

Finance and Audit Committee Meeting Minutes

June 23, 2021

A Finance and Audit Committee meeting for the Surplus Lines Stamping Office of Texas was held by conference call.

Agenda

- Item 1. Call to Order & Establishment of a Quorum
- Item 2. Discussion and Appropriate Approval of March 24, 2021 Meeting Minutes
- Item 3. Discussion and Appropriate Action – YTD Financial Update
- Item 4. Adjournment

Item 1. Call to Order | Randy Myers, Committee Chair

Randy Myers, Chair of the Finance and Audit Committee, called meeting to order on June 23, 2021 at 2:34 p.m.

Meeting was held by conference call. A conference call-in number was provided in the public meeting notice.

Myers stated that all Board members and the Commissioner of Insurance, or his delegate, were sent notice of committee meeting on June 14, 2021, via email. Myers called roll to determine participating members via telephone conference pursuant to Plan of Operation Section 2(c)(6):

COMMITTEE MEMBERS PRESENT

Randy Myers	Committee Chair
Charles Gillenwater	Secretary

TERM EXPIRATIONS

12/31/2022
12/31/2022

NON-COMMITTEE MEMBERS PRESENT

Penni Chambers Chair of the SLTX Board 12/31/2023

ALSO PRESENT

Greg Brandon, Executive Director, SLTX
Donna Aug, Director of Finance, SLTX
Cheyenne Herrera, Director of Operations, SLTX
Sholonda Stone, Director of IT, SLTX
Denisse Orellana, Director of Human Resources, SLTX
Vanessa Moreno, Administrative Assistant, SLTX
Marcelina Gutierrez, Communication and Education Coordinator, SLTX
Stanton Strickland, General Counsel, Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C
Patty Otto, Texas Department of Insurance

Minutes were taken by SLTX staff.

Myers made the following administrative housekeeping announcements before moving forward with agenda:

1. Antitrust activity or discussion are prohibited at all Stamping Office functions. This prohibition includes the exchange of information concerning individual company rates, coverages, market practices, claims settlement practices, expenses, or any other competitive aspect of an individual company's operation.
2. We will not have a public comments session. Public and media attendees listening by telephone should always mute lines.
3. Representatives of state agencies and members of the public are welcome to observe or record this Board meeting but refrain from asking questions or interjecting comments during the Board's deliberations.
4. State agency personnel present may be asked questions about agency policies if those questions relate to an agenda item.
5. Members, counsel, and staff participating by conference call should identify themselves when speaking. Please mute lines when not speaking.

Item 2. Discussion and appropriate approval of March 24, 2021, F&A Meeting Minutes

Presenter: Randy Myers, Committee Chair

Myers asked if there were any questions or changes to the minutes.

Donna Aug requested an amendment under item 4, paragraph 4 to read \$19,472,000 instead of \$19,971,000 as originally presented. This update is due to a recalculation of excess fund balance due to updated 5-year operating expenses.

Myers asked if any committee members had questions or wished to discuss the minutes. Hearing none, Myers asked for a motion to approve the minutes as amended.

MOTION: Charles Gillenwater

SECOND: Randy Myers

TEXT OF MOTION: Approve March 24, 2021 meeting minutes as presented and amended.

Myers asked if there were any further discussion or questions, hearing none.

All committee members in favor.

Motion Carries.

Item 3. Discussion and appropriate action – YTD Financial Update

Presenter: Donna Aug, Director of Finance

Donna Aug began by providing January through May 2021 financials. Aug reported Stamping Fees were over budget 39% for May and 35% YTD, due to a record-breaking March and May. Additionally, residual December 2020 and prior invoices being paid at previous rate. Investment income was over budget 44% for May and 39% YTD as interest and dividends received were higher than budgeted. Fair Market Value of investments decreased approximately \$6,000 for May and \$211,000 YTD, but is still trending higher than in 2020. Total expenses were under budget for May \$239,000 and \$1.2 million YTD. Salaries and Benefits were under budget 14% for May and 2% YTD. Professional Services were under budget by 56% for May and 57% YTD. The main component of this category is Professional Fees - Information Technology Services, which was under budget by almost \$203,000 YTD, due to the cloud

migration being budgeted but not yet begun.

Conference and Education were under budget approximately \$44,000 YTD. Travel and Entertainment, which includes Board expenses, were under budget by 94% for May and 99% YTD. Occupancy and Operating expenses were under budget 32% for May and 33% YTD. The bulk of the savings is in software license and maintenance, which is under budget due to the cloud migration not yet initiated. General and Administrative expenses were under budget 62% for May and 61% YTD. Contingency Expense, which was not used, resulted in over \$154,000 savings YTD. Amortization was under budget by over \$530,000 YTD as SMART components are being rolled out more gradually than budgeted. With total expenses being under budget and total income being over budget, net income for May was almost \$368,000 and \$1.3 million YTD. We had budgeted for losses of \$70,000 and \$632,000 respectively.

Aug asked if there were any questions, hearing none.

Aug continued to explain that at the beginning of 2021, the Unrestricted, Undesignated Funds balance was \$27.2 million, which was \$19,472,000 over the new maximum for 2021. May's net income of \$1.3 million resulted in a fund balance of \$28.5 million on May 31st, which is \$20.8 million over the current maximum of \$7,756,535. At current pace, the year ending fund balance is projected to be upwards of \$27.6 million, \$19.9 million over the maximum. However, Stamping Fee revenues are expected to level off as more filings are submitted at the lower .075% rate.

Aug asked if there were any questions, hearing none. Myers asked the committee if there were any comments or questions regarding Aug's report, hearing none. Myers asked if there was a recommendation for a motion. Aug stated none at this time. Myers moved on to the next agenda item.

Item 4. Adjournment

Presenter: Randy Myers, Committee Chair

Myers asked for motion to adjourn meeting.

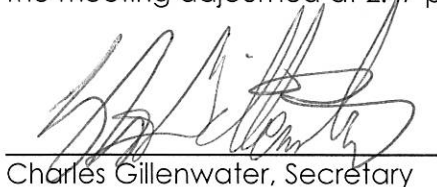
MOTION: Charles Gillenwater

SECOND: Randy Myers

TEXT OF MOTION: Adjournment

Motion carries.

The meeting adjourned at 2:47 p.m.


Charles Gillenwater, Secretary