

**Finance and Audit Committee
Meeting Minutes**

June 22, 2022

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, TX 78746.

Agenda

- Item 1. Call to Order & Establishment of a Quorum
- Item 2. Discussion and Appropriate Approval of March 30, 2022 Meeting Minutes
- Item 3. Discussion and Appropriate Action – 2022 YTD Financial Update
- Item 4. Adjournment

Item 1. Call to Order | Bart Koch, Committee Secretary

Bart Koch, Committee Secretary, has called meeting to order on June 22, 2022 at 3:00 p.m. Koch stated newly elected SLTX Board Chair, Charles Gillenwater, would be standing as an Ex Officio Committee Member.

Meeting was held in-person 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 June 13, 2022, in accordance with the Plan of Operation, Section 2(c)(2).

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 June 16, 2022, in accordance with the Plan of Operation, Section 2(c)(1) and the Chapter 551 of the Tex. Gov't Code. Koch called roll to determine participating members pursuant to the Plan of Operation Section 2(c)(6):

COMMITTEE MEMBERS PRESENT

Charles Gillenwater	Chair of the SLTX Board
Bart Koch	Secretary

NON-COMMITTEE MEMBERS PRESENT

Penni Chambers	Secretary of the SLTX Board
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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 Amezcuita, Director of Human Resources, SLTX
Marissa Gamez, 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.

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 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 30, 2022, F&A Meeting Minutes

Presenter: Bart Koch, Committee Secretary

Koch determined that a quorum was not present to discuss changes or vote to approve minutes. Therefore, deferring Item 2 until the next meeting when a quorum may be present.

Item 3. Discussion and appropriate action – YTD Financial Update

Presenter: Donna Aug, Director of Finance

Donna Aug began by providing January through May 2022 financials. Aug reported Stamping Fees were over budget 43% for May and 7% YTD due to premiums reported being greater than budgeted this year. Investment income was over budget almost 100% for May and over budget 23% YTD. Total expenses were under budget for May \$134,000 and under nearly \$386,000 YTD. Salaries and Benefits were under budget 11% for May and 7% YTD. Professional Services were under budget by 59% for May and 30% YTD due to Headspring/Accenture SOW initially transitioning to Maintenance & Support at the end of Q1, but SOW amendment changed to start beginning of Q4.

Conference and Education were under budget 46% for May and 58% YTD. Travel and Entertainment, which includes Board expenses, were under budget by 78% for May and 80% YTD. Occupancy and Operating expenses were under budget \$10,000 or 16% for May and \$36,000 or 10% YTD. The bulk of the savings is in internet expense due to the co-location from RSI being cancelled and also no expense in computer equipment. General and Administrative expenses were under budget \$2,000 or 1% for May and \$3,400 YTD. Contingency Expense, which was not used, resulted in \$3,500 savings for the month and \$18,000 YTD. Aug explained SLTX had almost \$379,000 operating income for May and almost \$263,000 income YTD. We had a budgeted loss of \$52,000 for the month and a loss of \$378,000 year to date.

Aug asked if there were any questions, hearing none.

Aug continued to explain that going into 2022, Unrestricted, Undesignated Funds balance was \$28.8 million, which was \$20,000,000 over the new maximum for 2022, which is \$8,806,266. May's YTD net loss of \$543,000 resulted in a fund balance of \$28.3 million on May 31st, which is \$19.5 million over the current

maximum. At current pace, the year ending fund balance is projected to be upwards of \$27.5 million, \$18.7 million over the maximum.

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

Item 4. Adjournment

Presenter: Bart Koch, Committee Secretary

Koch asked for motion to adjourn meeting.

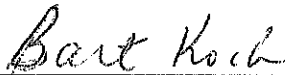
MOTION: Bart Koch

SECOND: Charles Gillenwater

TEXT OF MOTION: Adjournment

Motion carries.

The meeting adjourned at 3:12 p.m.



Bart Koch, Secretary