

## Finance & Audit Committee Meeting Meeting Minutes

December 14, 2022

A Finance & Audit Committee meeting for the Surplus Lines Stamping Office of Texas was held in-person on December 14, 2022, beginning at 3:00 p.m. and lasting to adjournment.

### Agenda

- Item 1. Call to order; establishment of quorum
- Item 2. Discussion and Appropriate Approval of - September 21, 2022, F&A Committee Meeting Minutes
- Item 3. Discussion and Appropriate Action - 2022 YTD Financial Review
- Item 4. Adjournment

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### Item 1. Call to Order | Bart Koch, Committee Chair

Bart Koch, Chair of the Finance and Audit Committee, called the meeting to order on December 14, 2022, at 3:00 P.M.

Board members and the Commissioner of Insurance, or delegate, were notified of this meeting on December 5, 2022. Koch called roll to determine participating members via telephone conference pursuant to Plan of Operation Section 2.(c)(9):

#### COMMITTEE MEMBERS PRESENT

Bart Koch – via Teleconference	Committee Chair
Jeff Klein – via Teleconference	Vice Chair
Peter Harrison	Secretary

#### NON-COMMITTEE MEMBERS PRESENT

#### ALSO PRESENT

Greg Brandon, Executive Director, SLTX  
Donna Aug, Director of Finance, SLTX  
Cheyenne Herrera, Director of Operations, SLTX  
Sholonda Stone, Director of ITS, SLTX  
Denisse Orellana, Director of Human Resources, Via Teleconference  
Marissa Gamez, Administrative Assistant, SLTX  
Marcelina Gutierrez, Communication and Education Coordinator, SLTX  
Toby Pick, Operations Manager, SLTX  
Stanton Strickland, General Counsel, Mitchell Williams, Selig, Gates & Woodyard, PLLC  
Courtney Williams, Texas Department of Insurance, Office of Financial Counsel

Minutes are to be taken by Koch with the assistance of SLTX Staff.



Koch 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 mute lines at all times.
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 21, 2022, F&A Committee Meeting Minutes**

**Presenter: Bart Koch, Committee Member**

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

**MOTION:** Bart Koch

**SECOND:** Charles Gillenwater

**TEXT OF MOTION:** Approve September 21, 2022, F&A Committee Meeting Minutes as presented.

Ayes all across the committee.

Motion passed.

## **Item 3. Discussion and Appropriate Action - YTD Financial Review**

**Presenter: Donna Aug, Director of Finance**

Donna Aug provides her YTD Financial review. November results and YTD data are presented as follows. Stamping fees were greater than budgeted at 25% for November and 17% year to date due to premiums reported greater than budgeted for the year. Investment income was greater than budgeted at 68% for November and 45% YTD. Total operating expenses were under budget for November at \$147,000 or 21% and under \$1.4MM – 18% for the year. Salaries and benefits were under budget 14% for the month and 10% YTD. Professional services were under budget by 65% for November and under 54% for the year due to Accenture transition to Maintenance & Support at the end of Q1 but will occur in 2023. Conference and Education were under budget 99% for November and 65% for the year. Travel and Entertainment, which includes Board Expenses, were under budget by 83% for the month and 67% for the year. Occupancy and operating expenses were under budget \$5,000 or 8% for the month and \$117,000 or



16% for the year. The bulk of savings was in internet expense due to the co-location from RSI being cancelled and no expense in computer equipment.

General & Administrative expenses were under budget \$10,000 or 6% for November and under \$86,000, 4% YTD, due to Amortization Expense lower than budgeted. Contingency expense resulted in \$3,400 savings for the month and \$40,000 for the year. Aug moves on to discuss operating income and investments and states an operating income of \$290,000 for November and over \$1,900,000 operating income YTD. Aug also mentioned a budgeted operating loss of \$31,000 for the month and a loss of \$733,000 YTD. Fair Market Value of investments increased approximately \$218,000 for November and decreased almost \$1,400,000 YTD.

Ms. Aug moves on to the Unrestricted, Undesignated Funds. Aug states we went into 2022 with a fund balance of \$28.8 million which was \$20 million over the maximum for 2022, which is \$8,806,266. November's YTD net gain of \$560,000 resulted in a fund balance on November 30 of \$29.4 million, which is \$20.6 million over our current maximum. At current pace, the year-end balance is projected to be almost \$29 million; \$20.1 million over our maximum.

Koch asks Aug if there are any motions for the Committee, finding none, moved onto adjournment.

#### **Item 4. Adjournment**

**Presenter: Bart Koch, Committee Chair**

Koch asked for a motion to adjourn the meeting.

A motion for adjournment was made by Bart Koch, Charles Gillenwater seconded the motion, and the motion passed.

**MOTION:** Bart Koch

**SECOND:** Charles Gillenwater

**TEXT OF MOTION:** Adjournment

Motion passed.

The meeting was adjourned at 3:09 P.M.

A handwritten signature in dark ink, appearing to be 'Peter Harrison', written over a horizontal line.

Peter Harrison, Secretary