

June 28, 2023

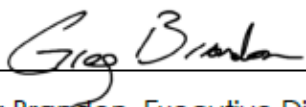
Finance and Audit Committee Meeting Minutes

A Board of Directors meeting for the Surplus Lines Stamping Office of Texas was held in-person at the Courtyard Austin Pflugerville and Conference Center, 16100 Impact Way, Pflugerville, TX 78660.

Agenda

The following subjects will be discussed or considered and may be subject of formal action by the Board.

June 28, 2023, Finance & Audit Committee Meeting Agenda		
Item 1.	Call to Order and Establishment of a Quorum	Jeff Klein, Committee Chair
Item 2.	Discussion and Appropriate Approval of - March 30, 2023, F&A Committee Meeting Minutes	Jeff Klein, Committee Chair
Item 3.	Committee Charter Review	Jeff Klein, Committee Chair
Item 4.	Discussion and Appropriate Action: - 2023 YTD Financial Review	Donna Aug, Director of Finance
Item 5.	Adjournment	Jeff Klein, Committee Chair



Greg Brandon, Executive Director By
delegation from Chair of the Committee

Item 1. Call to Order

F&A Chair, Jeff Klein called the meeting to order and establish a quorum.

Meeting was held in-person. A conference call-in number was provided in the Public Meeting Notice. Written notice and proposed agenda along with all related materials were provided to the Texas Department of Insurance Deputy Commissioner of the Financial Regulation Division and designees on June 16, 2023, in accordance with the Plan of Operation, Section 2(c)(6).

Notice of this meeting and related agenda was submitted for publication to the Office of the Secretary of State on June 16, 2023, in accordance with the Plan of Operation, Section 2(c)(2).

All committee members were notified of this meeting on June 6, 2023. Mr. Klein called roll to determine participation members pursuant to the Plan of Operation Section 2(c)(6):

COMMITTEE MEMBERS PRESENT

Jeff Klein, Chair of the Finance and Audit Committee
Leslie Milvo, Vice Chair
Jason Cables, Secretary

ALSO, PRESENT

Greg Brandon, Executive Director, SLTX
Donna Aug, Director of Finance, SLTX
Cheyenne Herrera, Director of Operations, SLTX – via teleconference
Sholonda Stone, Director of ITS, SLTX
Denisse Amezcua, Director of Human Resources, SLTX – via teleconference
Stan Strickland, General Counsel, Mitchell Williams, Selig, Gates & Woodyard, PLLC
Courtney Williams, Office of Financial Counsel, Texas Department of Insurance
John Carter, Office of Financial Counsel, Texas Department of Insurance

SLTX Staff Members Also in Attendance

Toby Pick, Operations Manager, SLTX – via teleconference

Minutes are taken by SLTX Staff.

The following administrative housekeeping announcements before moving forward with the agenda:

1. Antitrust activity or discussion are prohibited at all Stamping Office functions. This prohibition includes 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 should mute lines.
3. Representatives of state agencies and members of the public are welcome to observe or record the meeting but refrain from asking questions or interjecting comments.
4. State personnel present may be asked questions if questions are related to an agenda item.
5. Members, counsel, and staff participating by phone should identify themselves and mute lines.

Item 2. Discussion and Appropriate Approval of March 30, 2023

Klein asked for questions or discussion of Board meeting minutes presented. Hearing none, Klein requested motion to approve minutes as presented.

MOTION: Jeff Klein

SECOND: Jason Cables

TEXT OF MOTION: The motion passed unanimously.

Item 3. Committee Charter Review

An annual review of the F&A Committee Charter was conducted, and revisions were recommended as follows:

1. To revise Item 2 of the Plan of Operations Section of the F&A committee charter to delete the requirement that the F&A meetings be subject to the requirements of the Texas Open Meeting Act (TOMA). This is not to destroy transparency, rather to make it easier to meet and have productive conversations outside the regular quarterly meetings.

Although Section 2.(c)(1) of the Plan of Operation requires all board meetings to comply with the TOMA, the Plan doesn't go further to require that board committees, whose memberships comprise less than a quorum of the full board, also be subject to the Act and its public notice requirements if they are not otherwise required to do so under the Act.

Due to its nature and size, the F&A Committee is generally not subject to the TOMA. Klein suggested increasing the size of committee members. – Counsel Strickland indicated that that this would be an onerous process as this is more than half of the full BOD. – Klein indicated that due to such small size, the committee should be excluded from the OMA as it was impossible to have any discussion without an official quorum.

The F&A committee, like all of the board committees, like all board committees, performs as an advisory committee; only reporting and making recommendations to the full Board for final deliberation and vote. The Committee does not hold final decision-making authority.

Additionally, under the current charter requirement, the small number of committee members – three (3) – limits the ability of the committee members to communicate regarding committee matters without holding a formal public meeting, outside the normal quarterly scheduled meetings.

Eliminating the requirement would foster communication and provide much needed flexibility for committee members to be more engaged and to carry out the duties and responsibilities of the committee more efficiently. This does not include the public meetings held prior to the normal scheduled meetings, which will continue to be held publicly.

2. To insert Category Subheadings in the Responsibilities section of the current charter and renumber the items to better identify and group the currently listed responsibilities, as follows:
 - a. General: Items 1-2
 - b. Audit and Internal Control: Items 3-6 (renumber 1-4)
 - c. Financial and Cash Management: Items 7-10 (renumber 1-4)
 - d. Reserves and Stamping Fee: Items 11-12 (renumber 1-2)

Brandon then indicated that removing the requirement from the regularly scheduled meetings would give an opportunity for discussion with any members of the committee in preparation for other meetings, meeting materials, etc.

Klein recommended that the Board vote to submit a proposed draft of the F&A Committee charter revised to include the revisions as proposed above to TDI Deputy Commissioner of the Financial Regulation Division, Jamie Walker, or her delegate(s) for review.

MOTION: Jeff Klein

SECOND: Jason Cables

TEXT OF MOTION: The motion passed unanimously to present the above recommendations to the Board.

Item 4. 2023 YTD Financial Review

Donna Aug began her presentation of the 2023 May Financial Results Key Points

Stamping fees were over budget 31% for May and 11% year to date due premiums reported greater than predicted, at this point in the year. Investment income was over budget 156% for May and over budget 43% for the year.

Total operating expenses were under budget for May \$84,600 or 12% and under \$525,000 – 13% for the year.

Salaries and Benefits were under budget 4% for the month and 7% year to date.

Professional Services were over budget by 2% for May due to the timing of our audit invoices. Professional Services were under budget 11% year to date due to Accenture cost less than budgeted.

Conference and Education were under budget 74% for May and 59% for the year.

Travel and Entertainment, which includes Board Expenses, were under budget by 50% for the month and 42% for the year.

Occupancy & Operating Expenses were under budget \$36,300 or 76% for the month and \$110,400 or 31% for the year. This is due to not paying rent on our new space. Other savings are in computer equipment as none was purchased, plus software license and internet expenses were less than budget.

General & Administrative expenses were under budget \$25,100 or 13% for May and under budget \$136,000 or 14% year to date. Contingency Expense, which was not used, resulted in \$3,655 savings for the month and \$20,700 for the year.

We had \$462,000 operating income for May and \$918,000 income year to date. We had budgeted for a gain of \$78,700 for the month and a loss of \$107,700 year to date.

The Fair Market Value of investments decreased approximately \$133,332 for May and increased \$217,500 year to date.

Unrestricted, Undesignated Funds –We went into 2023 with a fund balance of \$29.2 million which was \$18.6 million over the maximum for 2023, which is \$10,600,00. May's year to date net profit of \$1,135,500 resulted in a fund balance on May 31 of \$30,313,622, which is \$19,715,000 over our current maximum. At our current pace, our year-end fund balance is projected to be \$30.3 million, nearly \$19.7 million over our maximum.

Aug concluded her presentation and asked the committee members if there were any questions. – hearing none, Aug opens the floor back to Mr. Klein.

Mr. Klein asked the committee if there were any discussion or questions for Ms. Aug regarding the information presented. – hearing none, Klein then asked Ms. Aug if she had any recommendation regarding the information just presented. Ms. Aug indicated that she did not have recommendations for the full board at this time.

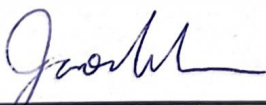
Item 5. Adjustment

Klein asked for a motion to adjourn the meeting. A motion for adjournment was made by Jeff Klein.

MOTION: Jeff Klein

SECOND: Leslie Milvo

TEXT OF MOTION: Motion passed. The meeting was adjourned at 1:33 P.M.



Jason Cables, Secretary