

**PUBLIC ENTITY PARTNERS  
BOARD OF DIRECTORS  
MINUTES OF SPECIAL CALLED MEETING  
DATE OF MEETING: JANUARY 26, 2022  
10:00am**

The Board of Directors of Public Entity Partners (“PE Partners”) met at 10:00am on January 26, 2022, at PE Partners’ offices in Franklin, Tennessee.

**Board Members Present:** Chairman Curtis Hayes, Vice Chairman Randy Brundige, Dr. Christa Martin, 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; Embry Nichols, Vice President of Underwriting and Internal Services; Callie Westerfield, Director of Member Services

**Also Present:** Russ Farrar, Farrar & Bates; Ross V. Smith, Farrar & Bates; Jim Morrison, Public Risk Services; Anthony Haynes, Executive Director, TML; Jennifer Costello, LBMC; Wade Morrell, Tennessee Municipal Bond Fund

Chairman Hayes called the meeting to order and welcomed Mayor Ken Moore to the Board of Directors of Public Entity Partners. You bring a lot to the table, and we want to welcome you.

Roll Call – All board members present.

**I. ANNUAL AUDIT**

Amanda Shrum – I would like to start by introducing Jennifer Costello. She is with LBMC. They have been handling our audit for several years. I did present the end of the year financials back in December so I’m not planning on going back through any of that. Jennifer is going to go through the client communications and then we’ll open it up for question if anyone has any questions on the audit.

Jennifer Costello, LBMC – Good morning, I appreciate you having me here to present the audit. I want to first start out by acknowledging the Public Entity Partners accounting team. They did a fabulous job under a lot of pressure with some conversion issues. They did, again, a fabulous job getting us information with the quick turn around we had given the obstacles with that. Again, a great experience working with the team. We appreciate that greatly.

We are going to start on page four of the client service communication. The Overview of the Audit and Responsibilities. The scope of our services, we did perform an audit of the 2021 financial statements and that included subjecting certain supplementary information required and other information to audit procedures. Management is responsible for the preparation and fair presentation of the financial statements, as well as maintaining internal controls. We issued an unmodified opinion, which means a clean opinion, on the 2021 financial statements. We also did communicate certain

**matters relating to the audited financial statements as well as the required supplementary information and the other information that was included.**

**Moving on to Qualitative Assessments. The first one here is with respect to accounting policies. This was a very easy year from the standpoint of accounting policies as there were no required policies to adopt. Those are all noted in note 2 to the financial statements, but again no new policies were adopted in 2021.**

**For estimates, we are required to communicate any sensitive estimates that are included in the financial statements. Obviously, all financial statements do include some estimates. We want to bring to your attention those that are of more significance.**

- **Depreciable lives of premises, property, and equipment**
- **Actuarial assumptions related to the Tennessee Consolidated Retirement System pension plan**
- **Estimates of reinsurance recoverable on paid losses**
- **Actuarial valuation of reserves for losses and loss adjustment expenses**
- **Valuation of investments including 3 types.**

**We do every year evaluate the key factors and assumptions used in those estimates to ensure that they are reasonable in relation to the financial statements. As well as to make sure they are consistent.**

**And then finally, well before we get to that, the disclosures were neutral, consistent, and clear. No new disclosures to bring to the board's attention.**

**And, finally, the Corrected and Uncorrected Misstatements. We are required to communicate all misstatements we identify as part of the audit procedures that we consider more than trivial. We are happy to report that there are no such adjustments.**

**Now we'll talk about the Interaction with Management, Independence, and Other Matters. We had no difficulties in performing the audit this year. Nor did we have any disagreements with management. We are not aware that there were any other accountants that were consulted with respect to the application of any of the accounting principles to the financial statements.**

**And then Management Representations. We do obtain representations from management regarding certain aspects of the financial statements as well as information that is provided. And those were obtained on December 30, 2021, which was also the date of our auditors' report.**

**We are not aware of any relationships that would impair our independence and maintained our independence for the period of July 1<sup>st</sup>, 2020, through the date of our auditors' report.**

**Other Findings or Issues. We do normally discuss a variety of matters just as a part of the audit process in the normal course of our relationship. Nothing specific there to bring to the board's attention.**

We talked earlier about Information Accompanying the Financial Statements. That is required supplementary information as well as other information. That other information also does include an introductory section. We do perform limited procedures on the required supplementary information. We do subject the other information, excluding the introductory section, to audit procedures and we do opine on that. We do not opine on the introductory section, and we do not subject that to audit procedures. That information is strictly just the list of board members and the key management members here at Public Entity Partners.

The next page for Internal Controls Related Matters. This just highlights that we do consider internal control for the purpose of planning our audit, not for the purpose of expressing an opinion on internal control. You'll see as part of the financial reporting package we did issue a report on internal control, again not an opinion. But had we identified any deficiencies in the internal control those would have been included in that communication.

And that concludes the Client Service Communication. I'm open for any questions related to that and also, I know that you all have received soft copies of the financial statements prior to the meeting so if you have any questions on those as well, I'll be happy to answer.

Chairman Hayes – You've had an opportunity to review the financial statements. Does anyone have any questions? I see there are none.

Victor Lay made a motion to approve the Financial Statements, seconded by Dr. Christa Martin. Roll Call Vote was taken. PASSED UNANIMOUSLY.

Chairman Hayes – Thank you Ms. Costello for the work you have done. Thank you, Ms. Shrum, for the work that you have done working on this. I'm proud to say that since Charles has been gone that you have not missed a beat. Job well done.

## **II. BY-LAW REVISIONS**

Chairman Hayes – I'll turn this over to our general counsel, Russ Farrar and/or Ross Smith.

Russ Farrar – Ross and I thought we would do this in two parts. Board members should already have received in your packets a memorandum that we put together. I'm going to go over the memorandum then Ross will go over the specific By-Law changes.

At the outset, I felt like it was incumbent on me to say that we spent quite a bit of time on this. These changes you have, we have been over them at length with Halie and Michael and the Chairman. I want to be clear the changes that we are proposing really do two things. One, it hits on the item that was raised to us that was discussed at our previous board meeting and then we discussed at our meeting with the Comptroller. That was self-governance, getting away from cross-governance. The second thing is we want to use this as a way to bring these organizations together to work together and try to build a working relationship, but with each organization being governed by separate boards.

That being said, we did meet with Comptroller Mumpower, his chief of staff, Jennifer Pfeiffer, and Comptroller Emeritus Justin P. Wilson sat in on the meeting too. It was a very

**informative meeting, very frank meeting, and I feel like it gave us some benchmarks to move forward on for everybody's good.**

**I want to point out to you really quick, that the last meeting that we had before this we had two different By-Law changes that we were proposing. One was that members of PEP board of directors would not be required to be members in good standing of the Tennessee Municipal League (TML). The reason for that is because we have a lot of insureds that are either not eligible to be members of the TML, or may not be members, but when you start talking about HRAs, Utility Districts, school boards, etc. we felt like it was important that we be able to have our board representative of our membership. So that's why that item was placed before the board in December.**

**The second one is that new and reappointed board members to our board would not have to be confirmed by the TML board. That is nothing other than heading toward what we believe is what the Comptroller wants and heading towards what we all want which is self-governance. That does not mean not working together. We recommend that to avoid any type of a conflict and members being members of more than one of the boards, we want each board to have its own members so there's no question about self-governance when decisions are made. We think that will strengthen our transparency, accountability, and stewardship of public funds that we have been entrusted with.**

**There are four quick points that I want to raise that occurred both during the meeting with the Comptroller and during discussions we had.**

- 1. Removing the provision in the By-Laws that allow the directors to receive a stipend for attendance at regular or special meetings. I want to make that clear what we're saying. It's our recommendation that we need to remove the provision that lets you do anything for which you are reimbursed by your employer or another party. It would not prevent you from being reimbursed for actual expenses you incur that you're not reimbursed for. We do believe that removing the article of the By-Laws allowing a stipend for everybody should be removed and the reimbursement should be limited closely to exactly what you were not reimbursed for either by your employer or some third-party.**
- 2. We recommend that we reinstate in the By-Laws term limits for the directors on our board. After our discussions and discussions with the Comptroller, we feel like if we get it started where we have a change in a certain amount of directors every year or two that will be healthy for us yet keep us from changing out directors all at once. We're going to have some continuity as well as new blood being brought on by the board. That's our recommendation on the term limit.**
- 3. This is something that we have talked about and felt like we had a healthy discussion with the Comptroller on this one. The way things have worked in the past, if I'm not mistaken, the board would send the nominee up to the TML board of directors to be considered to be on our board who would then vote on that person. What we propose here is that the members of our organization, in other words, the people that we insure and take care of, be given an opportunity to submit nominations to the board for the new directors as terms became available. This gives membership, should they choose to participate, there's nothing that makes them participate, but they would at least have the opportunity to submit nominations to the board rather than the nominations generating from within the board. Which would give us a broader area of people that are involved in selecting members of the board.**
- 4. The last thing that we would do is update the eligibility requirements, and I think this is one that I mentioned earlier, to preclude service on our board while simultaneously**

serving on the board of directors of TML or TMBF. In other words, we propose that each organization have their own directors. We can't do anything except at PEP, but we recommend that we eliminate cross-governance, for lack of a better term, where each board and each entity has self-governance and you don't have people working off of two, or three, or four boards. Three I guess would be the limit.

But that's our recommendation from that meeting. Ross is going to go over where he has drafted the red-lined specific By-Law changes. The last thing I would like to add, with Michael and Curtis, what we've done is to try to bring us closer together, and we may have further recommendations in the future as we see how things slip into place. If anyone has any questions, I'll try to answer them, if not, we'll move on, and I'll turn over to Ross to present the specific By-Law changes that we have come forth with.

Chairman Hayes – Would we really need to hear Ross, or can we get a motion and second it?

Russ Farrar – Sorry, Mr. Chairman.

Chairman Hayes – Go ahead, Ross.

Ross Smith – In front of you the first document is a clean copy and the second one is the red-lined version. Sometimes the red-lined version can get really convoluted and complex to go through. I'm going to use the red-lined version because that's what I've been working off of. Also, because it has a general overview of what each of them does. I'm going to go through section by section. If there are questions, I would defer to the Chairman. If there is discussion, we'll hold that until the board discusses the changes. But if there are questions, feel free to stop me and ask and I'll explain those.

As Russ said, we had a very healthy discussion with the Comptroller in that meeting. These are the first steps. I want to be clear that I think there will be other recommendations coming. Because of the By-Laws provisions, you have to have everything out seven days in advance of the meeting. There was not a whole lot I could draft withing the timeline for this meeting. These were the first step changes we thought we should propose immediately, subject to discussion and a vote.

With that being said, we'll start.

Article IV – Section 2a

I left these as Section 2 a. rather than creating 2 b., c., d., e., f., ... to keep it consistent with what you have. Essentially, the board is made up of nine members. Eight directors who are from the general membership and the ninth director who is a designated director who is the president of TML.

Section 2a. deals with the eight directors who are from the general membership. As Russ said, currently the eight directors have come from somebody who has insurance coverage from PEP, but also is a member in good standing with TML. We have taken that out in this version because, as Russ said, after that meeting, and in our discussions, we thought it was important to have better representation of PEP's membership. So, that's the first paragraph 2a. We also took out the four-year term. It's actually in the next paragraph. That may be something we discuss down the road.

The next paragraph under 2a is removing the TML confirmation of the board. That, actually, in regard to the Comptroller Emeritus, was something that he said he didn't know why PEP ever did that. That just needs to go. The new change would be is the majority vote of the PEP board. Instead of nominating and going to the TML board for a vote of confirmation, the PEP board would vote on new directors.

When you go down to the third paragraph, this deals with vacancies on the board. If there's a vacancy because someone isn't eligible for office anymore, if a board member resigns, if they chose to go with a different insurance provider, chose not to seek re-election if you're an elected official, or any vacancy the PEP board would use the same process to fill the vacancy. The PEP board would vote to fill that position. That person would not start a new term but would fill the remaining term of the former director they are replacing.

Next paragraph is a pretty big paragraph. It's a small paragraph but a big change. The feedback we received out of the meeting was that we should look for open nominations. Rather than nominations from within the PEP board to either re-nominate or nominate new directors, you would allow an open nomination process. This is the high-level By-Laws change. We still need to work on a nomination policy and a board election policy, if you will. But this would create a process that would be subject to open nominations to the board of directors to come from the general membership of PEP. Right now, we have in there that the open nominations may be made by a PEP employee or elected official of a municipal government located in Tennessee that has active insurance coverage. That's essentially, any of your insured members, any employee or elected official therein can nominate anybody. What we discussed is that a 30-day nomination period or two weeks? I think those can still be fleshed out, but this at least takes the high level and says we are going to allow nomination so it's not just within the nine of you nominating from within you. It can be anybody. Maybe the nominees come to the secretary, maybe to the chairman, those are things we can flesh out. We can perhaps discuss those today if anybody has any ideas. I wanted to at least put that in there to allow a nomination process of some kind.

The next section is another big change that came out of the meeting and there's been a lot of talk about separation of governance. We talked about this with the Comptroller, we talked about it in meetings. This is one we recommended previously. My recollection is the board wanted to wait for Mayor Moore to be here as he couldn't be here last time. Essentially, we want to get away from simultaneous service on Bond Fund board, TML Board and PEP board. There are a lot of people that serve on all three, or two of the three. This says that you are not precluded from service on all three, but you are precluded from simultaneous service on all three. If that takes effect, the question was then raised that there are five or six board members that would immediately become ineligible because you are on another board. So, we put in there a 45-day provision to give you some time, subject to its passing, to decide which board you'd like to serve on. This is a hard pill to swallow, but in our view, this is in the best interest of the healthy separation of governance.

The simultaneous service only applies to the eight members of the board coming from the membership. Our recommendation is that it would not apply to the designated director, currently filled by Mayor Moore, that you would still have the TML president as a member of your board who effectively serves on two boards. But he wouldn't be subject to the same ineligibility because of his service on the TML board. Is that clear?

## **Article IV – Section 2b**

**This is the designation director of the TML president. There are two changes here. It's always been policy that if the president of TML is on your board and succeeds to the presidency there, they would be eligible to serve two roles, one as current board member and also as TML president. So, if the president of TML is already on your board, it allows the board of directors to elect another person. For instance, if Mayor Moore was already serving on our board, he then rose to be TML president and he would have served on this board as TML president, if he's already on our board it allows TML to select another person to serve in that role.**

**Dr. Martin – That's not a director?**

**Ross Smith – It would be a director. Yes ma'am. Let's say that Mayor Moore is serving a four-year term. An then he becomes TML president. He would then serve a one-year term on our board as TML president. But he is already a board member. In that situation, he would retain his four-year term and the TML board of directors have the ability to select a second person to serve for his one-year term on the PEP board as TML president.**

**Dr. Martin – I want to be clear. That person would be a current TML director that the board would appoint? Or could it be anyone sitting out there in the audience?**

**Ross Smith – Our recommendation is that TML could appoint a board member, if they wanted to appoint Anthony Haynes who is the director as a board member that's allowable, or if they wanted to appoint somebody else, that's really up to TML. We'd just have to cede that authority to say if your president who is already otherwise serving, you'll have to let us know who you would like to serve in that capacity.**

**Michael Fann – That has happened on occasion through our history.**

**Todd Smith – Wouldn't that be precluded if you are to be president of the TML board, wouldn't that automatically imply that you are on the board of directors of TML? So, wouldn't the previous clause about not serving on both boards apply at that point? Would that scenario even happen going forward?**

**Ross Smith – I'll be honest with you; I don't know enough about TML's governance structure.**

**Michael Fann – It likely won't going forward, but under our current By-Laws it is possible. It has happened so we had to account for until the other revisions are passed. If the new provisions are passed, it likely will never happen.**

**Ross Smith – Working within the confines of the document, every time I changed something, something new would come up. There's a lot that even if these new changes take effect, we may have to go back and say other stuff isn't needed but to the extent that we're making changes now it's almost a domino effect. We may recommend further changes.**

**The second part of 2b, it was contemplated that if the TML president is serving a one-year term and he resigns, at that point the PEP board would fill the vacancy. So TML would fill the vacancy if the TML president is already serving on our board. If the TML president just resigns, the PEP board could fill the vacancy to fill out the remainder of the one-year**

term until the next year when the new TML president would join the board for the next one-year term.

#### Article IV – Section 6

This makes a change to the By-Laws to reflect the changes I discussed earlier. The old language here struck out basically says the vacancy is to be filled by whatever was in 2a and 2b. 2a had the nomination process then confirmation process by the TML board. So, I just said any vacancy would be filled according to Section 2a of the Article. Which is PEP board of directors would fill the vacancy subject to the 2b vacancy that was discussed. A lot of cross-references there.

#### Article IV – Section 9

This is the reimbursement. The old section 9 compensation; we're taking away stipends. Changing this section to reimbursements. So, there would not be a stipend anymore. So, you would not get the \$200 stipend anymore or the \$400 for the chairman. Instead, you would revert back to where you were two years ago if I'm not mistaken. You can still get reimbursed for eligible expenses, but you are not eligible for reimbursement if another entity is already paying for that expense. What we're going for there is if you're driving from Johnson City and your employer (city, HRA, Utility District, etc.) is paying your expenses and your gas. You don't also get reimbursed for your gas from PEP. Same with hotel. Let's say we were in Chattanooga this last year for the TML Conference. If your employer paid for the hotel for the TML Conference, you don't also get a one-night reimbursement for the hotel from PEP. This gets rid of those dual reimbursements where you have one eligible reimbursement. If no one else is paying and you are paying out of your own pocket, then PEP will reimburse.

#### Article V – Section 10

I noticed one more change I made on page 8. I didn't know if it really mattered, but while we're making changes, I struck the word "he" from the Secretary and Assistant Secretary section. I just wanted to point that out.

That's all of the technical changes if that makes sense.

Chairman Hayes – Before I get a motion and a second, these are the recommendations, suggestions I should say, that came out of the Comptrollers meeting that Ross, Michael and myself had. You heard Russ and Ross.

Commissioner Tharpe made a motion to accept all the recommended change to the By-Laws submitted by Farrar & Bates, seconded by Mayor Preece.

Chairman Hayes – Called for discussion.

Commissioner Tharpe – I have a question. Ross, I noticed everything in here and it looks good based on the Comptroller's recommendations. Of course, the request came from the board for you guys to discuss with the Comptroller the things we needed to address. I see the changes that have occurred. I agree – I have no problem with them. But I see nothing in the By-Laws as I read through it about diversity. That's a value that I feel like needs to be addressed in some word or format in these By-Laws. This is one reason why; I have and



others who are in the minority have been put on these boards more than once or more than twice because there's very few elected black officials. With the opportunity to serve, it's quite an honor. But there too I feel like those voices need to be heard on the board along with females. Along with Asians. Along with Hispanics. And I just want to make sure that we do not exclude diversity. So, I was wondering if it could be some format, or some wording, within our By-Laws to insure that for the future of PEP. And I hope for TML. Because that's the value of everybody being inclusive. To me that value is what this country is all about. If you can look at that, that's just something that I think is important. Thank you. And I hope the Bond Fund and TML will also take that into consideration because I know that people were there in the past that had that spirit to make sure diversity is respected.

Chairman Hayes – Thank you Commissioner Tharpe. And I think both Russ and Ross said there is going to be some more revisions coming. So, a diversity policy may be something we need to get included in what they're working on. We probably won't have it by February, but we can start, at least, working on it.

Dr. Martin – I echo what Sam said and I certainly see the value in that across this great state and with this organization. My suggestion centers around city sizes, small, medium, and large. And city locations, so that each of us in our service to municipal governments have different views based on how large or how small we are and where we are located. Because some things that might happen in Vice Chair's part of the state, don't necessarily happen in the middle part of the state. And maybe even in Chairman Hayes' part of the state. That part of our differences needs to be addressed in board representation as well. We need to hear from different locations and sizes.

Michael Fann – And if I might, Mr. Chairman, that has long been our practice. However, it has never really been in our By-Laws.

Mayor Preece – I know that I'm supposed to be representing the little, teeny towns and East Tennessee. We've gotten up to population 791, we've grown almost 100 people.

Chairman Hayes – Congratulations! Progress can come with problems from time to time.

Todd Smith – Mr. Chairman, just a couple of thoughts. One, on the nomination process, this may never come to fruition. It may never happen. But if we just open up nominations to every municipality and every employee of a municipality, I'm afraid we may get inundated with a bunch of nominations from one employer/municipality. Would it be better to limit that elected officials and city managers and administrator types to nominate instead of saying any employee? Just again, may never happen, but just in case you get inundated with a bunch of nominees from one group.

Chairman Hayes – That's a good point. We did talk about that. Russ, do you mind addressing?

Russ Farrar – That had already crossed our mind. What we're trying to do now is get the big lick in the By-Laws. Our thought has been "one man, one vote". In other words, if you have an entity out there, if you want your mayor or vice mayor or city administrator to cast your vote for your entity, fine. But we don't see, like Nashville, have 300 nominations and Niota having one. That's not the idea. The idea is to spread it around. As I said earlier, we're going to come with further recommendations. This just gives us a skeleton

framework to work from. We don't intend to let anybody, no matter what size the town or how many employees, to just be able to run the board over with nominations of the same person. We plan on each entity that we provide coverage for whether it be an HRA, School Board, Utility District, or a city, you get one nomination. That's in the working stage right now. We couldn't work that out until we see if these changes are passed in the By-Laws. We may even need to come back and make that part of the By-Laws. Or we could just create a policy where the nominations are based upon the membership not on the quantity of employees.

**Todd Smith** – That answers that. You're leading to a good direction where each entity gets a nomination.

**Chairman Hayes** – And what this does to some degree when we go back is send a clear message that we understood his suggestions and we took action. That's what these do. As Michael Fann says, we have a great opportunity here so we're doing what we need to do. There will be more come down as things happen. And it's kind of like reading your charter. When you read your charter, why did you change that, but when you change that, you've got to change this. You kind of go back and forth. Time just kind of ran out. There will be other things coming. Noted, certainly, what you said.

**Ross Smith** – Not to play devil's advocate a little bit, but you've allowed nominations from the floor. If you had some type of annual meeting, what does that look like, there's a lot of questions there. What we'll probably do is put something on paper then allow you to hash out what you want. That may be where I start.

**Chairman Hayes** – This is a work in progress.

**Todd Smith** – Just one more concern I'll throw out there. Not being privy to the Comptroller's comments about the members not serving on both boards or all three boards. I look around the room and if that were true today, or in previous years, we would lose a lot of good board members. I'm concerned about the good board members we have at PEP who just happen to also be on the board at TML. And I understand trying to create that separation. I think that removing the requirement of the TML board approving the members of the PEP board members creates that separation. I just get a little concerned that your valuable board members are the ones that typically get tasked to serve on these boards quite a bit. So, the good volunteers and board members get put on several boards because there's good reason. I'd hate to lose some really quality board members just because they have to choose between the TML, the Bond Fund and PEP.

**Chairman Hayes** – I couldn't say it any better.

**Mayor Holden** – Mr. Chairman, I have a couple of comments. Looking back at what he said just now. The 45 days just now, if we were to pass this, that is now for current members for any of the one, two or three boards? Right?

**Michael Fann** – For this board.

**Mayor Holden** – OK.

**Ross Smith** – We put it at 45. That is an arbitrary number. We put it at 45 because you did have that then effectively if you passed it, there could be six of you that could be ineligible.

**Michael Fann – I think it’s four. And if I might, Ross... Mayor, we had a discussion, I can’t remember when it was now, with Anthony and Wade about governance going forward. We went with 45 days because if we put this into place, we had a sensitivity to the fact that there could be quorum issues, specifically with the Bond Fund. So that 45 days requires our board members to make a decision before the next Bond Fund board meeting and the League board meeting as they may have some vacancies to fill. Or, we might have some vacancies to fill going forward. The 45 days was basically to get in front of their next two board meetings.**

**Commissioner Tharpe – I have one question.**

**Chairman Hayes – Hold on, Commissioner. John, were you done?**

**Mayor Holden – So, in theory, and I understand and am not complaining about 45 days or 60 or whatever. In theory, you could lose six or seven folks right here. Four, I meant four. OK. In theory. So, we all realize that. And if somebody were to choose to resign from this board, I would hope that it’s not being taken personal by anybody here to do that. OK. Some of us have served a long time and some of us recognize that we have good directors that serve on multiple boards. There’s a time and a place where some of us need to step down. And I’m speaking for me. And let other good folks come on here. That’s my opinion, personally. I hope it’s not viewed in a negative way from any entity that we choose whatever. That affects all of us. That’s my concern. I don’t want anybody to think “Oh, John doesn’t like the PEP Board.” It’s not like that at all. I just wanted to make that comment.**

**I want to ask one other question. At the top of page two, you said “the majority of these eight directors shall be elected officials, and at least two of these eight directors shall hold the position of city manager or city administrator”. So, the majority of eight, I think it’s five, right? OK. So, if you’re allowing the nominations of HRA, School Boards, and Utility Districts, etc. how are we going to balance that out?**

**Michael Fann – That is not a part of these changes. This begins the process of what we could be looking at continuing in the future. That is not part of the current changes.**

**Ross Smith – I can tell you that’s a good call and one that I didn’t even think about at the time.**

**Michael Fann – Right now it has to be an elected official or a city manager. That does not change with any of the changes that we have in place.**

**Ross Smith – I think the question was, let’s say, if you have three vacancies and nominees from Utility Districts.**

**Michael Fann – They can’t be nominees right now. So that’s not a concern.**

**Chairman Hayes – Sam.**

**Commissioner Tharpe – With these changes of can serve on two or three boards. The consistency of this is going to have to be like 45 days, hopefully, the Bond Fund and TML will come up with the same thing. Because that consistency is going to be very important at**

this stage. Because I'm on the TML board because I'm a past president. And, of course, TML is going to have to figure out how they're going to do that with past presidents. Are they going to eliminate them on the board, or are they going to do something else? I'm saying that if we're going to come together, there's going to have to be some consistency from one board to the other on how we're going to process this. And make sure that it's going to be a smooth turnover based upon what the Comptroller's office is requesting.

Chairman Hayes – I've talked to Anthony Haynes also Mr. Morrell. We met them. The concerns of the Comptroller were not only for PEP. We're talking PEP because we're the first ones that met since the meeting with the Comptroller. But after discussion, Mr. Haynes, and Mr. Morrell, I got the feeling that they were going to follow suit. But at the end of the day, we don't regulate TML of TMBF. However, we do represent PEP. So, you'll have 45 days after this passes to make a decision on which board you will serve. If TML chooses not to do anything, if the Bond Fund chooses not to do anything, that's on them and they have another meeting with the Comptroller. I don't know. All we can do is regulate our board and go with the suggestions recommended for us.

Mayor Preece – With the separation we have, Ken, on our board. But you're not allowed on our board if you stay with us. There's no reciprocal...

Chairman Hayes – Because of our own policies.

Mayor Preece – Yes, because of our own policies. If that's suggested that we make a complete split, why is Ken on this board? Not that we don't want him.

Chairman Hayes – Well, that's discussions that we've had. We want to show we've got a good relationship with the TML.

Mayor Preece – OK.

Chairman Hayes – And for the very reason that the TML president serves on the Bond Fund and PEP. I talked to Anthony and Mayor Moore about this as well. We felt that by removing the slot for the TML president it may send the wrong message. We're trying to preserve that relationship. I hope that answers your question.

Mayor Preece – Yes

Mayor Moore – I have some comments on that and thanks for the hard work on this. Certainly, I think that there is some advantage for TML president to sit on the board of PEP. Because there is synergy between the two organizations based on the history. I think there's been some good points made. I have some concerns with passing an incomplete set of By-Laws that we're going to come back and fill in the gaps. It's always those unintended consequences. I know you mentioned that you are going to come back and do some policy verification as far as the nominating committee and so on. And I look back at the nominating committee and I see the nominating committee could just be two people which would concern me. There are a lot of things in these By-Laws that are important to change but I think it's those things that we're not addressing actively at this time. I'd rather see a complete set of By-Laws than more attention to all those details. The devil's always in the details and I think there's a lot of details that are missing here. This is a "hurry up and do something". I think the board is showing that there is a process and we're going through a process such as the Comptroller has asked us to do. Those would be my comments.

**Chairman Hayes – The details, we would come back for those. They would be approved as well.**

**Mayor Moore – I understand that perfectly. I think my quantified debate is that's an undetermined date when those things are going to come back and if you're trying to follow the By-Laws and there are holes in them, there's the potential for situations to arise where those holes in the By-Laws bite us. That's my concern. I'd rather see a complete set rather than us say we're going to come back and address the term of office, we're going to address the nominating committee, we're going to clarify all those things. There's a possibility that something might happen where you have no direction. The point you made is every time you change something there's another change that's gotta occur.**

**Chairman Hayes – And those changes just take some time. We meet again February 18<sup>th</sup>. It is our goal to work extremely hard and bring all of that back as we can to this board. That is our hope. I can tell you; I'm certainly not trying to put a feather in my cap, but I have talked to Michael, Russ, and Ross every day for the last couple of weeks trying to get some things ready. We have the energy, and Michael, Russ and Ross have the knowledge to get us going in that direction. That's the best we can do right now.**

**Victor Lay – So, what's being proposed, we could expect some additional changes in the next 30 days? It doesn't affect that it's earlier than the 45-day timeline on exits or decisions so it's still this board that is making those decisions? This board as complete as it is?**

**Chairman Hayes nodded in the affirmative to all of Victor Lay's questions above.**

**Victor Lay – And is the reasoning for taking action today versus waiting those 30 days and maybe having a more complete set. I don't know that By-Laws are ever complete. Is that just to be able to point to the Comptroller to tell him "Hey, we're taking action."**

**Chairman Hayes – Absolutely.**

**Victor Lay – Does waiting until February send a message of "We heard you, but we don't care"? That's what I'm looking for is the tone that the meeting had. From what I gather from Russ and Ross' comments this had a sense of urgency behind it, is that what you're telling us?**

**Chairman Hayes – That's right.**

**Victor Lay – And everything that we're being asked to do was a point that the Comptroller and Comptroller Emeritus...**

**Chairman Hayes – No question. Absolutely.**

**Victor Lay - ..." you gotta do this."**

**Ross Smith – I'd like to add to that, if I may, in these By-Laws there were several discussions where we just discussed and focused on items that were brought up in the meeting with the Comptroller. Not necessarily this would be a good idea, let's change it type items. We met with the Comptroller, they recommended changes and we said, "Let's just focus on these changes right now." Because our directive was go meet with the**

Comptroller, come back with recommendations, anything they recommend in the interest of policy changes, etc. focus on those and bring them back. Anything outside the meeting, not directly related to the meeting with the Comptroller, bring back at a later meeting. These just focused on the meeting with the Comptroller.

Mayor Moore – So if I may... if it's passed today, what is the effective date? Is that something that needs to be in a motion or is the approval the effective date? It is tomorrow or is that effective date 45 days from now?

Chairman Hayes – The clock would start, whatever we voted on to take effect today. The clock for 45 days would start today.

Ross Smith – 45 days would be Friday, March 11<sup>th</sup>.

Mayor Moore – Again, I have those concerns about the omissions of things that need to be in there that we're creating because we're passing it. I understand all the things that need to be made up in the By-Laws.

Mayor Holden – Mr. Chairman, I agree with Mayor Moore. I think of governance of our cities. I'm not trying to kick the can down the road, or be difficult, but in governance of our cities, when we pass ordinances, we don't pass incomplete ordinances. We pass legislation that affects the people that we're tasked to govern and take care of. It's a concern of mine. I'm sure it's a concern of all of us. The other point I want to make is if there's four people on here that this involves and they all choose to resign this board, you're going to have the majority of people have left that started this process. I know in December we said that we wanted to wait and have a meeting, wanted Mayor Moore to be here for this meeting. Again, I'm not complaining, I'm just concerned about what Mayor Moore has said, honestly. And I understand the essence, the request to do it, it's showing a good faith effort to the Comptroller. I certainly understand that, but I agree with what he says.

Chairman Hayes – I hear that. I pass ordinances too. And a high percentage of the time, the ordinances are complete. But I also happened to be front and center at the Comptroller's office. He was loud and clear. And we went back and went to work immediately. It was a challenge and I think Russ, Ross clearly says we needed to concentrate on the areas that were suggested we needed to concentrate on. This is simply what that does. I don't know what the concerns are on the details. I don't know if someone is thinking... Whatever are in the details this morning come back to this board. If there's something in there that you don't like we can strike it out. It's up for discussion. It's not like well, we filled in the blanks here's your By-Laws, thank you, have a good day. That's not the case at all. That's not the case at all. I think this would, my opinion, show a good-hearted effort to the Comptroller to the next time we have a meeting that we took some steps. That's it.

Mayor Moore – Is that meeting already set?

Chairman Hayes – We know it's going to be in March.

Ross Smith – We're looking at March 23<sup>rd</sup> right now.

Mayor Moore - I think I would like to ask counsel, what if the effect date was not immediate, but it set an effective date more in line when they could bring forth a complete set of By-Laws back to us with all those details and things that they're speaking of? That

sends the message of we're moving forward, we've set an effective date, but we have to fill in things around those changes that we're making because details are lacking. They only have so many hours a day. Lawyers have 48-hour days.

**Mayor Holden - Billable hours.**

**Ross Smith – Only when it's not 50.**

**Mayor Moore – That would be my only suggestion to offer.**

**Todd Smith – Do you have a sense when you met with the Comptroller's office staff if we tweaked any of their suggestions coming from the Comptroller's office, let's say we tweaked one or didn't include one of their suggestions. What is the risk we take with the Comptroller of the State of Tennessee if we tweaked one of their suggestions or made some minor changes? Did most of them but tweaked it.**

**Chairman Hayes – You want the good or the bad? It would be devastating. It could be bad.**

**Vice-Chairman Brundige – You know what's going to happen.**

**Chairman Hayes – Either we can make these changes, or they can make them. We're raising warning flags.**

**Commissioner Tharpe – Let's be honest about it Mr. Chairman, with the discussion you had with the Comptroller, did he say this is not coming from him, it's coming from where?**

**Chairman Hayes – Tippy Top.**

**Commissioner Tharpe – It's coming from the Senate and the House.**

**Chairman Hayes – The top, it's coming from the top.**

**Commissioner Tharpe – So that's the top. So, if it's coming from them, they can take over this board.**

**Todd Smith – Political ramifications.**

**Vice-Chairman Brundige – Yes.**

**Commissioner Tharpe – So that is what is on the table with the Comptroller. Let's don't beat around the bush. That's just what's up.**

**Mayor Preece – With the 45 days built in, if the board members who decide to go with other boards, but if they were here for the 45 days, that would allow them to be at the February meeting, if necessary, we can call another meeting in those 45 days... We'd still have this board to vote.**

**Chairman Hayes – That correct. Yes ma'am, that's correct.**

**Commissioner Tharpe – This is not playing.**

**Chairman Hayes – Alright. We have a motion and a second on the table. Ms. Halie, call roll, please.**

**Mayor Preece – Could you read the motion back?**

**Chairman Hayes – It is the suggestions from the Comptroller’s office.**

**Mayor Preece – To pass these.**

**Chairman Hayes – That’s right. Yes, absolutely. Call the roll, Ms. Halie.**

**Roll Call vote was taken.**

**Chairman Hayes – Aye**

**Vice-Chairman Brundige – Aye**

**Mayor Holden – Aye**

**Victor Lay – Aye**

**Dr. Martin – Aye**

**Mayor Preece – Aye**

**Todd Smith – Aye**

**Commissioner Tharpe – Aye**

**Mayor Moore – No**

**MOTION PASSES**

### **III. OTHER BUSINESS**

**A. Chairman Hayes – For cleanup measure, I think I called them the financial statements, some folks do. But for the record, I probably do need to go back and say Annual Audit for the record. Is there an amendment to the financial statements to the Annual Audit to clean that up?**

**Halie Gallik – Motion was made by Victor Lay and seconded by Dr. Martin.**

**Chairman Hayes – Ok.**

**Victor Lay – I amend the previous motion to Annual Audit not Financial Statements.**

**Dr. Martin – I’ll second that.**

**Roll Call vote was taken. PASSED UNANIMOUSLY.**

**B. Chairman Hayes – So we will meet again... Halie, when is our next scheduled meeting?**

**Halie Gallik – Our next scheduled meeting is on February 18<sup>th</sup>.**

**Chairman Hayes – February 18<sup>th</sup>. Breakfast at 9:00am meeting at 10:00am. No other business, I’ll entertain a motion to adjourn. Hold on I missed something. Did you have some paperwork you wanted to pass out?**

**Michael Fann – Halie if you’ll roll that one more time. Ross, if you want to add anything to this. The one element that the Comptroller was specific about – term limits**



on the board. Basically, from our meeting with the Comptroller and then what our By-Laws required us to send to you in advance of this meeting. We had the two, the other five By-Laws changes put together. So, this would be a sixth one. We just didn't have time to get the language put together. We have gone through a whole series of options but to just come up with the language is a tall order to write term limits back into our By-Laws. Our proposal is that we would bring something back to this board in February about term limits. I know this is just a possibility. Where we landed, and, again, we didn't have time to get the language of this, with the three or four options we reviewed... I had three, Curtis had two we've had five or six options for how this is going to look. What I'm going to pass out is just a possibility. It may not be what you'll end up wanting to vote on. You may not like it at all. But what we tried to do is do a reset for this board in terms of your terms and such that no more than two of you roll off of this board at a time. Does that make sense? In other words, create, in addition to the ex-officio seat, which Mayor Moore currently occupies, it would create four additional groups of two. And we tried to divide that up based on current length of service. I'm going to pass this out. What it would do is do a reset for terms. This is just a matter of information. You may end up throwing it in "file 13". The chairman wanted me to pass this out as where we are right now in our thinking. I'll just go ahead and send this around. Essentially it groups Mayor Hayes and Mayor Brundige in the first group so their terms would expire at the end of August 2025. In other words, they are starting, provided this ends up being the plan, it would create a term limit of two terms of three years each. A six-year max. Then our thinking is after those six years, or that term end, you would have to be off of our board for a full term of three years before you're eligible for re-appointment. A lot of moving parts. There was just no way to get that done in a week to present to you. This particular plan was a combination of mine and Mayor Hayes' plan. We talked about four-year terms, three-year terms, all kinds of different options. You'll see eventually we eventually will not have names on these. We've got all eight of you on there now. Eventually it will just be "Position1", "Position2", etc. that way it will create that rotation. Mayor Hayes wanted me to provide that so you can see where our thinking is now. If you've got ideas, please send them to us. Send them to Ross or Russ and they'll be hashing through them.

**Chairman Hayes – Just send them to Michael.**

**Ross Smith – I'll add that I believe it was sometime in the recent past there was four-year terms. There were three-year terms and you changed it to four-year terms. So, there are some of you have three-year terms and some of you have four-year terms. That's one thing we'll have to look at is do you want three-year terms, or do you want four-year terms? By-Laws currently say four-year terms. But if you look at this sheet, some of you are serving three-year terms.**

**Chairman Hayes – The reason the four of us were in discussion is going back to the Comptroller about rotation and about some of us not being on these boards as long as some of us have been.**

**Ross Smith – And that's what he wants is some fresh faces.**

**Chairman Hayes – And you would only serve on this board for a total of six years period. And would not be eligible for reappointment to this board until after a full-term is out. And again, this only complies with the suggestions from the Comptroller.**

**Commissioner Tharpe – Really, we had it like that before.**

**Chairman Hayes – It was like that.**

**Victor Lay – We will then need a training component for new board members. Because it took me at least two years to figure out what in the world was going on.**

**Chairman Hayes – You did good. It took me four.**

**Victor Lay – I really didn't feel like I was even prepared until that first term was even over.**

**Commissioner Tharpe – That is why we made the change was because of the knowledge of the board.**

**Victor Lay – And it was the knowledge of this board that allowed us to clean up some of the things in the organization that needed to be cleaned up.**

**Commissioner Tharpe – That is correct. And that is why the longevity was important at the time. I'm going to be honest; it was old points that was where it could be perceived that it could be skipped over from one board member to the other. Points that the value of money that comes through this board. And those points, where were they going? It's no way that a two-year operating board member would have found that out. The experience of a six-year operating board member was not here. The reason I'm saying that is because I'm the one that was involved in it. And I'm the one who brought it up. And asked the question, "Where were the points"? And, even with Lee Holland, I knew where the points were because I could see when he came in and I was chair of this. When he came in with points, whether there were six or seven points, he would take that money and share that money with your position (pointing to CFO) and him. And that was the points for them. Which that money should have been going back to the membership. And in Dawn's case, I'm going to be honest, I asked Charles if he was getting anything from those points and I'm just being frank, Charles said no and I'm going to cut it off right there. So, the rest is history. That's all I'm going to say.**

**Chairman Hayes – No other business, I'll accept a motion to adjourn. Motion to adjourn by Vice Chair Brundige, Seconded by Dr. Martin.**

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**William Curtis Hayes, Chairman**

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**Halie Gallik, Secretary**