Directors meeting from February 18, 2022, seconded by Todd Smith. **PASSED UNANIMOUSLY.**

Roll Call – All board members present except for Dr. Christa Martin who had a Board of Regents conflict.

II. FINANCIAL REPORTS

a. Financial Statements – Third Quarter

Amanda Shrum – If you would turn to the Statement of Revenues and Expenses and Changes in Net Position. As of March 31st, total revenues were down from this time last year. The net earned premium was up 2%, however at \$57.7 million in total revenue. We are down 2.76% due to the decrease in investment income for the year. Investment income alone fell \$2.9 million since this time last year. We are going to discuss that later; we are going to save the good news for last. We do have, as everyone knows, problems with the investment portfolio with the decrease in the market value.

Total Losses and Loss Adjustment Expense is down 11.7% or \$5.3 million from this time last year.

Under Policy Acquisition Cost we are up slightly from \$5.3 to \$5.6 million.

The total General and Administrative Expense has increased by \$1 million from last year at this time; however, if you will look, we've also got a page with the G&A Budget to Actual for you to review in your packets. You will see that we are still 15.3% under budget for the year.

This brings our Operating Income to \$4.6m million; however, with our change in fair value of investments, we are reporting a decrease in Net Position of \$25.4 million.

As of March 31st, the Ending Net Position shows to be \$127.4 million.

Are there any questions? Seeing none, let us go on to the next page, the Statements of Net Position.

As of March 31st, our combined cash, and investments of \$280 million decreased \$22.5 million from this time last year and the overall Total Assets and Deferred Outflows of \$305 million are down \$17.9 million from last year.

Under the Liabilities, Net Reserve for Losses decreased by \$16.6 million. As mentioned earlier, the reserve study last year showed paydowns of losses. So that is going to be reflected in our reserves for this year. In addition, Total Liabilities of \$177.4 million are down \$16.3 million from this time last year. With the \$127.4 million of Net Position, which brings our total Liabilities, Deferred Inflows and Net Position to \$305 million.

Any questions about the financial statements? If not, we will go to the Investment Report.

Michael Fann – Amanda, do we need to go ahead and approve these separately? Do you remember, Halie?

Halie Gallik – We have done it both ways.

Chairman Hayes – Let's go ahead and get a motion.

Michael Fann – Yes, let's go ahead and...

Chairman Hayes – Let's get a motion to approve the Financial Statements.

Mayor Brundige made a motion to approve the Financial Statements, seconded by Commissioner Tharpe. Roll Call vote was taken. PASSED UNANIMOUSLY.

b. INVESTMENT REPORT – MAY 31, 2022

Amanda Shrum – Our Investment Report for May 31st. We held 134 securities with a book value of \$282 million and a fair value of \$238 million leaving an unrealized loss of \$44 million. The average coupon of the portfolio is 3.5% roughly and the average current yield is 4%. And if you will remember both of those are up from our January reporting 3.3% on the coupon and a yield of 3.3% on the current yield.

As all of you know, the markets, specifically the bond market, in our case, has taken a huge hit since January. They have continued to decline up until about two days ago we

are seeing a slight improvement in the last two days. But we have been experiencing economic conditions anywhere, whether it is the war; whether it is supply chain; inflation rates but it is caused a big change in the portfolio.

As the market started declining, we – meaning myself, Michael, and our broker – we started having discussion on how we wanted to move forward. Normally we would not sell into a loss on our investments, we just have normally not done that. However, considering that we were going to take the loss one way or another, whether it's unrealized, we decided to look into the future and think how we can better our position. We can't do anything now, how can we better our position for the future. The rates were going up, so the yields were going up. We were finding securities with 5% and 6% yields. The ones we presently held were about 3.5% so we decided to take an opportunity to take a portion of our portfolio, a very small portion, and look to see which ones the lower yielding bonds were and sell them. Then turn around and purchase at higher yield. That is going to bring us more investment income in future years, and it is going to help us rebound a lot quicker when the market stabilizes. So, if we are holding 6% yield bonds, when rates go back to 4%, we have built in gains there that we can take just like we were two years ago. And bring that income in later.

While implementing that plan, in the short term, we have taken realized losses of \$4.8 million. Which is part of the reason you are going to see the decrease in the investment income. Because some losses were taken against income we already had on the books.

Like I said, we are seeing the market go back up. It is not going to up nearly as quickly as it went down, but just within the last two days our unrealized losses went from \$55 million to \$50 million. Depending on what happens we will see where we but that is where we are right now.

Anyone have any questions on Investments?

Michael Fann – Mr. Chairman, a quick additional word. I want to credit Amanda riding herd on this. Working with our broker to identify those that we made a decision to take realized losses on. In doing that, I call it repositioning such that when the economy does turn, it will accelerate our earnings and gains. They have done a tremendous job. You never like to take a loss, but to make sure the bonds have yields are where we need to be as the economy moves forward.

Chairman Hayes – Are there any questions for Ms. Shrum, Mr. Fann? Hearing no questions, I will entertain a motion to approve the Investment Report dated May 31, 2022.

Motion made to accept the Investment Report – May 31, 2022, by Mayor Holden, seconded by Mayor Moore. Roll Call vote was taken. PASSED UNANIMOUSLY.

Chairman Hayes- Item II. c., Ms. Shrum.

c. Budget to Actual – Third Quarter

Amanda Shrum – Michael, are you going to take the budget for next year?

Michael Fann – Well, we are on the G&A for third quarter.

Amanda Shrum – I am sorry.

Michael Fann – In our current variance at 15.32% we are under budget.

Chairman Hayes – Item number three.

III. GENERAL AND ADMINISTRATIVE BUDGET – FY 2023

Michael Fann – Mr. Chairman, this is our ask of the board to look and approve our G&A budget for the coming year. We have been very diligent. And I want to credit our entire Leadership Team for spending a lot of time with this. We always do, but this year, knowing what the economy was doing, we spent a considerable number of meetings and discussions. You will see at the bottom line, the very bottom, third figure, third column the overall G&A increase that we are requesting is 6.68%.

That took some work. When you look at all, I guess I would say all our vendor expenses are up due to inflation. Again, I cannot credit our Leadership Team enough for turning over every leaf to make sure that we were getting the services from our vendors. We knew the prices were going up. I know we had two or three Leadership Team members identify places where we could save a little money and not have an 8% or 9% inflationary increase in our budget. It does include a 6.5% net cost of living allowance for staff. That is the biggest one we have ever asked for, but I think under our current market conditions, it is called for. To give that kind of cost-of-living increase and still only have a just above that, 6.68% overall G&A budget increase. Again, I cannot credit our folks enough for the work they did.

That 6.68% also includes increases in our grants and scholarships program. We are starting a new cyber grant for our members that we will be launching. We are going to start small with a \$25,000 request this first year. That will not go very far, but we don't have a lot of our members where they need to be with cyber. So, we want to start that program. We are also asking for an increase in our Drivers Safety Grant of \$25,000. Then and increase in our online training program through LocalGovU and Savant Learning, an increase of about \$30,000 for the online video training.

We have an increase in board expenses as it relates to our decision last summer to not just bring you to these meetings, but to make sure that we are fully funded to send our board to at least one Trustees meeting. I know several of you went to the Pittsburgh program the National League of Cities did just a month or so ago. Thus, we want to continue that. The other decision we made last summer was both our TML Conference and our Risk Symposium and the TML Legislative Conference fund, we want our board members there. In all those situations it comes down to a local decision. If your local body is not sending you, we want to make sure you are there. So, we increased our expenses there for our board to attend these meetings.

And then, finally, our Human Resources budget, we have three open positions right now that we are trying to fill. Celeste and I looked at the fees that are required to do an adequate search. So, we are asking for a slight increase there.

Overall, we are looking at 6.68% that also includes we are going to do this fall, all three of the major actuarial studies that we do from time to time. Annually we do a reserve

study that Amanda mentioned earlier. Obviously, we will do that again this fall. Every two to three years we do an actuarial rate study. We are doing that one this fall for the second year in a row. So, the only one we did not do last year is our capital adequacy study. That is generally done every three to five years. We will be doing it and our annual reserve study. We decided to go ahead and do all three because we feel like this is a suitable time to establish a good standard baseline for us to build on and make good, solid recommendations for you regarding rates and capital next February.

That concludes a quick summary of those things you can see the exact numbers on the sheet there under Tab 3. Either me or Amanda, any of us, can answer any questions you might have.

Chairman Hayes – We have had an opportunity to look at this, does anyone have any questions of Ms. Shrum or Mr. Fann? Hearing no questions, I'll entertain a motion.

Victor Lay made a motion to accept the General and Administrative Budget for Fiscal Year 2023, seconded by Todd Smith. Roll Call vote was taken. PASSED UNANIMOUSLY.

Chairman Hayes – Motion passed. Item number IV. TML Sponsorship Contribution. Michael Fann...

IV. TML SPONSORSHIP CONTRIBUTION

Michael Fann – Yes, thank you, Mr. Chairman. Under Tab 4, you'll see a change in last June on what this board voted. You'll see, kind of a change or correction to our sponsorship relationship to the Tennessee Municipal League. I really want to credit Anthony Haynes, Mayor Moore, Mayor Hayes. We have been at this and working toward a good solution. Essentially, Anthony and I put the final touches to this. Which, essentially, is... I do not want to call it a compromise, it's a cooperation decision that I would like to recommend that we change last year's program that, ultimately, was a four-year plan would have reduced in the fourth year our contribution to the League down to \$800,000. After a solid year of discussion working together, I'm proposing that we change that plan. Again, this is entirely a board decision by the PEP Board. But I would appeal to you to look at this. I know I sent you an email when Anthony and I arrived at this place. I think it gives him time to continue the great work that he is doing to correct what needed to be corrected there. We have been working here to correct what we needed to correct here. Essentially, it will reduce over five years our contribution by \$100,000 a year instead of the other plan that was \$200,000 a year for three years. Then in the fifth year, the change would be to go back to a formula of 1.5% of the previous year's net written premium. It will also make it a little more predictable for our finance people as to what the fee's going to be going forward. That 1.5% after the 2025-2026 contribution of \$1 million; the 2026-2027, even if we do not grow at all, would at least be \$1 million going forward, and likely higher. Based on the growth in our business, growth in the number of entities that we insure. I recommend to the board that we change that plan to this, and I think it will benefit our relationship, and it will certainly benefit the Tennessee Municipal League.

Commissioner Tharpe – Mr. Chairman, I want to a motion to accept this proposal and I want to make sure that everybody's... Seems like everybody is on the same page with this as far as TML and PEP. I think it drives the point that we are all in this together.

Commissioner Tharpe made a motion to accept the TML Contribution plan, seconded by Mayor Preece.

Mayor Moore – I think that I may need to abstain from this vote as I am currently president of the League. I hope that will be fine.

Chairman Hayes – OK, so we will have one abstention. I want to say one thing, we have met a couple different times at Franklin; at Livingston; some Zoom calls; some conference calls and I think this certainly shows that we are all working together. Not only that, but I also think the Comptroller will be happy with our decisions that have been made financially with the Tennessee Municipal League and Public Entity Partners. Roll Call vote, Ms. Halic.

Victor Lay – One moment, Mr. Chairman. So the original thought was, as you mentioned, the four year plan dropping \$200,000 a year. Going into this year, we would have been at \$800,000.

Michael Fann – No, it would be \$800,000 in three more years. If you reject this plan, our contribution on July 1 will be \$1.2 million, which is what you voted on last June. Next year on July 1, it will drop to \$1 million. This makes that drop half of that. And, again, extends time that Anthony and Chad and Wade and folks have to get their financial house in order. We want three healthy organizations.

Victor Lay – And in the original plan, did it drop down to a formula?

Michael Fann – It did.

Victor Lay – Was it the same formula?

Michael Fann – No, it was going to drop to... I don't have that in front of me. I think it was .95%. And it was of the estimated next year's premium, which we won't know until the end of the year. So, that was part of the problem with that plan too. Now we're going back to the existing year's net premium. But I think it went from .95% up to 1.5%.

Todd Smith – And the other thing, I think it capped it at a dollar amount.

Michael Fann – It did. It had two caps – the original vote. And it capped at \$800,000 and it also capped, if necessary, we would not contribute more than what they were taking in on membership dues. The League is making corrections there, their dues are going up every year. And the major point, and I think it was you, Todd, that made it. A couple of us talked about inflationary factors. If we grow, they grow. That's what I like about removing those caps.

Victor Lay – So, on the 1.5% written premium, is that the total written premium regardless of whether they are Tennessee Municipal League members?

Michael Fann – Yes, it is. And it is net of our reinsurance costs. So, if we're getting slammed with increases there, it will be net of written premium.

Mayor Moore – I would like to make some comments about the financial status of the Tennessee Municipal League. It's probably been about three or four years now since we implemented a plan of dues increases and holding no raises for our employees. So, I think we've seen a return to a positive position much quicker. I think to say that our financial house is in order, our financial house *is* in order based on what we've been doing. I would put that forward that Tennessee Municipal League is not in trouble as far as their finances. And we continue to look for other options as far as revenue streams for the organization.

Chairman Hayes – Thank you, mayor. Any other discussion? If not, Roll Call Vote, Ms. Halie.

Commissioner Tharpe made a motion to accept the TML Contribution plan, seconded by Mayor Preece. Roll Call Vote was taken. MOTION PASSED with one abstention.

V. CONTRACTS

a. CONTRACT POLICY

Chairman Hayes – Contract Policy, Michael Fann.

Michael Fann – Thank you, Mr. Chairman. As you know, really, since December – really longer than that. We've been talking with you folks since December about really getting a handle on updating our Contracts Policy; our contract management procedures. I really want to give credit to Halie and Amanda for riding herd on this process making sure number one, that we know where all the contracts are and have a good system containing those. We also have, you'll see on the second page under Tab 5, a summary of things. You'll notice that the Board is not active on a contract policy of any sort in 30 years. Almost 30 years – since 1992. So, we wanted to update that, get a better handle on it, and provide more transparency in the way we do business with our contractors. This being more clear among all of our staff, more specifically, our leadership team of what constitutes a contract and what is needed and is necessary. What we need to bring before the Board in a timely manner. All of those things are included in that summary.

The next page is titled Contract Policy and Procedures is where we landed. We had a number of gyrations of this and different elements to it. Ultimately, you'll see under Policy, we decided not, even though we had my authority to sign up to \$50,000 since – under the president's authority – since 1992. We decided not to increase that. We looked at the numbers of contracts that do exceed \$50,000, and we felt like we still need to bring those to this Board. We initially thought about increasing that number, chose not to. We clarified in that second paragraph under Policy any purchase valued at more than \$10,000 would be required to have a purchase agreement, letter of engagement, contract, and so forth. So, adequate documentation for anything at \$10,000 or more.

And then, adding on the Delegation of Signatory Authority, establishing a bit of a failsafe, not only is our contracts may be signed by the president, but would also include our executive vice president or chief financial officer. Obviously, in the way we're operating, all three of us, if not our entire leadership team, are going to be in agreement on those contracts anyway. So, we wanted to add just in case of a Mack truck event, where I might not be available, we have to continue to do business. So, to add two folks

there on our signatory authority. That's our policy. Halie, anything else we need to mention in the way we did that to develop that? Am I leaving major things out?

Halie Gallik – I don't think so.

Michael Fann – OK. So, that's the policy. Mr. Chairman, I would ask an individual vote on all five of these items. I recommend to the Board that you receive and approve this policy.

Chairman Hayes – I might have missed this, who is the executive vice president?

Michael Fann – We just approved the budget, so it's going to be George Dalton on July 1. I had to get the order of things... we already did that.

Victor Lay – Congratulations, George.

Todd Smith – Michael, with this policy, contract policy, that brought up a picture. We meet four times a year. Does that factor, the fact that we don't meet that often, does that hamstring you in any way in doing contracts?

Michael Fann – And that's part of the reason we did this. We needed to have a better calendar of when these things renew or when we need new ones. You will see as a matter of explanation, we brought three specific contracts right after this for your approval. Just the course of business. The fifth element of this section is the annual review of key contracts that are all – I think there are twenty-one aren't there Russ? There are twenty-one contracts there that upon the natural course of doing business. So, by the approval of that list, that's going to cover most of it. But having an ability to put on a calendar when things renew, just like these three that we're bringing that we need to get done before July 1. I think with the new policy, and the new control mechanisms that Halie and Amanda have put together, I think we'll be able to get those to you in a timely fashion without special called meetings or hamstringing our ability to do business. That's the main point of this policy. To make sure we are managing those things for what's coming up and not acting at the last minute.

Russ Farrar – I just want to say, Michael, that they've done a great job on this. I'm particularly tickled with the policy where legal counsel can review ahead of time instead of saying that if we do good on this contract, it let's us review it prior to signatory.

Michael Fann – And you'll notice that it says that any contract with an automatic renewal, still our legal folks are going to review those automatic ones.

Vice Chairman Brundige made a motion to accept the Contract Policy and Procedure, seconded by Todd Smith.

Mayor Moore – I do have a question about procurement activities within the organization. Is there a committee, or department, of Public Entity Partners that reviews procurement for whatever services or items you are purchasing?

Michael Fann – Yes, it begins with our finance department and that's brought to our leadership team. The we follow our process.

Vice Chairman Brundige made a motion to accept the Contract Policy and Procedure, seconded by Todd Smith. Roll Call Vote was taken. PASSED UNANIMOUSLY.

Chairman Hayes – Motion passed. Item 5, b. Mr. Fann.

b. COMCAST

Michael Fann – Thank you, Mr. Chairman. This is the first of the three that I just mentioned. We've got our renewal with Comcast for 36 months at just short of \$1500 per month. That, obviously, takes us over that \$50,000 threshold and we would ask that you approve this contract. There are... I forget how many subsequent pages to see the detail. We would ask, obviously this is for our internet services here in this building and we would like you to help us approve this contract.

Motion made to approve this contract by Todd Smith, seconded by Victor Lay.

Mayor Preece – Where it says in the address it says the Franklin Road building. Will downstairs come under this or will they have their own?

Michael Fann – They eventually will have their own. I'm not even sure if they are still on ours or have they...

Anthony Ponessa – They are not on ours currently.

Michael Fann – They have transitioned. When we first built out the Savant space downstairs, it was going to be a while for them to get on Comcast. So, we let them piggyback on us for a short time, but we have already transitioned. They have their own and we're not going to have additional... we need the space so we're not going to have additional lease agreements down there.

Vice Chairman Brundige – What's the amount of service you get through them? Do you get a Gb or over a Gb?

Anthony Ponessa – This here is one Gb.

Vice Chairman Brundige – A lot cheaper at home.

Anthony Ponessa – Yes, it is.

Vice Chairman Brundige – Well, you can get a Gb at Martin for \$400 a month.

Victor Lay – Does your utility provide that?

Vice Chairman Brundige – No.

Victor Lay – Comcast?

Vice Chairman Brundige – No, it's a different provider, but we've had it for two years and never had it fail.

Motion made to approve this Comcast contract by Todd Smith, seconded by Victor Lay. Roll Call Vote was taken. PASSED UNANIMOUSLY.

Chairman Hayes – Motion passed. Item 5.c. Flexential.

c. FLEXENTIAL

Michael Fann – Yes, so the next element is our contract renewal with Flexential. You'll see the value of the contract is estimated at roughly \$97,000. We're asking for approval of the contract not to exceed \$105,000.

I really want to give Anthony Ponessa credit, looking at the services we were getting, he created some savings on this contract. The infrastructure that they provide for disaster recovery services they provide is, obviously, critical to us and our data systems.

Mr. Chairman, I would ask for approval for up to \$105,000 for the next year.

Chairman Hayes – Thank you, Mr. Fann. Do I hear a motion?

Vice Chairman Brundige made a motion to approve the Flexential contract, seconded by Todd Smith. Roll Call Vote was taken. PASSED UNANIMOUSLY.

Chairman Hayes – Motion passed. Item 5.d. Mr. Fann...

d. HUBER & LAMB

Michael Fann – Yes, Mr. Chairman you will see the next contract under Tab 5 is Huber & Lamb contract. It is an annual engagement that we use for our valuations of our Property Program. Most of you are aware, we engage them and give them a list quarterly of the property members that we want to do evaluations and appraisals for. That estimated value is \$530,000 and that includes our policy with them that they will appraise every property facility valued at \$75,000 or more. We get pretty deep in providing and evaluating our members' property exposures. As I mentioned, to you earlier, we began our property reinsurance process yesterday and that is critical that we get a good valuation for those members for our reinsurance to be effective. Again, estimated up to \$530,000 for our ongoing relationship with Huber & Lamb Appraisers.

Chairman Hayes – Do I hear a motion to accept the Huber & Lamb contract?

Motion made to approve the Huber & Lamb contract by Mayor Holden, seconded by Mayor Moore.

Victor Lay – This is a great service for your members. Member Services is what we use a lot. So, thank you.

Michael Fann – Especially in this day and age of construction inflation, we have to keep up. We don't want any of our members to get stuck with a loss where we don't pay them what they need to be paid.

Motion made to approve the Huber & Lamb contract by Mayor Holden, seconded by Mayor Moore. Roll Call Vote was taken. PASSED UNANIMOUSLY.

Chairman Hayes – Motion Passed. Contracts 5.e. with Key Contracts.

e. KEY CONTRACTS

Michael Fann – So, the final element of the last three pages under Tab 5 is the review of Key Contracts and I will ask approval. This is the third year, I guess we started this three years ago bringing you a master list of the contracts that we utilize to do business day to day. There are twenty-one contracts including our reinsurance structure. Obviously, our relationship with our claims department and Public Risk Services – Jim Morrison’s shop, the list includes an increase in that contract. It also includes the relationship with our general counsel’s office and our lobbying office. It includes an increase on both of those contracts. It includes everything else that we do and turn in employee benefits and those sorts of items. You can take a second to look through those. It includes our annual contract with Origami claims management system. It includes our relationship with MTAS to help fund two law enforcement management consultants. It includes all of our contracts with our online training relationships and those sorts of things. And, I’ll be happy to answer any questions about these, but there are twenty-one that are course of business contracts that we have used.

Chairman Hayes – Take number six out.

Michael Fann – Lets see, take number six out. Oh, General Counsel.

(Room Laughs)

Michael Fann – I serve at the pleasure of the Board, as does he. I’ll leave that to you.

(Room Laughs)

Russ Farrar – Thank you for your support.

Chairman Hayes – Russ does a fantastic job – fantastic. I’m not going to go through these individually, we will vote on these collectively.

Motion made to accept the Key Contracts made by Mayor Holden, seconded by Commissioner Tharpe.

Victor Lay – Are we approving the contracts, or are we just approving a review of them?

Michael Fann – You are receiving them pursuant to our Contract Policy and Procedures that we passed earlier and that we have, really, been operating under for a while. But it is approval, and technically, some of the increases are already included in our budget, which you’ve already approved as well. You are approving this list which is the list that we have been going over for the last three years.

Victor Lay - OK

Motion made to accept the Key Contracts made by Mayor Holden, seconded by Commissioner Tharpe. Roll Call Vote was taken. MOTION PASSED UNANIMOUSLY.

Chairman Hayes – Item number 6, KPI Updates, Mr. George Dalton. Or should I say executive vice president.

VI. KPI UPDATE

George Dalton – Thank you, Mr. Chairman. As you all may recall a couple of years ago, dealing with this Board, the day we started working on a strategic plan process for our organization, and one of the outcomes of that was the implementation of Key Performance Indicators, or KPIs for lack of a better term. One thing KPIs do is to help an organization understand is how well they are performing in relation to the strategic plan, as well as our mission. And, secondly, in the broadest sense, it will provide information to the organization as to whether they are on the right track.

When we talk about being on the right track, it's measuring things that we find that are most important, what really matters as we do our job on a day in and day out basis. The purpose for this is for continuous improvement. We are all about looking at what our processes are, what we decide to do as an organization, which is part of our mission. Make sure we are continuously improving how we provide our products and services to our members out there.

The first year was about selecting and implementing the best measures. Then secondly, setting goals and establishing base lines. We looked at four major areas on which to measure. The first being loss ratios. Second being member policy loss and retention. Third, budget management. And, lastly, employee development.

If you look at the first page of your handout, you can see there, the goal that we set as to our loss ratio, we set a 70% maximum loss ratio for Workers' Compensation on that line of coverage. The actual loss ratio for quarter three was 68%. And our goal was, indeed, achieved for this item. Currently we stand at 99% of our annual goal.

Secondly, if you look at item number two, Combined Liability Maximum Loss Ratio of 70% was the goal that we set for ourselves. The actual loss ratio for combined liability was 64% for quarter three. Our goal was achieved currently we stand at 92% of our annual goal.

Then finally, our Property Maximum Loss Ratio, we set a goal for ourselves at 50% maximum loss ratio for our property line of coverage. Actual loss ratio for quarter three was 41%, and our goal was, indeed, achieved. Currently we stand at 100% of our annual goal for our loss ratios in these three areas.

Then if you look at the Member/Policy Retention Goals, we set Member Retention at 98% of our current membership. The actual, we have retained 100% of our current members for quarter three. So, we did, indeed, achieve our goal. Currently we stand at 100% of our annual goal.

If you look at Policies Retained, item number five, the goal was to retain 98% of our current policies. And, actually, we retained 100% of our current policies for quarter three. Our goal was, indeed, achieved, currently we stand at 100% of our annual goal.

If you turn over to Member/Employee Satisfaction Goals. Item number six, Member Satisfaction Index our goal was 90%. Ultimately, we received an 83% net promoter score that measures customer experience with our organization and is a better indicator of our customer loyalty than a traditional customer satisfaction survey. So, we did not necessarily reach our goal, of 90%; however, we came very close. If you set this up with a ratio, we achieved 92% of the goal that we set out for ourselves in this particular area. So, again, we were very close to achieving our goal. There is a plan that we will put in place to improve that as we move forward.

Item number seven, Employee Satisfaction Index, we had a goal of 90% for our employee satisfaction survey. We received a 93% score and we have netted 100% of our annual goal in this particular area.

In respect to Budget Management Goal, Amanda and Michael just went over that. As you can see, we set a goal to operate within our budget. We are 100% within that right now. Again, we have met our goal for quarter three.

And, lastly, Staff and Professional Development. We actually set a goal to Complete an Employee Development plan for this, but, actually, we changed our direction from individual development focus to an organizational development focus. We felt that it was better for us to engage our organization as a whole, first, before we start setting individual plans. We engaged Ms. Judy King, which many of you are familiar with work with us together as a board, and as an organization, as a leadership team. She has worked with our employees, and she has completed actual training for our employees on working together, change management, flexible leadership, self-management, communications both verbal and non-verbal, and conflict resolution. Moving forward, looking at our organization as a whole, we will look at establishing these individual development plans for the next phase of our training for our employees and organization with development and employee development.

Any question on anything that I covered pretty quick?

Chairman Hayes – I'll entertain a motion to receive this report from Mr. Dalton.

Vice Chairman Brundige made a motion to approve the KPI Update, seconded by Victor Lay.

Chairman Hayes – Any discussion? Well, I'm going to start with one. I think this is a great report. Unfortunately, sometimes I wouldn't put much on where we didn't meet our goal. Do we know what area that our members satisfaction survey where maybe we scored below average?

Halie Gallik – We made a choice when we set the KPI, to use a percentage. Then when we actually started to carry out the KPI, we chose to use a net promoter score. So, the conversion of the net promoter score to an actual percentage, makes it look like it didn't, necessarily, meet the mark. The reality is that this net promoter score is one of the most common customer loyalty/customer satisfaction tools and it's not just a generation of random questions, you can compare it to the industry. So, when we look at the net promoter score, we actually had a very satisfactory net promoter score. I don't mean to speak out of turn, but I, actually, would recommend to our leadership team to change the way the KPI was set, which I think shows you that we're taking a look at our

KPI's as we implement them and making sure that they are meaningful measures. The net promoter score actually came back very positive. We compared it to an industry benchmark of not-for-profits, and we came out significantly higher than what not-for-profits, which was the closest applicable category. While this shows the way that it was presented that maybe we didn't quite meet the mark, I would say that we could characterize it better next year when we reset that KPI.

Chairman Hayes – So, I guess my question was, is there any – how do I say this – concerns in this membership survey? Were there certain items that kept coming up across the membership? Was there anything... and I know that everything's always a bunch of problems...

Halie Gallik – The feedback we got was that members consistently liked our training programs, our scholarship programs... We didn't receive any negative feedback. It's a points scale, so how likely are you to recommend Public Entity Partners to a co-worker or peer. So, not everybody picks "10", but that doesn't indicate that it's a negative member satisfaction.

Michael Fann – And if I might, Mr. Chairman. Anytime you're dealing with insurance coverage, you will have the occasional person, either from a coverages standpoint – they thought something should have been covered and it wasn't, or Jim, I know your folks never get complaints on claims. There's going to be a thread. But the net promoter score, as Halie has outlined, we were far above industry averages.

George Dalton – Thank you very much, Halie. And just one quick thing, if I could. We have been in discussions with Judy King to move to the next phase of our strategic planning, it's time to update it. As we know, the environment has changed, so we want to make sure that anticipate some of the challenges that we face in the near future and plan for that so we can position ourselves to respond accordingly. Again, that is coming down the pike.

Michael Fann – And what we have talked with her... and I want to give George a lot of kudos on continuing to utilize Judy King. We've done training, not just for our leadership team but all the way down through the organization that has been extremely well received. So, kind of the next step, our leadership team will work with her. She has suggested either a one-day retreat to update or tweak any of our strategic plan that we developed a few years ago, or maybe a portable retreat. But we are going to be working with her on what's best for our situation and where we are, and we will be bringing the recommendation back to you for that in the future. It was two years ago, coming October that we had our retreat, then December when this board passed/approved our strategic plan. So, about every one to three years you need to be taking a look at the plan to make sure you're on track with where we need to be bringing that to you shortly.

Chairman Hayes – Great. Any more discussion, any questions? Go ahead, Sam.

Commissioner Tharpe – I'd like to commend PEP, Michael, you guys for staying on task with the strategic plan. Most organizations throw it aside and don't do anything with it, but at the same time, were included in that first meeting as that plan went on. And to see it developed, to see where we are now, it's bringing a lot of strength to your

organization, to your leadership team, and nothing but good can come from this. Thank you, guys, for staying on task.

Michael Fann – Thank you.

Vice Chairman Brundige made a motion to approve the KPI Update, seconded by Victor Lay. Roll Call Vote was taken. PASSED UNANIMOUSLY.

VII. DISCUSSION ITEM: OPEN NOMINATION PROCESS

Michael Fann – Under Tab 7, as you know, at our February board meeting – January and February board meetings - we went through a series of Bylaws changes that we have been in discussion with, we met on two different occasions with the Comptroller's office, they were in full agreement with this. So, as part of those changes we voted on in February, we have included a nominations process to fill open board positions. I think everyone knows that Dr. Martin has chosen not to run for re-election in the fall. She will roll off our board when she leaves office on December 1st. Our desire is to have a vote, we'll have an open nominations process, and then a vote by this board at the September meeting to fill her position on the December 1. So, whoever is selected by this board out of those nominations, would be a voting member and be able to sit on this board come the December meeting. We wanted to go ahead and get on the front end of that. We don't really need a vote on this, but we wanted to provide you with the form that is already live on our website. We also have a pdf that will launch the nominations process. Our intention is to launch it on August 4th so the open nominations process will be active beginning August 4th. It will be open and active during the TML Conference. It will be open and active during our Risk Symposium, which we will be promoting at both events. In the case of filling Dr. Martin's seat, essentially looking for a middle Tennessee elected official, and preferably a female. We have put the Bylaws language on the form so people can see that our desire to be diverse and to not just racially; and with male and female; but also small, medium, and large cities; and the east, middle, and west diversity of our membership of our board. We've got all of that on this form, you'll notice that it says nominations are due by Friday, September 2nd. We likely will leave them open until the following Friday after Labor Day. Because really there is no need for this board to act until your September 30th board meeting. We just want to provide that; answer any questions... You'll notice we ask for name, contact information, we also ask two basic questions: "How long have you been an elected official or city manager for your current organization?" and "Have you ever attended a Public Entity Partners workshop, training, or Symposium?" Just to give you as you evaluate who might be nominated. They can nominate themselves or be nominated. This gives us a little bit of information as we look to fill Dr. Martin's seat. We wanted to provide that as a bit of information. I'll be happy to answer any questions you might have about that.

VIII. DATE OF NEXT MEETING

Chairman Hayes – The date of the next meeting, September 30, 2022, at Public Entity Partners. We do have some conferences between now and then. Right, Mike?

Michael Fann – Yes, the TML Conference dates are listed there. Most of you know that. Jackie's been working with Sylvia on lodging and those sorts of things. August 13-16th in Gatlinburg and then that ends on Tuesday, the 16th. Then the following Wednesday, August 24-26th is our Risk and Insurance Symposium. I know many of you have

attended that the last couple of years we highly encourage, we love having our board members there. I know that's kind of a lot within a two-week timeframe for many of you, but we would love to have you join us at our Symposium here in Franklin at the Marriott.

Chairman Hayes – Also I want to acknowledge Mayor Ken Moore. This will be his last meeting under Public Entity Partners. It has been an absolute pleasure working with Mayor Moore. We look forward to continuing to work with him as he continues to serve out his TML... I guess in August as a past president. There's a couple of "has beens" in here that are past presidents. You had some tough things that came up during your tenure. You've done a great job on the Public Entity Partners board. I regret that you did come down with COVID-19, but I don't think you go it; it had to come from somewhere where you stopped.

Mayor Moore – I came down with the ?????????????? strain.

Chairman Hayes – Let's give Ken a round of applause.

(Room Applauds)

Michael Fann – Just one final note. I want to introduce DaVita Hardin, a special guest that we have with us today. Curtis and I had the privilege of meeting her on Wednesday evening in Columbia when we went down to have dinner with Dr. Martin, knowing that she was not going to be able to be here today. DaVita is on the city council for the City of Columbia, and we encouraged her to come and see what we were all about. She joined us today. Thank you for joining us.

Chairman Hayes – Either that or Dr. Martin sent a spy.

Michael Fann – Yes, that maybe it.

(Room laughs)

Chairman Hayes – Welcome, come back and be with us anytime. No other business, Michael, do you have anything?

Mayor Preece – May I ask a question.

Chairman Hayes – Yes.

Mayor Preece – This paper that was passed out before with the Terms, it looks like your Term is up in June 2022. What's happening with these current Terms?

Michael Fann – Are you talking about Term as Chair? Is this what we reset? Yes. When we did the Bylaws change in February, we reset the Terms. We just had that for your information so you would know where we were at the time. Everything resets September 1. I think we will at the September meeting, I think we will re-appoint our current chairman. Unless, Russ, you might do some lobbying.

(Room Laughs)

Michael Fann – I think we do have a Chair and Vice-Chair.

Halie Gallik – Yes, Chair and Vice-Chair.

Michael Fann – So, we will do that in September. OK.

Chairman Hayes – And then, Michael, you all will send out the current Terms.

Michael Fann – Absolutely.

Mayor Preece – So, we will have a new one of those coming.

Michael Fann – Right.

Mayor Preece – That's what I'm asking.

Michael Fann – Yes, we will definitely send that out.

Chairman Hayes – Ok, if there's no other business, I'll take a motion to adjourn.

Victor Lay made a motion to adjourn the meeting, seconded by Mayor Moore. PASSED UNANIMOUSLY.


William Curtis Hayes, Chairman


Halie Gallik, Secretary