

June 28 Board of Directors Meeting Minutes

A Board of Directors meeting for the Surplus Lines Stamping Office of Texas was held in-person at the SLTX Office, 1601 E Pflugerville Parkway, Pflugerville, TX 78660.

AGENDA

June 28, 2024, Board of Directors Meeting Agenda		
Item 1.	Call to Order and Establishment of a Quorum	Garrett Sprowls, Board Chair
Item 2.	Discussion and Appropriate Approval of - March 22, 2024, Board Meeting Minutes	Garrett Sprowls, Board Chair
Item 3.	F&A Committee Report (a) Discussion and Appropriate Action: - 2024 YTD Financial Review - Pension Plan Review	Nick Lawrence, Committee Member; Donna Aug, Director of Finance
Item 4.	Executive Director Report and Appropriate Action: - Company Update	Greg Brandon, Executive Director
Item 5.	Operations Director Report and Appropriate Action: - Operations Update - SMART Update	Cheyenne Herrera, Director of Operations
Item 6.	ITS Director Report and Appropriate Action: - ITS Update	Sholonda Stone, Director of ITS
Item 7.	Adjournment	Garrett Sprowls, Board Chair

Item 1. Call to Order – Garrett Sprowls, Board Chair

Garrett Sprowls called the meeting to order on June 28, 2024 at 10:00 A.M.

Meeting was held in-person. A conference call-in number and teleconference link was provided in the Public Meeting Notice. Written notice of this meeting and related agenda was provided to the Board of Directors and submitted to the Secretary of State on June 21, 2024, in accordance with the Plan of Operation, Section 2(c)(2) for publication in the Texas Register in accordance with the Texas Open Meetings Act.

BOARD OF DIRECTORS PRESENT

- Garrett Sprowls, Board Chair
- Nick Lawrence
- Pete Harrison, via teleconference
- Lezlee Liljenberg, via teleconference
- Jeff Klein, via teleconference
- Leslie Milvo, via teleconference
- Bart Koch, via teleconference

Jason Cables, via teleconference
Esequiel Nathal, Absent

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 Amezcuita, Director of Human Resources, SLTX
Marissa G., Administrative Assistant, SLTX
Stan Strickland, General Counsel, Mitchell Williams, Selig, Gates & Woodyard, PLLC
Paul Rainey, TSLA Liaison, RSI International, Inc.
Barbara Lazard-Hernandez, Office of Financial Counsel, Texas Department of Insurance
John Carter, Office of Financial Regulation, Texas Department of Insurance
James Pinder, Nova 401 (k) Associates, Sales Team
Ernie Galliani, Nova 401 (k) Associates, Actuary

SLTX Staff Members Also in Attendance

Toby P., Operations Manager, SLTX, via audio
Sharmilla S., Business Analyst, SLTX, via audio
Christian R., Sr. Data Analyst, SLTX, via audio
Dalton M., Sr. Lead Developer, SLTX, via audio
Catherine H., Lead Policy Analyst, SLTX, via audio
Ariel R., Policy Analyst II, SLTX, via audio
Kristian P., Policy & Data Analyst, SLTX, via audio
Yuba D., Financial Analyst, SLTX, via audio
Porschea J., Policy Analyst II, SLTX, via audio
Nathan O., Sr. Policy Analyst, SLTX, via audio

Minutes taken by SLTX Staff.

Administrative housekeeping announcements:

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. No public comments. Public and media attendees should mute lines.
3. Representatives of state agencies and members of the public are welcome to observe or record but refrain from asking questions or interjecting comments.
4. State personnel present may be asked questions related to an agenda item.
5. Members, counsel, and staff participating by phone should identify themselves and mute lines.

Item 2. Discussion and Approval of March 22, 2024, Meeting Minutes | Garrett Sprowls, Board Chair

Board members were provided with a copy of the March 22nd meeting minutes. Sprowls asked for any corrections or comments. Having none, Sprowls requested a motion for minutes approval.

MOTION: Jeff Klein

SECOND: Jason Cables

Motion passed unanimously.

Item 3. F&A Committee Report | Nick Lawrence, Committee Member

(a) Discussion and Appropriate Action: 2024 YTD Financial Review – Donna Aug, Director of Finance

Sprowls opens the floor to the committee chair and Donna Aug. Aug begins the presentation.

Stamping Fee – 8%, or \$57,500 over budget in May; 1%, \$25,300 over budget YTD.

Investment Income – 63% or \$65,000 over budget for May; 39% or \$150,000 YTD due to higher earning on investments than projected.

Operating Expenses – \$82,500 or 13% under for May; \$1,200,000 – 27% YTD.

Salaries and Benefits – 13% or \$51,700 under budget for May; 34%, \$1,043,000 YTD. Five employees less than was budgeted; pension plan funding was budgeted for January.

Professional Services – 32% or \$11,200 under budget in May; 17% or \$38,000 under YTD. Underage in ITS due to nonengagement of RSI and MIS ending earlier than expected. OPS had 50% of LemonLight SOW paid in January but budget reflects equal monthly amounts.

Conference and Education – 27% or \$2,000 under budget for May; 68% or \$30,700 under due to timing of budgeted conferences.

Travel and Entertainment – 81% or \$7,800 for the month; 42% or \$13,000 under YTD.

Occupancy and Operating – \$4,200 or 9% under budget for May; \$43,000 or 17% YTD. Software, computer equipment and printing categories attributed to excess.

General and Administrative – \$2,100 or 1% under budget for May; \$17,300 or 2% YTD.

Contingency – 100% or \$3,300 under for May; \$22,000 under YTD.

Operating Income – \$410,400 income for May; \$218,500 income YTD. SLTX budgeted an income of \$123,300 for the month and a loss of \$962,300 through May.

Fund Balance – SLTX went into 2024 with fund balance of \$32.7 million which was \$20,150,000 over maximum for the year, \$12,537,946. May's YTD net income of \$218,500 resulted in a fund balance on May 31 of \$32,906,000, \$20,368,058 over our current maximum.

Ms. Aug concludes presentation. Sprowls asks for questions from the Board. There were none. Sprowls asks Aug if there is any recommendation for the board. Aug stated no.

Pension Plan Review – Greg Brandon, Executive Director

Greg presented the pension plan review, emphasizing employee retention and career development incentives, with tiered contribution rates based on company tenure.

Mr. Klein asked for projected number if SLTX filled three vacancies in staff as opposed to what is already budgeted. Brandon states it would add about \$75,000 or 10%. There was discussion by Koch concerning the feasibility of a two-year funding while budgeting for one year, and if an amendment would be needed. Brandon clarified that the opportunity to fund 2023 is available and an amendment is not needed if exceeding budget on that line item and the board will be notified of the overage in budget. It was noted that being under budget in other areas would help cover additional pension funding. The presence of TDI representatives was acknowledged, highlighting that the pension plan had been a topic in previous discussions during meetings, with the purpose of reducing the reserve balance. The board also emphasized that the pension plan would be reviewed annually to ensure alignment with employee retention goals and budget.

Sprowls asked if there were any further questions for Mr. Brandon. Hearing none, Sprowls asked if Brandon had a recommendation for the Board. The Finance and Audit Committee recommended approving the tiering system, a three-year vesting period, and full funding for 2023 and 150% funding for 2024, with provisions for annual review and modification, and authorizing the Chair of the Board and the Executive Director to engage with NOVA to review the nuances of plan provisions and finalize the contract.

MOTION: Jeff Klein

SECOND: Nick Lawrence

Motion passed unanimously.

Item 4. Executive Director Report and Appropriate Action | Greg Brandon, Executive Director Company Update

Brandon's report highlighted significant staffing achievements, ongoing improvements in training and operations, and strategic initiatives aimed at enhancing employee retention and organizational effectiveness.

YTD Premium

The total premium through May reached \$6.45 billion, setting records each month except March. Notably, April recorded approximately \$1.58 billion, which surpassed May with \$1.69 billion. Premium growth trend is expected to persist into the second half of 2024, although large brokerage houses have indicated premiums flattening out.

Item Count

The year-to-date item count exceeded 526,000, with May achieving a record of 119,802 items, the highest monthly count to date, alongside 76,289 policies, marking the second highest monthly total ever.

Brandon concluded his presentation. Sprowls asks if there are any questions or further discussion. Hearing none, Sprowls asks if Mr. Brandon has a recommendation for the Board. Brandon stated no.

Item 5. Operations Director Report & Appropriate Action | Cheyenne Herrera, Director of Operations Operations Team Update

Performance Highlights

Herrera reported on operational performance, noting that the team has achieved over 97% accuracy in their work. The successful migration of the database across multiple environments (alpha, test, production) was emphasized.

Staff Development

There is a focus on professional development, with team members attending advanced training programs. The operations training manual has been updated for clarity and engagement.

Hiring Status

Three offers have been made for policy analyst positions, pending background checks, with a planned start date of July 8th.

Statutorily Required Deliverables

The operations team supports 1,800-2,000 live users, managing around 350 calls and 1,900 emails monthly. They are also responsible for generating key reports, including the annual late filing report. The team ensures insurers meet eligibility requirements and conducts financial evaluations to comply with Texas regulations. TWIA Report, Annual Late Filing Report, Insurer Analysis,

Process Improvements

Efforts are underway to automate notifications and streamline operations, with an average of 14 data requests per month helping to identify enhancement opportunities.

SMART Update

The discussion focused on improving efficiency and effectiveness in operations, with ongoing monitoring of progress towards SMART goals.

Continuous Improvements

The SMART application is undergoing enhancements, including technical debt releases and the development of new features based on stakeholder feedback. There is a commitment to ongoing staff development and retention strategies, alongside plans for improved stakeholder engagement and collaboration.

Herrera concludes her presentation. Sprowls asks if there are any questions or further discussion. Hearing none, Sprowls asks if Ms. Herrera has a recommendation for the Board. Herrera stated no.

Item 6. ITS Director Report and Appropriate Action | Sholonda Stone, Director of ITS

Ms. Stone begins her presentation. Her points reflect the IT department's achievements, ongoing projects, and future objectives, alongside the organization's focus on staffing, collaboration, and employee engagement.

Database Migration and Upgrade

The IT team successfully migrated three environments (alpha, test, and production) and transitioned from MariaDB to MySQL, completing the upgrade in four days instead of the expected seven. This change aims to enhance flexibility and reduce disruptions.

Technical Improvements

Ongoing efforts include eliminating deprecated libraries and upgrading the .NET framework from version 6 to 8, with a release planned for the following week. Additionally, there is a focus on making the Smart application serverless to improve efficiency and reduce maintenance.

Operational Efficiency

The team has significantly reduced virtual machine usage from 63 to 14, leading to enhanced operational efficiency. Continuous work is being done on the Smart backlog and enhancements, as well as improving the SLTX website and Smart connector for seamless filings.

Staffing and Team Development

The organization is actively working on attracting and retaining talent, with three new policy analysts joining soon. The development team received recognition for their excellent work and smooth transitions, emphasizing the importance of in-house development for timely project execution.

Collaboration and Best Practices

Increased collaboration with leadership from other stamping offices, particularly in Florida, has been noted to share best practices and improve operations.

Future Goals and Organizational Pride

Plans include revamping the operational plan and employee handbook, enhancing the organization's role in the ENS society, and fostering resilience and pride among employees.

Education and Training

Team members are attending various conferences to stay updated on industry practices, which contributes to overall performance and continuous improvement.

Stone concludes her presentation. Sprowls asks if there are any questions or further discussion. Hearing none, Sprowls asks if Ms. Stone has a recommendation for the Board. Stone stated no.

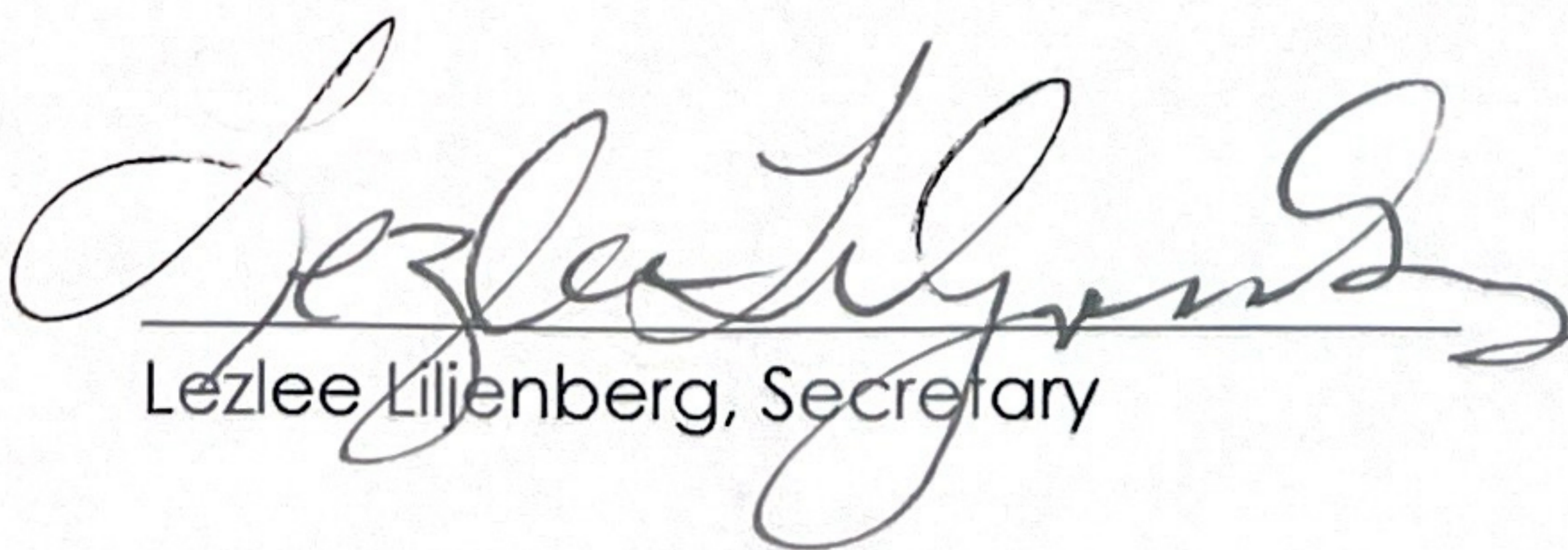
Item 7. Adjournment | Garrett Sprowls, Chair of the Board

There being no further business before the board, Sprowls ask for a motion to adjourn.

MOTION: Jeff Klein

SECOND: Jason Cables

The meeting adjourned at 11:12 A.M. on June 28, 2024.



Lezlee Liljenberg, Secretary