

December 13, 2024 Finance & Audit Committee

Meeting Minutes

A Finance & Audit Committee 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

December 13, 2024 Finance & Audit Committee Meeting Agenda		
Item 1.	Call to order; Establishment of Quorum	Jason Cables, Committee Chair
Item 2.	Discussion and approval of previous meeting minutes - September 26, 2024 Meeting Minutes	Jason Cables, Committee Chair
Item 3.	Discussion and Appropriate Action: - 2024 YTD Financial Review	Donna Aug, Director of Finance
Item 4.	Review and Appropriate Action: - Committee Charter	Jason Cables, Committee Chair
Item 5.	Adjournment	Jason Cables, Committee Chair

Item 1. Call to Order

Jason Cables called the meeting to order on December 13, 2024, at 10:19 A.M.

A conference call-in number and teleconference link were provided in the Public Meeting Notice. Written notice of this meeting and related agenda were provided to the committee members on December 3rd, 2024, and submitted to the Secretary of State on December 6th, 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.

COMMITTEE MEMBERS PRESENT

Jason Cables, Committee Chair
Esequiel Nathal
Nick Lawrence, via teleconference

OTHER BOARD MEMBERS PRESENT

Jeff Klein
Garrett Sprowls, Ex-Officio

ALSO PRESENT

Greg Brandon, Executive Director, SLTX
Donna Aug, Director of Finance, SLTX
Cheyenne Herrera, Director of Operations, SLTX, via videoconference
Denisse Amezcuita, Director of Human Resources, SLTX
Marissa G., Administrative Assistant, SLTX
Stan Strickland, General Counsel, Mitchell Williams, Selig, Gates & Woodyard, PLLC
Jeff McWhirt, General Counsel, Mitchell Williams, Selig, Gates & Woodyard, PLLC
Mike Nored, General Counsel, Mitchell Williams, Selig, Gates & Woodyard, PLLC

Andrew Guerrero, Company Licensing and Registration Office, Texas Department of Insurance
Shirley Bowler, Texas Surplus Lines Reporter & Insurance News, via teleconference

SLTX Staff Members Also in Attendance

Toby P., Operations Manager, SLTX, via teleconference

Sharmila S., Business Analyst, SLTX

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 September 26, 2024, Meeting Minutes

Committee members were provided with a copy of the September 26 meeting minutes. Cables asked for any corrections or comments. Having none, Cables requested a motion for approval of minutes.

MOTION: Esequiel Nathal

SECOND: Nick Lawrence

Motion passed unanimously.

Item 3. Discussion and Appropriate Action: 2024 YTD Financial Review

Cables opens the floor to Donna Aug to present the 2024 YTD Financial Update.

2024 YTD Financial Review

Stamping Fee – 15%, or \$83,800 under for November; over 1%, or \$72,800 YTD.

Investment Income – 72%, or \$43,000 for November; 65%, or \$478,500 over YTD due to earning more on investments than was projected.

Operating Expenses – \$750,900, or 11% over for November; \$11,000, or .01% over for the year.

Salaries and Benefits – 190%, or \$746,800 over for November; 5%, or \$248,500 over YTD. Overage due to pension plan funded for 2023 & 2024, instead of funding for 1 year budgeted. Overage was offset by \$662,000 due to being under budget in other employee benefits and short 2 employees budgeted for 2024.

Professional Services – 46%, \$15,300 over for November; 3%, or \$10,500 under YTD. In ITS, underage is due to RSI not engaged since rollover to new database, and MIS ending sooner than expected. Overage in Operations due to LemonLight invoices received in different months than budgeted.

Conference and Education – 31%, or \$1,050 under for November; 65%, or \$60,700 under YTD, due to timing of and quantity of budgeted conferences/trips.

Travel & Entertainment – 50%, or \$1,700 for the month; 46%, or \$32,600 YTD, due to timing & quantity of budgeted conferences/trip, as well as less being spent on board meetings saving nearly \$17,000.

Occupancy and Operating – \$16,000, or 37% under budget in November; under \$209,500 or 40% YTD. Due to reclassification of lease expense to amortization, per GASB 87 which dictates the leases be capitalized, which includes office space, copier, and mail meter. 2025 budget reflects these costs in

amortization; variance won't be seen next year. Additional categories contributing to underage: software maintenance (under \$79,000 YTD) and computer equipment (under \$21,580).

General and Administrative – \$10,700 or 7% over budget for November; over \$117,000, 7% YTD due to reclass of lease expense. Capital lease activity also books associated interest expense, causing an overage of \$5,160.

Contingency – Was not used, resulting in \$3,200 savings for November; \$41,350 YTD.

Operating Loss – \$800,300 operating loss for November; \$246,400 operating loss YTD. Budgeted operating loss of \$8,700 for the month and loss of \$786,700 through November, YTD. Change in investment market's fair market value decreased approximately \$12,400 for November and an increase of \$239,300 YTD.

Aug asks for questions from the Board. Hearing none, Aug continues presentation.

Fund Balance Analysis

Per the Plan of Operation Section 2(b)(7)(a): Projected reserves, except for funds for asset replacement, must not exceed two times the average of audited operating expenses for the five-year period immediately preceding the budget year.

Fund Balance – Beginning fund balance at the start of 2024 was almost \$32.7 million, \$20,150,000 over the maximum for the year, which is \$12,537,946. November's YTD net loss of \$7,048 resulted in a fund balance, on November 30, of \$32,680,500 which is \$20,142,519 over current maximum.

Ms. Aug asks if there are any questions. Hearing none, Ms. Aug concludes her presentation. Cables asks if there is a recommendation for the board. Aug states no.

Item 4. Review & Appropriate Action: Committee Charter

Cables begins with requirement of the Plan of Operation Section 2(C)(11) which states: each board committee must have a charter and review the charter at least annually. Cables stated that all members were provided with a copy of the current finance & audit committee charter.

Current charter was reviewed, and committee members were given opportunity to suggest revisions or discuss items related to the charter. General counsel, Stan Strickland, suggested revisiting charter to propose amendments in alignment with anticipated amendments to the Plan of Operation, to be drafted by TDI in mid-January or when presented to SLTX.

Cables asks if there is any further discussion. Hearing none, Cables asks for a motion for Finance & Audit committee to recommend to the Board that no revisions be made to the Finance & Audit committee charter.

MOTION: Esequiel Nathal

SECOND: Nick Lawrence

The motion passed unanimously.

Item 5. Adjournment

There being no other business before the committee, Mr. Cables motioned to adjourn the meeting.

MOTION: Jason Cables

SECOND: Esequiel Nathal

The motion passed unanimously, and the meeting adjourned at 10:34 AM.



Esequiel Nathal, Secretary