

**PUBLIC ENTITY PARTNERS
BOARD OF DIRECTORS
MINUTES OF MEETING
DATE OF MEETING: December 13th, 2023
10:00am**

The Board of Directors of Public Entity Partners (“PE Partners”) met at 10:00am on December 13th, 2023, at PE Partners’ offices in Franklin, Tennessee.

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

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

Also Present: Kristin Berexa, Farrar & Bates, Brandon Miller, Gallagher, Anthony Haynes, TML, Bill Kelso, LBMC, Alex Wheeler, LBMC

Chairman Curtis Hayes called the meeting to order.

Roll call was taken. All members were present except Mayor Williams.

No citizens spoke during the citizen comment agenda item.

I. Approval of Board Minutes

Motion made by Mayor Preece to approve the board minutes from the meeting of September 29th, 2023, seconded by Commissioner Sam Tharpe. **PASSED UNANIMOUSLY.**

II. Audit Report - LBMC

Thank you all, I’m Bill Kelso and I have Alex Wheeler. The report has been issued, you received an unmodified opinion. You’ll note there are no big changes year over the year. I would say the largest change was a new GASB standard, GASB 96, that was adopted with the new year which basically said if you have a long-term computer based technology, they’ll treat it like a lease so we have a new asset. We had no difficulties, no adjustments. If you have any questions, I’d be happy to answer them.

Chairman Curtis Hayes – Any questions for the audit report? There are no questions.

Motion made by Victor Lay and Vice Chairman Randy Brundige to receive the audit report. **PASSED UNANIMOUSLY.**

III. Financial Reports

A. Investment Report – November 30, 2023

Amanda Shrum –The first report that you’re going to see, behind the financial reports is the investment portfolio analysis. This will take the investment recap through November 30, 2023 and as we look at this, you’ll see that since June 2023, we have reported additional unrealized losses to our market value of \$9.8 million, bringing our total unrealized loss on the investment portfolio to \$68.5 million as of November 30th. As of the end of November, our average coupon rate is 3.77% and the average yield is 4.79% showing that we are still trying to take advantage of kind of swapping out investments for higher yielding when we can, without taking losses.

If you look over the last five months, since June 30th, you see that our unrealized losses have continued to fluctuate quite significantly. I cautioned back in September during our board meeting that our values were dropping from the report that we presented in August, and we actually saw \$81.2 million in losses at the end of October. We have seen significant improvement since that time. We’ve actually seen the values increase around \$13 million just since the end of November. And just as of yesterday, our market values came in at \$63.1 unrealized losses which basically is another \$5 million improvement that we’ve seen since the report that is presented to you. You do have the full investment report with the individual securities behind that if you want to take a more in depth look at that. If you have any questions?

Chairman Curtis Hayes – Any questions for Ms. Shrum?

Victor Lay – Just to be clear, that’s loss on paper, right?

Amanda Shrum – Correct. We have had one security call for a very small loss but we are not actively looking to sell anything right now so those are all paper losses. You’ll see when we go through the financials, our investment income is actually up from this time last year because we’ve not taken those losses that we were taking last year to reposition. I think it’s \$1.2 million from this time last year to this point as of September of this year. We’re trying our best to keep from that, but you know if we see something significant enough where our yield and our investment income will basically justify it, we will, but we’re not going to do that right now.

Victor Lay – But theoretically if the market corrects in a timely manner, it could recover.

Amanda Shrum – Hopefully by spring, and it’s all speculation, things are looking good. I did get word from our broker that inflation data looked really good for us so we should see additional improvement to those values over the next several months, if no major catastrophes and the Fed continues on.

Chairman Curtis Hayes – Any other questions for Ms. Shrum?

Motion made by Todd Smith and Councilmember DaVena Hardison to approve the investment report. PASSED UNANIMOUSLY.

B. Financial Statement

Amanda Shrum – If you will look at statements of revenue, expenses and changes in net position. As the auditors shared, we did implement a new GASB statement. We had to add some line items for a right of use asset and our current liability and non-current liability for that subscription. If you’ll look at September 30th our net earned premium is reported at \$18.7 million which is up \$1.4 million from last year. Total revenues were reported at \$21.3 million and that’s up \$2.6 million from last year. As I’ve said the investment income, if you’ll look at that, that was one of the factors, we are

up \$1.2 million dollars from last year. We have not taken those losses in selling those investments this year so we are up quite a bit in our investments from this time last year. If you look down under the total loss and loss adjustment expense, you'll see that from one year to the next we only increased about \$229,000 overall but if you'll notice our claims paid and case reserves have increased significantly. Our claims paid is about \$3 million dollars up. However, it was shown in our actuarial study that our claims development from previous years is actually trending downward, so the decrease that we saw was IBNR reserve offset the increase in what we've seen this year for our claim's payments and our case reserves. It looks like we are pretty even from last year. Policy acquisition costs increased around \$400,000 from last year and general and administrative expenses decreased \$55,000 from this time last year. Our total expenses as of September 30th were reported \$20.7 million, an increase from \$20.2 million so that adds a \$1 million dollar increase overall from last year. Operating income comes to \$583,000. With our decrease in fair values on investments of \$16.5 million. That changes our net position downward by \$15.9 million leaving us with an ending net position of \$101 million as of September 30th. That is down from June 30th, however from this time last year we were showing \$87.5 million so we are up from this point but with those investment values that declined from June we are showing a reduction to \$101 Million. Any questions on that?

Chairman Curtis Hayes – Questions for Ms. Shrum?

Amanda Shrum – On the next statement, the statement of net position, I'm not going through this entire statement. I just wanted to point out as we said about the GASB 96 implementation this year, you will see the right of use subscription asset which is new this year and then under liabilities, you will see a current portion and a non-current portion. We've had the Origami contract, we've expensed it each year as we paid it. This new pronouncement basically just says you're not going to do that, you're going to put an asset on your books and you're going to put a liability on your books for the term of that contract so as long as Origami is in place and we sign a three year contract renewal we will have this right of use asset and these liabilities on our books to account for that contract. Do you have any other questions on that?

Chairman Curtis Hayes – Any questions? If not, I'll take a motion to accept item September 30th 3B Financial Statement.

Motion made by Mayor Holden and seconded by Victor Lay to approve the September 30th, 2023 Financial Statement. PASSED UNANIMOUSLY.

C. General & Administrative Budget Report

Amanda Shrum – Just as a recap of our G & A budget, you will see that we are actually under our budget. It came in at \$2.8 million, budgeted \$3.3 million. I will caution under the communications and research, it looks like we are over budget. Just know that is the symposium expenses. We budget quarterly. That is a one time a year expense. We incur that at the beginning of the year so by the end of the year everything will be back on track and there should not be any overage there, but I just wanted to point out that. It's accounted for, we expect that. Do you have any questions on that?

Chairman Curtis Hayes – Any questions for Ms. Shrum? I'll take a motion to accept item 3C General & Administrative Budget Report.

Motion made by Todd Smith and seconded by Mayor Preece to approve the General & Administrative Budget Report. PASSED UNANIMOUSLY.

IV. Insurance Market & Reinsurance Placement Update.

Michael Fann - Branden Miller with Gallagher is here. Most of you will remember in 2021, they made a presentation. They're always available to present where we are positioned in the market and answer any questions.

Branden Miller provided an overview of the Public Entity Partners reinsurance program and factors impacting the reinsurance market. Branden also answered questions from Board members.

V. Coverage for 2024/2025 Fund Year

Halie Gallik – You have in your packet a summary of the areas that we use each year to evaluate the Liability, Property & Crime, and Workers' Compensation policy documents. We started discussing with you all a little over a year ago that we wanted to move up the consideration for coverage and start having meaningful conversations for areas that you all see as a concern so that we would start that in December with the final policy changes that go into effect July 1 for the fund year taking place in February. We still have that process in place with coverage, but we wanted to go ahead and put in writing to you, and use this as a way to formally ask for feedback either individually as board members or if you all have a discussion today about what areas you might have concerns or questions about. We just want to make sure we're getting that feedback from you all.

When we look at the policy document, we look at competitiveness with other carriers, but we also look at the way our reinsurance partners will consider the policy document and if they're willing to continue to reinsure those documents. We also look at compliance with regulatory requirements or legal requirements. There's a whole list of criteria that we go through.

In the last nine months, since you last approved policy document changes, we looked at several different areas in the policy document. Many of those, in conjunction with our legal team. And have tried to make sure that as we go into February's board meeting that we would have information to you all. We do not, at this time, unless there's further discussion from you all, anticipate coverage changes that would necessitate a new module in our system. That would be one of the comments we looked at when trying to talk to you all about coverage in December. It takes time for our IT department to implement the system changes so at this time, we're not aware of any coverage changes that would necessitate major system changes.

We wanted to go ahead and share that with you all and then again any final changes to the wording for July 1, you all will receive in your February board information but at this time if there's anything you all would like to share with Underwriting or if you'd like to speak with us afterwards to discuss potential policy change areas that you'd like to see, we'd love to have that feedback.

Michael Fann – We intend to do this annually and at this meeting just to make sure that our underwriting team is researching and looking at those areas of coverage that you might have thought that we might need to explore. So unless there are areas, we don't really need to take action but that's kind of a question for the board. Are there any areas right not that you would like us to look at?

Mayor John Holden – Can I ask one question?

Michael Fann – Absolutely.

Mayor John Holden – When you look at law enforcement, firefighting in our interlocal agreements for SRO and our interlocal agreements with school, what do you look at?

Halie Gallik – So that specific bullet point references the way that interlocal agreements are added on to the policy document. There is an interpretation that came out of the word “occurrence” from the 2004 Mutual Aid Statue that was a little more specific than what historically had been interpreted and so we’ve worked through that with our legal team and will a bring recommended wording change. That specific bullet point did not extend to research school resource officers. So if that’s something you’d like us to put more effort into, which I know that is something you’ve talked about before, that’s certainly something we can bring or can ask you.

Mayor John Holden – So we have a situation where the county did not have a qualified, certified building inspector, the county, Dyer County building inspector. We were asked to let our city building inspectors, who are certified by the state, go into the county and do that and inspect buildings that we were not involved in, and I said no because I thought that would be a liability to us because we haven’t been involved along the way. So is there such a thing as an interlocal agreement for building inspectors, I guess?

Halie Gallik – There are, I am aware of other municipalities that have passed them somewhat recently for shared services with building inspectors. Any time there’s an interlocal agreement, we would need to endorse that onto your Additional Named Insured Endorsement and part of that is just understanding what we’re covering from an underwriting perspective. We want to make sure we’re actively evaluating your risk. It doesn’t necessarily mean there’s going to be a charge for it. But we do have to make sure that we have an understanding of the operations that we’re agreeing to take on the exposure for. So anytime there is an interlocal agreement, it does have to be endorsed onto the Additional Named Insured Endorsement. We communicate that to members through multiple ways. One is on the application that is reviewed by your team each year. Whether that’s your local agents of record or whether that’s your staff members. We also share it through other departments, with member services visits or communications sending out information. So our members should know that has to be endorsed on. It also comes with policy documents but there is also an example of interlocal agreements where a member may try to transfer risks that we are not able to assume on a policy document. An example of that would be the medical cost for prisoners. You legally can transfer that exposure and accept it from the county but we don’t cover that under our policy document so it’s not a catch all that every interlocal agreement can be added to the policy document. We have to read those carefully. The building inspector, we could probably talk to you about that one and could work out fairly easily and wouldn’t require a policy change and I’m not even sure that resource officers require a policy change. It would maybe just be more information sharing.

Mayor John Holden – Thank you.

Chairman Curtis Hayes – I think some of this is going to be, I’ve worked closely with Kristen and Russ after we got back from the Franklin conference about the interlocal agreements and I know that it’s been an agreement, I think. Kristen did you actually write a sample?

Kristen Berexa – MTAS

Mayor Curtis Hayes – So for the fire departments, so as law enforcement, in particular SROs that go to these schools. Each school sends an SRO officer with them. It is my understanding that you

discussed it wherever we're going into that city there's supposed to be an interlocal agreement signed in the event that things happen.

Kristen Berexa – Yes.

Chairman Curtis Hayes – To be a law enforcement officer.

Kristen Berexa – There should be because law enforcement officers, as we all know, only have jurisdiction or authority within their jurisdiction and one mile outside their jurisdiction so once you get SROs driving from west Tennessee to MTSU for high school tournaments and that sort of thing, they're well outside their jurisdiction under state authority. So that's why you would need or it would be important to have an interlocal agreement or as we talked about it before and I think I talked about it at the symposium. If you want your SRO to travel with the team because I understand that's pretty common and you want them there, make sure that they understand that they are not to act in the compacity of a law enforcement officer in a different jurisdiction. You can do that and then we're trying to get the statue amended for next year so that we don't have to have all these written interlocal agreements between law enforcement agencies.

Chairman Curtis Hayes – There's a conference coming up at the end of April.

Michael Fann - LLRMI.

Chairman Curtis Hayes – Yes, I encourage all you cities to send some administrative officers down here to perhaps sit in some of those classes. Are you teaching?

Kristen Berexa – I don't think so.

Michael Fann –These are actual folks that do this all over the country.

Chairman Curtis Hayes – Okay. Any questions for Ms. Halie? Thank you.

VI. Strategic Planning Update - Leadership Team Covenant

Michael Fann – Thank you Mr. Chairman. As all of you know we began a relationship Judy King as our strategic planning consultant back in October 2020 when we engaged a tremendous three days of discussion that developed our current strategic plan, again a little over 3 years ago and then a little over a year ago we updated it and we've continued that relationship to build our staff knowledge, our culture, with Ms. King. She has continued, in addition to working with our leadership team and our board, to work with all staff by providing some training. So our most recent, back in early November, we did a day and a half with our leadership team with Ms. King and basically taking our vision, mission, values, objectives, as a team and then said based upon all this information and activity and productivity that we have devoted to our plan over the last 3 years. What are the ground rules for us as a leadership team as we work together and again this was just an effort to continue to positively build our culture. Under Tab 6 you will see what came out of that day and a half as a leadership team covenant and under Tab 6 we have a copy of what we all unanimously agreed that these are the ground rules. This how we want this organization to function within our strategic plan and as we move forward to accomplish our mission with our cities, towns and local agencies around the state.

I'm just going to read through this. I'm extremely proud of the work that our leadership team did and how open each member was about the direction we wanted this organization to go. So our

covenant to each other, as a leadership team, and you'll see the 11 staff members of our leadership team have signed this. It says as a member of the team:

1. I will check and maintain alignment with PEP vision, mission, values, priorities in thought and action, choose to put the organization over departmental interests.
2. Extend grace to individuals, departments as they learn and attempt to do their best while maintaining accountability and respect for departmental demands and variances.
3. Be considerate of impacts on others while making decisions and changes.
4. Act with positive expectancy to maintain a safe space for all. Which means we can disagree from time to time, we work through it.
5. Communicate well and often to ensure others are kept in the know using methods that are most effective given the issue.
6. Nip gossip in the bud from myself and when heard from others.
7. Bring conflicts and concerns to leadership team members directly or when necessary to their executive team members rather than employees.
8. Act in an inclusionary rather than an exclusionary manner.
9. Respect each other's time and be on time.
10. Focus on excellence and continue to improve.

I just wanted to give credit to our entire team for the input toward this effort and I'm just really proud of the group and where we plan to move the organization forward. I just wanted to provide that as a matter of information. If you have any comments or questions, I'll be happy to answer them.

Mayor Preece – I just think this is wonderful to see this written. I want to commend your team for getting this done.

Michael Fann – Thank you.

Todd Smith – I think it's a great model. In fact, I may steal this.

Mayor Preece – I'd like to get it out there also.

Michael Fann – Absolutely.

Chairman Curtis Hayes – Any other questions or comments? All right. Job well done. Job well done. I think we can all use this at home.

VII. Designation of AGRIP Representative

Michael Fann – Yes, Mr. Chairman. Historically the, our membership in AGRIP, and those of you who were with us in Orlando, that conference last March, that's the AGRIP organization. Both that organization and our involvement with the National League City risk program. They require a voting member and so historically we have just listed the President/CEO as our voting member. Well, currently, they now require an actual name so this is just for housekeeping, but we do need, assuming you want me to continue to act as our voting delegate and representative, we would need a motion from the board and approval so that we can inform them of that.

Chairman Curtis Hayes – Motion for Michael G. Fann.

Motion made by Vice Chair Brundige and Victor Lay to designate Michale G. Fann as AGRIP Representative. PASSED UNANIMOUSLY.

VIII. Next Meeting Date

The next meeting date February 23 is what's suggested, weather permitting, I guess. We're about to get in this weather. Anybody have any issues with this date? If not, then that date will be set.

Motion made by Mayor Holden and Victor Lay to adjourn at 10:48am. PASSED UNANIMOUSLY.

William Curtis Hayes, Chairman

Halie Gallik, Secretary