

December 14, 2021

Finance and Audit Committee Meeting Minutes

A Finance and Audit Committee meeting for the Surplus Lines Stamping Office of Texas was held in-person at the Surplus Lines Stamping Office of Texas, 805 Las Cimas Parkway, Suite 300, Austin, TX78746.

Agenda

- Item 1. Call to Order & Establishment of a Quorum
- Item 2. Discussion and Appropriate Approval of September 22, 2021 F&A 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 December 14, 2021 at 3:02 p.m.

Meeting was held in-person and a conference call-in number was provided in the Public Meeting Notice. Written notice of this meeting proposed agenda, and all related meeting materials were provided to the Texas Department of Insurance Deputy Commissioner of the Financial Regulation Division and designees on December 3, 2021, in accordance with the Plan of Operation, Section 2(c)(2).

Written notice of this meeting and related agenda was provided to the Finance & Audit Committee and submitted for publication to the Office of the Secretary of State on December 7, 2021 in accordance with the Plan of Operation, Section 2(c)(1) and the Chapter 551 of the Tex. Gov't Code. Myers called roll to determine participating members pursuant to the Plan of Operation Section 2(c)(6):

COMMITTEE MEMBERS PRESENT

Randy Myers	Committee Chair	12/31/2021
Charles Gillenwater	Vice-Chair	12/31/2022
Jeff Klein	Secretary	12/31/2023 - <i>Participated Via Video Conference</i>

TERM EXPIRATIONS

NON-COMMITTEE MEMBERS PRESENT

Penni Chambers, Chair of the SLTX Board - Term Expiration: 12/31/2023
Leslie Milvo, SLTX Board Member - Term Expiration: 12/31/2024

ADDITIONAL ATTENDEES

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 – *Joined Via Video Conference*
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

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 September 22, 2021, F&A Meeting Minutes

Presenter: Randy Myers, Committee Chair

Myers asked if there were any questions or corrections to the minutes. Hearing none, Myers motioned to accept the minutes as presented.

MOTION: Randy Myers

SECOND: Charles Gillenwater

TEXT OF MOTION: Approve September 22, 2021, F&A Meeting minutes as presented.

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 November 2021 financials. Stamping Fees were over budget 10% for November, 28% YTD due to premiums reported being greater than budgeted. Investment income was over budget 69% for November, 33% YTD as interest and dividends came in higher than budgeted. Fair Market Value of investments decreased approximately \$50,000 for November, \$482,000 YTD. Total Expenses were under budget for November at \$56,000, \$1.8 million YTD.

Salaries and Benefits were under budget 4% for the month, 7% YTD. Professional Services were under budget by 38% for November, 47% YTD. A large component, Professional Fees - ITS, were under budget by \$277,000 YTD, due to the Cloud Migration not being completed. Operations is under budget \$115,000 YTD due to budgeted expenses for MIS and EFS not being needed. Conference and Education were under budget approximately 53% for November, 86% YTD due to COVID related restrictions and virtual option. Travel and Entertainment, which include Board expenses, were under budget 75% for the month, 86% YTD, also due to COVID restrictions and limited travel. Occupancy and Operating Expenses were under budget 22% for November, 29% YTD. The bulk of the savings is in Software License & Maintenance, due to Cloud Migration not yet being complete.

General & Administrative expenses were under budget 12% for November, 25% YTD. Contingency expense, which was not used, resulted in almost \$326,000 savings YTD. Amortization was under budget by over \$457,000 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 November was over \$10,700 and \$1.8 million YTD. We had budgeted for losses of \$61,000 and \$1.1 million respectively.

Aug asked if there were any questions, hearing none.

Aug continued with the Unrestricted, Undesignated Funds balance. November's YTD net income of \$1.8 million resulted in a fund balance of \$29 million on November 30th, which is \$21.3 million over the current maximum of \$7,756,535. At current pace, the year ending fund balance is projected to be almost \$28.7 million, \$21 million over our maximum.

Aug asked if there were any questions. Hearing none. Myers asked if any committee members had any further questions or comments, hearing none. With no recommendations by Aug, Myers moved on to the next agenda item.

Item 4. Adjournment

Presenter: Randy Myers, Committee Chair

Myers motioned to adjourn meeting.

MOTION: Randy Myers

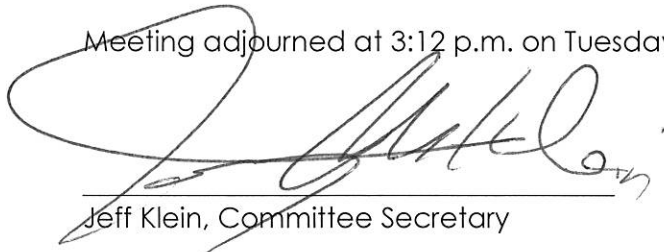
SECOND: Charles Gillenwater

TEXT OF MOTION: Adjournment

All Committee Members present in favor.

Motion carries.

Meeting adjourned at 3:12 p.m. on Tuesday, December 14, 2021.



Jeff Klein, Committee Secretary