

**TEXAS MUNICIPAL LEAGUE  
INTERGOVERNMENTAL RISK POOL  
Board of Trustees Meeting  
Hyatt Regency Lost Pines Resort – Austin Colony  
575 Hyatt Lost Pines Road, Lost Pines, TX 78612  
January 20 & 21, 2017**

**Trustees Present**

Peter Vargas, Chair  
John Fullen, Vice Chair  
Byron Black  
Rickey Childers  
Randy Criswell  
Andres Garza  
Mary Gauer  
Don Henderson  
Larry Melton  
Leo Montalvo  
Pat Norriss  
Bennett Sandlin  
Michael Smith  
George Shackelford  
Michael Talbot  
Charles Wax  
Henry Wilson

**Staff Present**

Jeff Thompson  
Bob Haynes  
David Reagan  
Hank Domeracki  
Mike Bratcher  
Tamara Chafin  
Lindsey Fields  
Susie Green  
Irvin Janak  
Bo Joseph  
Patti Ledesma  
Paula Marr-Ludwig  
Julie Nguyen  
Atul Poladia  
Mike Raigosa  
Mike Rains  
Allan Romer  
Tim Salzman  
Tito Villegas  
Kim Williams  
Debbie Mangum

**Also Present**

Pam Beachley, Legislative Consultant  
Robert Kamm, Legislative Consultant  
Magali Welch, Johnson Lambert, LLP

Chair Peter Vargas called the meeting of the Board of Trustees of the Texas Municipal League Intergovernmental Risk Pool to order at 7:33 a.m. on Saturday, January 21, 2017.

1. Roll call and excused absences (Tab 1)<sup>1</sup>

Jeff Thompson reported the absence of Robert Herrera and the reason he asked his absence to be excused.

MOTION by Larry Melton, seconded by Andres Garza, to excuse the absence of Robert Herrera. Motion carried with unanimous approval.

2. Consideration of minutes of October 21 & 22, 2016 Board meeting in Southlake (Tab 2)

Chair Peter Vargas reported an error in the minutes of October 22, 2016, which needed corrected to show John Fullen as Vice-Chair, rather than Charles Wax under Tab 2.

MOTION by Larry Melton, seconded by Rickey Childers, to approve the minutes of the October 21 & 22, 2016 Board meeting in Southlake under Tab 2 with the correction to show John Fullen as Vice Chair. Motion carried with unanimous approval.

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<sup>1</sup> All references to “Tabs” in these minutes are references to the Tabs in the Board of Trustee Agenda packet.

### 3. Nominations Committee

This item was presented after the Meeting Schedule and Board Continuing Education report, item 9.

### 4. Finance & Information Technology Committee

#### 4a. Consideration of minutes of October 21, 2016 committee meeting (Tab 4)

The October 21, 2016 Finance and Information Technology Committee meeting minutes set forth under Tab 4 were approved at the Finance and Information Technology Committee meeting on January 20, 2017.

#### 4b. Staff presentation of year end results and presentation by Johnson Lambert & Company, L.L.P. of Financial Audit for October 1, 2015 to September 30, 2016 (Tab 5)

Hank Domeracki presented the overview of financial highlights and year-end results for October 1, 2015 to September 30, 2016 under Tab 5. Magali Welch of Johnson Lambert & Company, LLP presented the financial audit and opinion for the same period.

MOTION by George Shackelford on behalf of the Finance and Information Technology Committee, seconded by Charles Wax, to accept the Financial Audit for October 1, 2015 to September 30, 2016 by Johnson Lambert & Company LLP. Motion carried with unanimous approval.

#### 4c. Review of November 30, 2016 (2-month) Financial Statements and presentation of December 31, 2016 Financial Statement (Tab 6)

Julie Nguyen presented the Financial Statements for two-month period ending November 30, 2016 under Tab 6 and gave an overview of the December 31, 2016 financials.

#### 4d. Review of November 30, 2016 (2-month) Investment Report and presentation of December 31, 2016 Investment Report (Tab 7)

Tito Villegas presented the Investment Report for the two-month period ending November 30, 2016 as set forth under Tab 7 and presented an overview of the December 31, 2016 investment report.

#### 4e. Consideration of entering into a contract with Pricewaterhouse Coopers, LLP to conduct an update of the Target Fund Balance Review (Tab 8)

Hank Domeracki presented the recommendation under Tab 8 to enter into a contract with PriceWaterhouseCoopers to conduct an update of the Target Fund Balance Review. The proposal for the review is \$95,000 with study to begin in February 2017 and the final report to be available for a Board presentation at the July 2017 Board meeting.

MOTION by George Shackelford on behalf of the Finance and Information Technology Committee, seconded by Pat Norriss, to authorize the Pool to enter into a contract with PriceWaterhouseCoopers to conduct a Target Fund Balance Review for 2017. Motion carried with unanimous approval.

#### 4f. Report on Refined Project Budget for Finance and Human Resources Software System (Tab 9)

Hank Domeracki presented the report on the refined project budget for the Finance and Human Resources software systems under Tab 9. A final proposed budget will be presented at the April 2017 Board meeting.

4g. Report from Office of Project Management and Analytics, including status on Progress for Business Application and IT Road Map (Tab 10)

This item was presented under 5h.

4h. Information Technology report on status of hardware and software updates to the computer systems (Tab 11)

Atul Poladia presented the information technology report on the status of hardware and software updates under Tab 11.

5. Underwriting and Claims Committee

5a. Consideration of minutes of October 21, 2016 committee meeting (Tab 12)

The October 21, 2016 Underwriting and Claims Committee minutes set forth under Tab 12 were approved at the January 20, 2017 Underwriting and Claims Committee meeting.

5b. Consideration of Renewal Proposal for the City of Dallas Excess Workers' Compensation Coverage (Tab 13)

Paula Marr-Ludwig presented the recommendation under Tab 13 for the renewal of the City of Dallas Excess Workers' Compensation coverage effective February 1, 2017. The Board approved a rerate contribution of \$722,500 for the City of Dallas if the proposal was accepted by a January 17, 2017 deadline. The City contacted the Pool and indicated they needed an extension to January 27, 2017, in order to present the proposal to their City Council.

MOTION by Michael Talbot on behalf of the Underwriting and Claims Committee, seconded by Larry Melton, to extend the deadline for the City of Dallas Excess Workers' Compensation coverage to the end of the day January 27, 2017. If the City of Dallas does not contact the Pool with its intent to continue coverage effective February 1, 2017, the coverage will be considered non-renewed and cancelled as of February 1, 2017. Motion carried with unanimous approval.

5c. Consideration of Authorizing the Executive Director to Enter into a Software License Agreement Amendment with Guidewire for Underwriting Software (Tab 14)

Paula Marr presented the recommendation under Tab 14 for the consideration of entering into a Software license agreement amendment with Guidewire for underwriting software. The Board authorized the Executive Director to enter into a contract for the Inception Phase of Release 1 for the Underwriting System implementation at the July 2016 Board meeting. In discussions with Guidewire, it was identified that the software will need to be used during inception in order to define the scope and configuration of the project. Since the inception phase is used to determine the needs of the system, a contract is being negotiated with Guidewire to include a termination clause if the Pool provides written notice by July 30, 2017, if the inception phase so warrants. The pro-rata amount for licensing and maintenance fees for the 2016-17 fiscal year will be \$280,000. Ms. Marr explained that the costs to conduct the Inception Phase of the project might total as much as \$1 million based on what we have learned in reviewing proposals from system integrators. This cost should not result in an overall increase in the project cost.

MOTION by Randy Criswell, seconded by Andres Garza, to recommend to the Board to authorize the Executive Director to negotiate and execute the Software License Agreement with Guidewire for products set forth above, and amend the 2016-17 Fund Year budget by increasing the IT budget by \$280,000 to account for the licensing and maintenance fees required by the Software License Agreement, and to recognize the costs to conduct the Inception Phase

of approximately \$1 million will be capitalized and expensed according to the Pool's depreciation policy. Motion carried with unanimous approval.

5d. Consideration of Initiation of Phase 2 of Medical Bill Review Project (Tab 15)

Mike Bratcher presented the recommendation for the Initiation of Phase 2 of the Medical Bill Review project under Tab 15. The staff is requesting authority to submit a RFP for the second phase of the Medical Bill Review and execute the Initiate/Begin Gate Phase of the project. This project will take lower priority if a conflict arises with other in-progress projects.

MOTION by Michael Talbot on behalf of the Underwriting and Claims Committee, seconded by Rickey Childers, to authorize the Pool to enter into the Initiate/Begin Gate Phase by releasing a Request for Proposal. Motion carried with unanimous approval.

5e. Significant Cases and Legal Developments impacting the Pool (Tab 16)

Bo Joseph presented the significant cases and legal developments impacting the Pool under Tab 16.

5f. Liability and Property Claims Report on claims that have indemnity reserves exceeding \$300,000 and consideration of settlement authority in excess of \$500,000

This item was discussed in Executive Session.

5g. Workers' Compensation Claims Report, including (1) new claims that have reserves exceeding \$150,000, (2) fatality claims, (3) presumption claims (4) catastrophic losses, (5) 2016 Performance Based Oversight Report from the Division of Workers' Compensation and (6) 2016 Political Subdivision Workers' Compensation Alliance Report Card

This item was discussed in Executive Session.

5h. Report from Office of Project Management and Analytics, including status on Progress for Business Application and IT Road Map (Tab 10)\*

The Office of Project Management and Analytics report under Tab 10 was submitted for the Board's review without an oral presentation.

5i. Underwriting Report on underwriting results and loss ratios, including the Quarterly Report by Victor O. Schinnerer & Company, Inc. regarding revenues received and contract activities (Tab 19)

The Underwriting Report under Tab 19 was submitted for the Board's review without an oral presentation.

5j. Loss Prevention Report on member surveys, training and property valuations conducted (Tab 20)

The Loss Prevention report under Tab 20 was submitted for the Board's review without an oral presentation.

5k. Subrogation Performance Report (Tab 21)

The Subrogation Performance Report under Tab 21 was submitted for the Board's review without an oral presentation.

51. Member Services Report including Membership Activity (Tab 22)

Jeff Thompson reported that the Member Services Report was the basic annual update after re-rate and bid season. The report also calculates retention rates, contributions and member count. The retention rate was over 99% with approximately 20 members withdrawing from all coverages.

Bennett Sandlin commented that cities and ESD's are in conflict over the 2% sales tax that ESD's were given authority to adopt by the State legislature three sessions ago. When the city later annexes the ESD area, the city does not get any sales tax in that area. This may be the reason ESD's are withdrawing from the Pool.

6. Comments by ex officio Members from and to TML and Employee Benefits Boards

Andres Garza, ex officio member to the TML Multi-State Employment Benefits Pool Board of Trustees, deferred to Mike Smith, ex officio to the TMLIRP Board of Trustees. Mr. Smith reported that TML Multi-State Employment Benefits Pool Board (IEBP) held its first virtual telemedicine clinic at Deer Park with EMT's onsite and an emergency room doctor on standby. The patient is hooked up to machines so the doctors can see what is happening and diagnose problems. With the exception of a few tests, they are able to do most things that are available at a clinic. There are no costs to the employee right now unless they are in a high deductible plan. IEBP hopes to expand these clinics across the state. It is also expanding biometric screenings and the mobile mammograms van to more areas

Mary Gauer, ex officio member to the TML Board of Directors, commented that results of a TML membership survey indicated a lack of understanding of the difference between TMLIRP and TML. Ms. Gauer also noted that at the December meeting Bennett Sandlin, C. J. Wax, and Henry Wilson gave a wonderful report on relationship between TML and TMLIRP.

Charles Wax said the relationship between TML and TMLIRP centers around branding and the relationship between members and staff. Sixty-two percent of the TML membership have a population less than 5,000. These smaller communities depend more on TML and TMLIRP. They identify TML, TMLIRP, and IEBP as one entity. They don't care that the Pools and TML are separate entities. They only care about the service to them.

Henry Wilson, ex officio to the TML Board of Trustees, stated that it is a very strong brand and it is good that a lot of the cities don't differentiate between the entities. TMLIRP used the TML brand to start its operation and it continues to get strength and credibility from identifying with TML.

Bennett Sandlin, Executive Director of TML, said that TML Board meetings traditionally have not had reports from other ex officio members. In March, an agenda item will be added to hear from the ex officio members to the TML Board of Directors.

Bennett Sandlin reported the 85<sup>th</sup> Legislature is underway and there have been 500 more bills filed than at this time of the last Legislative session. The worst bill is Senate Bill 2 dealing with 4% revenue caps. There have been two annexation bills filed. On Federal issues, Speaker Ryan is contemplating tax reform in which all income tax exemptions would be eliminated except for home mortgage interest. This would include getting rid of tax exemptions on municipal bonds. TML and NLC are ranking up to make this Federal issue a number one priority. Mr. Sandlin stated he doesn't know what will happen to city infrastructure with the absence of tax-exempt bonds.

Henry Wilson reported that taxing municipal bonds could lower federal revenue because a cut back on infrastructure developments and capital improvements will cut back on the salaries of the people who work on those projects. Less salaries means less income taxes that would have been paid on those salaries.

Chair Peter Vargas called for a 10-minute recess at 9:05 a.m.

Chair Peter Vargas reconvened the meeting at 9:16 a.m.

7. General Counsel's Report (Tab 23)

Robert Kamm and Pam Beachley, legislative consultants, reported on the activities of the upcoming Legislative session. Mr. Kamm and Ms. Beachley presented the report under Tab 23.

8. Executive Committee Report

8a. Status of lawsuits in which the Pool is a Party

This item was discussed in Executive Session.

8b. Consideration of legal action against Texoma Area Paratransit System (a former member) for non-payment of contributions

This item was discussed in Executive session

Chair Peter Vargas announced that it was now 9:45 a.m. and the Board of Trustees would go into Executive Session to discuss claims and lawsuits under Agenda items 5.f., 5.g., 8.a., and 8.b., under Texas Government Code 551.071.

Chair Peter Vargas reconvened the open session of the Board of Trustees at 10:36 a.m.

Chair Peter Vargas took up Agenda Item 8.b. for action by the Board.

8.b. Consideration of legal action against Texoma Area Paratransit System (a former member) for non-payment of contributions

MOTION by Charles Wax, seconded by Larry Melton, to authorize the Executive Director to pursue legal action against Texoma Area Paratransit System for non-payment of contributions. Motion carried with unanimous approval.

8c. Human Resources Report identifying employment changes (Tab 26)

The Human Resources Report under Tab 26 was submitted for the Board's review without an oral presentation.

9. Meeting Schedule and Board Continuing Education (Tab 27)

a. Select a location for the January 18 & 19, 2019 Meeting

The Executive Committee recommended the City of Southlake as the location of the January 18 & 19, 2019 Board meeting at the Hilton Southlake Town Square.

MOTION by Larry Melton, seconded by Leo Montalvo, to hold the January 18 & 19, 2019 Board of Trustees meeting in the City of Southlake. Motion carried with unanimous approval.

Jeff Thompson reported on the Board Continuing Education opportunities under Tab 27.

3. Nominations Committee

3a. Consideration of minutes of July 22, 2016 Committee meeting (Tab 3)

The July 22, 2016 Nominations Committee meeting minutes set forth under Tab 3 were approved at the Nominations Committee meeting on January 20, 2017.

3b. Consideration of the nomination and appointment of a citizen Trustee for a six year term to Place 10 of the Board of Trustees, beginning on or after January 21, 2017 through September 30, 2022

Peter Vargas announced that the recommendation of the Nominations Committee was to ask Carol Loughlin to fill the vacancy in Place 10 on the Board of Trustees for a six-year term beginning January 21, 2017 through September 30, 2022, but in the event that Carol Loughlin declined to serve, the Committee would recommend the nomination of Greg Ingham for Place 10 on the Board of Trustees.

MOTION by Leo Montalvo, seconded by Andres Garza, to approve the appointment of Carol Loughlin to fill the vacancy in Place 10 on the Board of Trustees for a six-year term beginning January 21, 2017 through September 30, 2022, and if she declines to serve, Greg Ingham is appointed to serve in Place 10. Motion carried with unanimous approval.

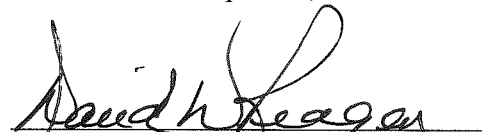
Chair Peter Vargas reported that Expense Reports for October and January will be distributed to the Board in approximately three or four weeks.

Randy Criswell stated he found the Planning Session to be a very informative and educating and if it is possible, it elevated his pride and admiration for the Pool and the staff. The Pool has an amazing staff and he wished they were all here to hear his compliment and asked it be passed along to the staff.

10. Adjournment

MOTION by Larry Melton, seconded by Mary Gauer, to adjourn the Texas Municipal League Intergovernmental Risk Pool Board of Trustees meeting at 10:39 a.m. Motion carried with unanimous approval.

Approved by the Board of Trustees on  
April 29, 2017

  
David W. Reagan, Board Secretary