



Board of Director's Meeting Minutes

August 8, 2025

MCIT Building, Room 220 (Second Floor)

St. Paul, Minnesota

Attendance:

Ron Antony, Trust Chair, Yellow Medicine County
Don Wachal, Vice Chair, Jackson County
Randy Schreifels, Secretary/Treasurer, Stearns County
Marcia Ward, Winona County
Jack Swanson, Roseau County
Kurt Mortenson, Otter Tail County
Todd Patzer, Lac qui Parle County
Brett Skyles, Itasca County
Lindsey Meyer, Wright County

MCIT Staff:

Gerd Clabaugh, Executive Director
Steve Nelson, Deputy Director
Gary Severson, Underwriting Manager
Ondara Nyang'au, Finance Manager
Kevin Balfanz, Director of Field Services
Zahir Siddiqui, Director of Claims

Karen Ebert, Staff Counsel for Risk Control
Dawn Hinkley, Staff Counsel for Risk Control
Sonya Guggemos, Staff Counsel for Risk Control
Richard Mieke, Risk Management Consultant
Kevin Coleman, Facility Manager
Heather Larson-Blakestad, Comms Manager
Jeff Hentges, PC Claim Manager
Jude Mertz, PC Claim Representative

Service Providers:

Peter Bergstrom, General Counsel
Steve Moen, Galliard Investments
Rob Crandall, Galliard Investments

Others:

Randy Thompson, Nolan, Thompson, Leighton & Tataryn
Julie Ring, Association of Minnesota Counties

CALL TO ORDER

000 Trust Chair Antony called the MCIT Board of Directors' Meeting to order at 9:00 a.m. on August 8, 2025 in Room 220 at the MCIT Building in St. Paul, Minnesota.

APPROVE THE AGENDA

25-08-01 Motion by Mortenson, seconded by Ward to approve the agenda with changes. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Mortenson, Patzer, Skyles and Meyer.

APPROVE THE MINUTES

25-08-02 Motion by Meyer, seconded by Wachal to approve the minutes of the July 11, 2025 meeting of the MCIT Board of Directors and to amend the previously approved minutes of the June 13, 2025 meeting of the MCIT Board of Directors by changing "Bassett Gallagher forwarded screened applicants" be "A.J. Gallagher/Operations Inc. staff has begun forwarding screened applicants for the committee's consideration" under the Report of the Personnel Committee as recommended by staff. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Mortenson, Patzer, Skyles and Meyer.

FINANCIAL REPORT – PERIOD ENDING June 30, 2025

000 The board reviewed the Executive Summary of the unaudited financial statement for the period ending June 30, 2025 as presented by Finance Manager Ondara Nyang’au. Director of Claims, Zahir Siddiqui, was asked to comment on several newer claims that are affecting the financial reports in both divisions.

25-08-03 Motion by Schreifels, seconded by Swanson to accept the MCIT unaudited financial statement for the period ending June 30, 2025. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Mortenson, Patzer, Skyles and Meyer.

2nd QUARTER 2025 INVESTMENT REPORT

000 Rob Crandall and Steve Moen of Galliard Capital Management presented a report on the performance of MCIT’s investment portfolio during the second quarter of 2025. Moen presented an overview of general economic conditions for the second quarter of 2025 noting market volatility continues to exist and will likely exist throughout the year. There continues to be much interest in fixed income opportunities. Moen shared that the Fed continues to monitor interest rates and although rates are higher, the Fed did not make any changes in the second quarter.

Crandall reviewed MCIT’s portfolio and 2nd quarter transactions. The investment portfolio reported a positive return for the 2nd quarter with total assets of \$123.9 million as of June 30, 2025. The overall strategy for MCIT’s portfolio remains unchanged for the quarter and investments remain well diversified across all sectors. Yields are positive compared to the benchmark. The board reviewed a detailed list of quarterly transactions. All investments are AA or AAA rated and passed all FFIEC risk security tests

000 Executive Director Clabaugh distributed an August 5, 2025 memo detailing year to date risk asset investment results as of July 31, 2025. Underwriting manager, Gary Severson, reported that investment results year-to-date show a positive return of 6.03% valued at \$15.1 million under these accounts. Severson noted that values include previous investments of \$5 million in the State Board of Investment that has increased in value to \$7.25 million with no additional cash investments to that account in 2025.

MCLEOD COUNTY HISTORICAL SOCIETY MEMBERSHIP STATUS DISCUSSION

000 Deputy Director Steve Nelson provided an update on the status of unpaid contribution for 2025 reporting that one member, McLeod County Historical Society, has not paid their contribution and has advised they will no longer be purchasing coverage through MCIT. Nelson reviewed both the withdrawal provision and obligations of members section of the Bylaws with the board noting that the member has disregarded both. Nelson shared that staff has had several conversations with the member’s executive director since issuing their estimated contribution notice last August addressing concerns about the basis of their contribution and MCIT’s withdrawal provision. Having not received payment, a formal written request for same was mailed to the member July 22, 2025 including a copy of the MCIT Bylaws and the JPA signed by the member. There has been no response from the member.

000 The board directed staff to schedule a meeting with the member and their board representatives, including representatives from McLeod County who able to attend, to discuss the seriousness of the issue and importance of members complying with the MCIT Bylaws. Further, payment of their contribution is expected by the board’s September meeting. Absent payment, legal action against the member will be initiated.

NEW MEMBER ISSUES

000 MCIT Director of Field Services Kevin Balfanz provided a brief report on the number and status of pending prospective member applications advising that there are no new member applications to present at this time.

REPLACEMENT GENERATOR CONTRACT

000 Kevin Coleman, Facility Manager presented an update on his research into purchasing a replacement back-up generator for the facility, advising that the existing generator is original to the building and has met its life-expectancy. The 2025 program budget set by the Board last November allocates \$90,000 for the purchase. Coleman shared that working through Sourcewell a suitable replacement, manufactured by Caterpillar, has been identified. Coleman is seeking board authorization to enter into a contract up to \$90,000 for the purchase and installation of the new generator. He advised that orders are about 30 weeks out so the installation will likely not occur until next spring.

25-08-04 Motion by Skyles, seconded by Ward authorizing staff to enter into a contract with Ziegler CAT for the purchase and installation of a replacement back-up generator in an amount not to exceed \$90,000. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Mortenson, Patzer, Skyles and Meyer.

CAMERA GRANT

000 Gerd Clabaugh, Executive Director provided an update on the 2025 to 2027 MCIT camera grant initiative advising that 14 applications were received in response to the May 2025 request for proposals. As with the first round of grants, \$30,000 is the most a member can be awarded. Clabaugh explained that all applications have been evaluated. Crow Wing County, Murray County, Otter Tail County and Tri-County Community Corrections scored the highest in the evaluation process and are therefore identified as this initiative's grant recipients.

25-08-05 Motion by Schreifels, seconded by Mortenson directing the Executive Director to award camera grants to Crow Wing County, Murray County, Otter Tail County and Tri-County Community Corrections in amounts outlined in the board packet providing some flexibility to reallocate funds among these applicants as discussions with them advance, but not to exceed the total \$81,000 budgetary allocation. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Mortenson, Patzer, Skyles and Meyer.

CYBERSECURITY COVERAGE UPDATE

000 Executive Director Clabaugh opened this agenda item with a general discussion on the board's outlook towards continuing to provide members with cyber coverage into 2026 and beyond. He noted that our coverage partner, CRL has indicated that their continued participation in cyber coverage is uncertain with indications they may move to terminate coverage mid-2026. The board demonstrated a clear consensus in wanting to continue providing cyber coverage in this evolving area of risk that applies to, and can affect, all MCIT members. It was agreed that time will be dedicated during the September work session to discuss a framework for coverage going forward that may include specific rating requirements, underwriting requirements, levels of coverage among the membership, and changes to limits, sublimits and deductibles.

000 Clabaugh next introduced the topic of potentially adding cybersecurity expertise to the MCIT staff with a risk management position that can offer a high degree of cyber and technical expertise. He is bringing the question forward as a way of getting feedback on this additional potential investment of expertise, as well as acknowledging the additional costs relating to the addition of this

expertise. Our existing staff is doing a fine job in this area, but an opportunity has arisen to potentially engage a former federal employee with expertise in this area. The proposal would be to take an existing funded risk management position and recast the position to take advantage of the current opportunity. Feedback from the Board was supportive of staff investigating this addition to staff.

REVIEW OF 2026 ESTIMATED RENEWAL CONTRIBUTIONS

000 Underwriting Manager Gary Severson reviewed the estimated 2026 Property/Casualty and Workers' Compensation renewal contributions for all members. Both the 2026 property/casualty contributions and workers' compensation contributions reflect 0.0% aggregate rate change compared to 2025. Severson reported that per board direction at the July meeting an email was sent to county members August 1 providing their PC and WC contribution estimates. The standard estimated renewal notices will be sent to all members by August 15, 2025 as required by the MCIT Bylaws.

MAGIC FUND DISCUSSION

000 Earlier in the year MCIT staff approached Magic Fund (Minnesota Association of Governments Investing for Counties) leadership to determine if MCIT was eligible to participate in the program. In June, staff shared with the Board that because MCIT's membership includes some non-county organizations, mainly cities and possibly schools participating in joint powers entities, that MCIT was not eligible for the program. Board member Swanson, joined by AMC Executive Director, Julie Ring, shared that the fund may be revisiting that analysis as it relates to MCIT but there may also be an opportunity for MCIT to revisit and modify its governance documents with an eye towards eligibility in the Fund.

REPORT OF THE EXECUTIVE DIRECTOR

000 Executive Director Clabaugh briefly reviewed program developments and activities of MCIT associates since the last board meeting. (details on file). The board provided direction concerning the start time of the December 8, 2025 board meeting held in conjunction with the AMC annual conference in Bloomington. That meeting will begin at 7:00 a.m.

MEMBER COVERAGE APPEAL

25-08-06 Motion by Ward, seconded by Swanson to close the regular meeting of the MCIT Board of Directors for purposes of conducting a public hearing. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Mortenson, Patzer, Skyles and Meyer.

25-08-07 Motion by Mortenson, seconded by Swanson to open a public hearing to hear an appeal for coverage requested by Mahnomen County. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Mortenson, Patzer, Skyles and Meyer.

000 Pursuant to the MCIT Bylaws Section 7.10 Mahnomen County requested a hearing before the MCIT Board of Directors regarding a disclaimer of coverage arising from litigation challenging the county's handling and awarding of a road construction project earlier this year. The hearing was held on August 8, 2025 at the MCIT Headquarters in St. Paul, Minnesota. Director of Claims, Zahir Siddiqui appeared for MCIT. Representing Mahnomen County was attorney Randy Thompson of the Nolan, Thompson, Leighton & Tataryn law firm in Hopkins, Minnesota. Thompson presented the case for Mahnomen County. Siddiqui outlined the basis for the disclaimer by MCIT. Both parties were provided time for rebuttal. The board questioned both parties.

25-08-08 Motion by Swanson, seconded by Wachal based upon all files, records and proceedings herein, together with the arguments of representative for Mahnomen County and MCIT, the MCIT Board of Directors makes the following:

FINDINGS OF FACT

- (1) This coverage appeal arises from of a Disclaimer of Coverage for a claim submitted by Mahnomen County in response to a lawsuit filed by a contractor.
- (2) Mahnomen County published a notice of bids for a highway improvement project within Mahnomen County.
- (3) Contractor Gordon Construction entered a bid for the highway improvement project but was not awarded the contract to perform the work.
- (4) Gordon Construction's founder, as well as the current owner, are each enrolled members of the White Earth Reservation and Gordon Construction's principal place of business is located in the City of Mahnomen on the White Earth Indian Reservation.
- (5) Gordon Construction filed suit against Mahnomen County and the City of Mahnomen as a result of not winning the construction contract seeking injunctive relief, declaratory relief, costs incurred in preparing and submitting their bid and attorney's fees.
- (6) Mahnomen County submitted a claim to MCIT on May 14, 2025 seeking coverage for the damages sought by the lawsuit filed by Gordon Construction.
- (7) MCIT issued its Disclaimer of Coverage for Mahnomen County's claim on May 16, 2025 citing applicable policy language and provisions.
- (8) Mahnomen County responded to MCIT's Disclaimer of Coverage on June 6, 2025 and requested an appeal of MCIT's decision to disclaim coverage to Mahnomen County.
- (9) Mahnomen County's Appeal of Disclaimer of Coverage was timely received by MCIT.
- (10) MCIT detailed the relevant provisions of the 2025 MCIT Coverage Document in its Memorandum and they are incorporated herein by reference.

CONCLUSIONS

- (1) The damages sought by Gordon Construction are "Non-Monetary Relief" damages that are not covered by the 2025 MCIT Coverage Document.
- (2) The claim submitted by Mahnomen County is not a "covered claim" as defined by the 2025 MCIT Coverage Document.
- (3) The 2025 MCIT Coverage document does not provide coverage for damages that are costs or fees, including attorney's fees that arise from an uncovered claim or suit.
- (4) The legal fees Mahnomen County incurred in defending the lawsuit brought by Gordon Construction are not covered by the 2025 MCIT Coverage Document; thus MCIT has no obligation to defend or indemnify Mahnomen County against Gordon Construction's claim(s).

Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Mortenson, Patzer, Skyles and Meyer.

25-08-09 Motion by Ward, seconded by Schreifels to close the public hearing to hear an appeal of coverage requested by Mahnomon County. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Mortenson, Patzer, Skyles and Meyer.

25-08-10 Motion by Wachal, seconded by Meyer to reopen the regular meeting of the MCIT Board of Directors. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Mortenson, Patzer, Skyles and Meyer.

PERSONNEL COMMITTEE REPORT

000 Representing the Personnel Committee, Board Member Brett Skyles provided an update on the work of the committee as it relates to identifying a new Executive Director. He explained that two candidates have advanced beyond second interviews for consideration by BCG Consulting. Anticipating that work will lead to interviews before the full board, it was agreed to schedule a special meeting of the board for that purpose the morning on Friday, August 29, 2025.

OTHER BUSINESS

- Board Work Session : September 18 and 19, 2025
- Next Board Meeting: September 19, 2025
- Claims Committee: September 19, 2025

ADJOURN

Chair Antony adjourned the August 8, 2025 meeting of the MCIT Board of Directors at 12:25 p.m.

Respectfully submitted by:

Randy Schreifels
MCIT Secretary/Treasurer