



Board of Director's Meeting Minutes

September 19, 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
Todd Patzer, Lac qui Parle County
Brett Skyles, Itasca County
Lindsey Meyer, Wright County
Absent: Kurt Mortenson, Otter Tail County

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 Claims Representative

MCIT Staff:

Gerd Clabaugh, Executive Director
Steve Nelson, Deputy Director
Gary Severson, Underwriting Manager

Service Providers:

Peter Bergstrom, General Counsel

CALL TO ORDER

000 Trust Chair Antony called the MCIT Board of Directors' Meeting to order at 10:30 a.m. on September 19, 2025 in Room 220 at the MCIT Building in St. Paul, Minnesota.

APPROVE THE AGENDA

25-09-01 Motion by Swanson, seconded by Schreifels to approve the agenda with changes. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Patzer, Skyles and Meyer. Absent: Mortenson.

APPROVE THE MINUTES

25-09-02 Motion by Meyer, seconded by Ward to approve the minutes of the August 8, 2025 and August 29, 2025 meetings of the MCIT Board of Directors. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Patzer, Skyles and Meyer. Absent: Mortenson.

FINANCIAL REPORT – PERIOD ENDING July 31, 2025

000 The board reviewed the Executive Summary of the unaudited financial statement for the period ending July 31, 2025 as presented by Finance Manager Ondara Nyang'au. Several questions were posed seeking clarification on how claim recoveries are reported in the financial statements, which were addressed by Clabaugh and Nyang'au.

25-09-03 Motion by Skyles, seconded by Wachal to accept the MCIT unaudited financial statement for the period ending July 31, 2025. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Patzer, Skyles and Meyer. Absent: Mortenson

MEMBERSHIP ISSUES

000 MCIT Director of Field Services Kevin Balfanz presented Eagle Lake Improvement District for membership sponsored by Otter Tail County.

25-09-04 Motion by Schreifels, seconded by Patzer approving membership for Eagle Lake Improvement District sponsored by Otter Tail County with membership effective September 19, 2025. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Patzer, Skyles and Meyer. Absent: Mortenson.

000 MCIT Director of Field Services Kevin Balfanz presented Mississippi River St. Cloud Watershed Entity for membership sponsored by Stearns County.

25-09-05 Motion by Schreifels, seconded by Meyer approving membership for Mississippi River St. Cloud Watershed Entity sponsored by Stearns County with membership effective September 19, 2025. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Patzer, Skyles and Meyer. Absent: Mortenson.

000 MCIT Director of Field Services Kevin Balfanz advised the Board that member Douglas County Hospital dba Alomere Health will be undergoing an organizational change effective January 1, 2026 wherein their legal status will change from a public entity to a non-profit entity. This member participates only in MCIT's workers' compensation division. Balfanz advised that pursuant to Section 5.1 – Membership Eligibility of the Bylaws the organizational change will make them ineligible for continued membership in MCIT. Staff will provide the member with the necessary membership termination notice. No board action required.

AUTHORIZE PERSONNEL COMMITTEE TO MAKE EMPLOYEE BENEFITS AND INSURANCE DECISIONS

000 Executive Director Clabaugh reviewed the timing of receiving employee health insurance quotes for the 2026 renewal and the need for decisions to be made to ensure employees receive benefits information before the end of the year. In the past, the board has delegated authority to the Personnel Committee to vet and make decisions in regards to employee benefits so that information can be shared with staff before the board meets again in November.

25-09-06 Motion by Swanson, seconded by Meyer delegating decisions regarding 2026 employee health insurance benefits to the MCIT Personnel Committee subject to a report to the full board at the November board meeting. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Patzer, Skyles and Meyer. Absent: Mortenson.

000 Executive Director Clabaugh reintroduced the September 19, 2025 work session agenda item relating to the Minnesota Paid Leave program as an action item for the Board. The Board discussed pricing for the program as established by the State of Minnesota and the equivalent private plan quoted by private-insurer Unum, which MCIT currently contracts with for short-term and long-term disability benefits. Clabaugh advised that the Personnel Committee discussed this item at their September 18, 2025 meeting and the committee recommend Unum whose pricing quote is .505 compared to the state's .88. The Board also discussed splitting the Paid Leave premiums with staff.

25-09-07 Motion by Schreifels, seconded by Patzer authorizing the purchase of MCIT's Minnesota Paid Leave employee benefits program for 2026 through an equivalent private plan with Unum as quoted. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Patzer, Skyles and Meyer. Absent: Mortenson.

25-09-08 Motion by Ward, seconded by Patzer for MCIT to share the cost of MCIT's Minnesota Paid Leave premium with staff on a 50-50 basis. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Patzer, Skyles and Meyer. Absent: Mortenson.

MCIT ANNUAL MEETING

000 Executive Director Clabaugh reviewed the MCIT Bylaws regarding the MCIT annual meeting. Staff is recommending that this year's annual meeting is again held in conjunction with the AMC Annual Conference at the Double Tree Hotel in Bloomington, MN, on December 8, 2025 at 4:00 p.m. Clabaugh also raised for discussion setting a start time for the December 8, 2025 board meeting.

25-09-09 Motion by Wachal, seconded by Patzer setting the MCIT annual meeting for Monday, December 8, 2025 at 4:00 p.m. at the Double Tree Hotel in Bloomington, MN, to be held in conjunction with the AMC annual conference, and setting a start time for the December 8, 2025 board meeting at 7:00 a.m. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Patzer, Skyles and Meyer. Absent: Mortenson.

2026 EQUIPMENT BREAKDOWN COVERAGE RENEWAL

000 Deputy Director Steve Nelson reviewed Hartford Steam Boiler's (HSB) equipment breakdown coverage history. He reported that HSB's renewal quote for 2026 is holding rates flat as compared to 2025 but premium will increase by an estimated \$65,000 due to an increase in MCIT's exposure base. Nelson shared that HSB also requires an underwriting guideline that exempts coverage for covered equipment used in the production, processing, sale or distribution of cannabis when classified as a Schedule 1 drug under the Federal Controlled Substances Act. Nelson explained that this underwriting guideline essentially equates to an exclusion of coverage and raised for board consideration whether the board prefers to keep the provision as an underwriting guideline and self-insure the exposure, or exclude the exposure under an exclusion in the Coverage Document.

Nelson confirmed that otherwise, the renewal quote maintains current provisions including HSB state mandated pressure vessel inspections and claims handling services.

25-09-10 Motion by Ward, seconded by Skyles to approve Hartford Steam Boilers' (HSB) 2026 renewal quote for Equipment Breakdown coverage and to add an exclusion to the Coverage Document for claims involving equipment used in the production, processing, sale or distribution of cannabis when classified as a Schedule 1 drug under the Federal Controlled Substances Act. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Patzer, Skyles and Meyer. Absent: Mortenson.

ACTION ITEMS FROM WORK SESSION DISCUSSIONS

000 Two additional items from the Board's September 18 and 19, work session require Board Action. The first item involves changes to the MCIT Bylaws and MCIT property coverage form recommended by the Governance Committee. The Committee met June 12, 2025 and bring forward the following recommendations:

BYLAWS

1. Membership Renewal – Section 5.3

The Governance Committee recommends modifying this section of the Bylaws to clarify that the annual renewal notice provided in August is an estimate, and not a final calculation, of a member's contribution.

Section 5.3—Membership Renewal

Membership in the MCIT Workers' Compensation and Property Casualty Divisions is renewed upon receipt of the Annual Renewal Notice. Annual Renewal Notices, providing the Member's estimated contribution for the next plan year, shall be provided after August 1st and no later than seven (7) days from the date of the August Board meeting, but not later than August 21st, prior to the beginning of the plan year.

2. Membership Withdrawal – Section 5.4

The Governance Committee recommends increasing the contribution level for "early" withdrawal from \$10,000 to \$15,000 and extending the time in which a withdrawing member can return to MCIT membership from one year to two years.

Section 5.4—Membership Withdrawal

No Member may withdraw from MCIT for a period of three (3) years after its initial entry into MCIT or Division, whichever is later.

A Member may, after the initial three (3) years, withdraw from MCIT upon written notice to the Board no later than August 1st of any plan year. Withdrawal is effective twenty four (24) months following the beginning of the next Plan Year. Annual Renewal Notices after notification of withdrawal will supply limited information.

A Member with an annual contribution of ~~\$10,000~~ \$15,000 or less for the current plan year may withdraw from MCIT upon written notice to the Board no later than August 1st of any Plan Year. Withdrawal is effective the beginning of the next Plan Year. Members will not be allowed to renew participation in the MCIT for ~~one year~~ two years following the effective date of withdrawal...

3. Membership Participation Requirements – Sections 5.2 & 5.4

The Governance Committee recommends modifying the language in these two sections to reflect more clearly that MCIT requires members to participate in both the workers' compensation and the property casualty divisions upon joining MCIT and that only the MCIT Board can make a decision on partial membership.

Section 5.2—Membership Participation Requirements

Members are required to participate in all applicable coverage provided by both the Workers' Compensation and Property/Casualty Divisions. The requirement for full participation in both Divisions may be waived upon membership if MCIT determines that participation ~~in all coverage~~ is either not needed by the Member or not in the best interest of MCIT...

Section 5.4—Membership Withdrawal

No Member may withdraw from MCIT for a period of three (3) years after its initial entry into MCIT ~~or Division, whichever is later.~~ A Member participating in both the Workers' Compensation and Property/Casualty Divisions may not withdraw from a single Division and remain a member of MCIT unless the Member no longer has exposure covered by the Division.

A Member may, after the initial three (3) years, withdraw from MCIT upon written notice to the Board no later than August 1st of any plan year. Withdrawal is effective twenty four (24) months following the beginning of the next Plan Year. Annual Renewal Notices after notification of withdrawal will supply limited information...

4. Board Size and Composition – Section 7.3

The Governance Committee recommends a change to this section in response to how some county members have shifted the management of their financial matters to staff other than auditors and auditor/treasurers. These changes will ensure there will always be two principal finance-related positions represented on the MCIT board.

Section 7.3—Board Size and Composition

The Board shall consist of nine (9) representatives from Members. The composition of the Board shall be:

- A. Eight (8) Board members selected at large by the County Members of which: ~~five (5)~~ six (6) shall be county commissioners; two (2) shall be ~~county commissioners, county auditors or~~ county auditors/treasurers, or other similar principal finance officer in the county; and ~~one (1) shall be a county auditor or auditor/treasurer.~~
- B. One (1) Board member who shall be a county administrator or coordinator from a County Member.

No County Member may have more than one (1) Board member.

5. Obligation of Members – ARTICLE 10

Members not complying with this section of the Bylaws may be determined by the Board to not being in "Good Standing" and subject to action as outlined in Section 10.2. Item "G" under Obligations of Members precludes members from confessing judgement or liability to others, assigning benefits payable under the Coverage Document to others, including the act of entering into a Miller Shugart type agreement. Because of the potential severity of consequence to MCIT and its members arising from a violation of item "G", the Governance Committee recommends the following change to item "I":

- I. Failure to comply with ~~this Section 10.1, Subsections A, B, C, D, E, or F~~ may result in the Member not being in "Good Standing." If a Member fails to comply with Section 10.1, Subsection G, the Member will not be in "Good Standing" and the Board will as a matter of course vote on Loss of Membership for that Member. The Member will also owe reimbursement to MCIT for any amount agreed upon by a member in violation of Section 10.1, Subsection G. Additional action for a violation of Section 10.1, Subsection G, may also be taken by the Board as set forth in Section 10.2, Subsection A.

PROPERTY COVERAGE

1. General Conditions – Appraisal for Loss Disagreements

The General Conditions section of the property form includes an “appraisal” provision that members (or MCIT) can invoke if there is a disagreement in the scope and/or value of a covered loss. Although MCIT has not had the need to invoke or respond to this provision, the Governance Committee recommends the following change to clarify it applies when the claim involves physical damage to covered property when damaged due to a covered loss:

SECTION IV. GENERAL CONDITIONS

B. APPRAISAL FOR LOSS AMOUNT DISAGREEMENTS

For covered property damaged as a result of a covered loss, if you and we do not agree on the amount of the loss, the value of the property or the cost to repair or replace the property, either party may demand that these amounts be determined by appraisal.

If either party makes a written demand for appraisal, each will select a competent disinterested appraiser and notify the other of the appraiser's identity within 20 days after the receipt of the written demand. The appraisal shall be made at a reasonable time and place. The two appraisers will first select a competent, impartial umpire. If the two appraisers are unable to agree upon an umpire within 15 days, you or we can ask a judge of a court in the state where the appraisal is pending to select an umpire...

25-09-11 Motion by Schreifels, seconded by Wachal to accept the Governance Committee’s recommend changes to the MCIT Bylaws effective September 19, 2025 and the change to the MCIT property coverage form, effective January 1, 2026. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Patzer, Skyles and Meyer. Absent: Mortenson.

000 The second action item relates to the membership status of the McLeod County Historical Society. Deputy Director Steve Nelson recapped that the member has not paid their 2025 contribution, advised that they have purchased coverage outside of MCIT, and are no longer members of MCIT. Nelson reviewed both the withdrawal provision and obligations of members section of the Bylaws with the board. Nelson reported that the member has not responded to either the July 22 or August 26, 2025 letters formally requesting payment of their contribution and an opportunity to meet and discuss MCIT’s position with their board.

25-09-12 Motion by Patzer, seconded by Swanson directing staff to retain outside legal counsel to enforce the MCIT Joint Powers Agreement and Bylaws against the McLeod County Historical Society, including payment of their 2025 annual membership contribution. Motion carried. Voting Yes: Antony, Wachal, Schreifels, Ward, Swanson, Patzer, Skyles and Meyer. Absent: Mortenson.

INTRODUCTION OF NEW STAFF

000 Property Casualty Claims Manager Jeff Hentges introduced Jude Mertz to the Board. Mertz joined MCIT August 6 as a Property Casualty Claims Representative.

REPORT OF THE EXECUTIVE DIRECTOR

000 Executive Director Clabaugh briefly reviewed program developments and activities of MCIT associates since the last board meeting. His report included a review of 2026 budget initiatives handed out at the meeting with estimated costs for board consideration and discussion. The board also discussed the November board meeting, which is expected to have a larger agenda and agreed to start that meeting at 8:30 a.m.

000 Board Chair Antony acknowledged Clabaugh's approaching retirement on September 30, and thanked him for his service to MCIT.

OTHER BUSINESS

- Next Claims Committee Meeting: November 13, 2025 – Time TBD
- Next Board Meeting: November 14, 2025 – 8:30 a.m.
- Next Investment Committee Meeting: November 14, 2025 – 12:00 p.m.

ADJOURN

Chair Antony adjourned the September 19, 2025 meeting of the MCIT Board of Directors at 12:05 p.m.

Respectfully submitted by:

Randy Schreifels
MCIT Secretary/Treasurer