

**AMARILLO HOSPITAL DISTRICT  
FINANCE COMMITTEE MEETING  
AMARILLO CITY HALL  
Commission Conference Room  
July 23, 2008  
12:00 P.M.**

**Members**

Mr. Craig Bryan, Chair  
Mr. Greg Graham

**Present**

Yes  
Yes

**Also Present**

Mr. Dean Frigo	Finance Director, City of Amarillo
Ms. Andrea Rains	Recording Secretary, City of Amarillo
Ms. Vicki Covey	Community Services Director, City of Amarillo
Mr. Matt Richardson	Public Health Director, City of Amarillo
Mr. Kyle Sanders	Chief Operational Officer, Northwest Texas Healthcare System
Ms. Meg Williams	Director, Tobacco Free Amarillo
Dr. James Luce	Tobacco Free Amarillo, American Cancer Society
Ms. Jackie Gavlik	Unit Manager, RC Administration, TTUHSC
Mr. Fred Eaves	Sr. Clinical Department Administrator, TTUHSC
Mr. David Pittman	Health Reporter, Amarillo Globe News

**ITEM 1.** Mr. Bryan established a quorum, called the meeting to order at 12:02 pm, City Hall, 509 East 7<sup>th</sup> Street, Third Floor, Room 306, and welcomed those in attendance.

**ITEM 2.** Mr. Bryan presented the minutes of the last finance committee meeting held April 28, 2008. There were no questions or comments. Motion to approve the minutes as written was made by Mr. Graham, seconded by Mr. Bryan, and carried unanimously.

**ITEM 3.** Consider Proposal with UHS for Pediatric and Dental Services and Tobacco Free Amarillo. Mr. Frigo reviewed the proposed 2008-2009 budgets for Tobacco Free Amarillo (TFA), Texas Tech Specialized Pediatric Services and Regence Health Network (RHN). He stated that the Amarillo Hospital District would pay \$247,500 of TFA's total proposed budget amount of \$272,500, noting that the difference would be paid by Northwest Texas Hospital. Mr. Frigo reported proposed budget amounts of \$1,365,646 for Texas Tech Specialized Pediatric Services and \$100,000 for RHN dental services. He reviewed that the District would contract with UHS for all three services in the total amount of \$1,366,081 and that UHS would contract with Texas Tech, RHN, and TFA for the above-listed proposed budget amounts. Mr. Sanders, Ms. Gavlick, Mr. Eaves and Ms. Williams all concurred with Mr. Frigo's budget numbers. Mr. Eaves reported that the requested increase in funding for Texas Tech Specialized Pediatric Services is needed for the addition of specialists in Gastroenterology and Pediatric Surgery, a second physician in Pulmonary Medicine, and attaining faculty members in Neurology and Endocrinology. Mr. Graham moved to recommend to the full Board that it approve the proposal with UHS for Pediatric and Dental Services and Tobacco Free Amarillo. Mr. Bryan seconded the motion and it carried unanimously.

**ITEM 4.** Consider Recommendation on 2008-2009 AHD Budget. Mr. Frigo stated that the proposed 2008-2009 budget for the Amarillo Hospital District had been approved and recommended in a previous meeting by the Funding Priorities Committee. He reviewed the proposed 2008-09 budget for the Tobacco Funds and noted that the UHS contract for Pedi and dental services and Tobacco Free Amarillo, in the amount of \$1,366,081, was budgeted under Professional Services. Mr. Frigo reported \$1.5 million in

available funds at the end of 2009 for the Tobacco Funds. In reviewing the proposed budget of the Operating Fund, Mr. Frigo reported budgeted revenue in the amount of \$11,601,172 and stated that the Fund's largest expense is the Indigent Care Contract, or the Healthcare Services Agreement, in the amount of \$6,148,406. Mr. Frigo stated, and Mr. Sanders agreed, that even though the Healthcare Service Agreement is being discounted annually, the current level of services would remain the same. He reported the second largest expense being the 20-year funding pension contribution amount of \$1,978,698, which was recommended by the Fund's Actuary, John Crider. Mr. Frigo reviewed the proposed budget amount of \$899 thousand for the Poison Center, noting the amount is used to off-set revenue, that the Texas Tech Pharmacy School sub-contracts through the Poison Center. He stated that the proposed budget of the Public Health Contract had increased from \$709,323 in 2007-08 to \$909,278 in 2008-09. Mr. Frigo reported that the City of Amarillo is requesting, under Other Community Projects, \$250 thousand for participation in the construction of the new Department of Public Health building. Mr. Richardson addressed the Committee regarding the increase in budget for the Public Health Contract and reviewed that the 2007-08 Operating Fund versus Revised Estimate was \$767 thousand versus \$709 thousand, reflecting a savings to the District from grant funding. He reviewed that the Department of Public Health uses the Amarillo Hospital District as a payer of last resort, using funding from seven different grants for its operations and then billing the AHD for the remainder, including some administrative costs. The increased requested amount of \$909,278 for the Public Health Department's 2008-2009 Proposed Budget, Mr. Richardson stated, is the best estimate of the additional costs to own and operate its own space, including utilities, equipment, furniture, telephone system, and medical file storage. He noted that some costs may be one time only and others, such as utilities, are recurring. Mr. Richardson further noted that, although he is hopeful, the new building might not be completed in the 2008-2009 budget year. Mr. Frigo reviewed that Public Health is usually always under budget. Mr. Richardson reported that \$250 thousand has been requested to cover some of the construction costs of the new building, noting that all grants disallow funding for bricks and mortar. Mr. Frigo reported that if the District meets all the projected budget numbers, it would have approximately \$223 million in available funds in the operating fund budget and approximately \$1.5 million in the tobacco funds budget at the end of next year. Mr. Bryan moved to recommend to the full board that it approve the budget as presented. Mr. Graham seconded the motion and it carried unanimously.

**ITEM 5.** Discussion and Consideration of Additional Collateral by UHS for AHD Health Services Agreement. Mr. Sanders reviewed that, because of the Amarillo Hospital District's accelerated monies and future obligations to UHS, the Board had requested some level of collateral from UHS against the funds so that in the case of a default or other unforeseen event, the monies could be paid back to the District. He reported that UHS is looking to set up a trust fund that would go towards the actual indigent care population. He stated that the executor of the trust could not be the AHD Board of Managers; that the beneficiaries to the trust would have to be the indigent care population to avoid any type of provider donation, which is not allowed by the Federal Government. Mr. Sanders said that UHS would establish the trust. It would be the responsibility of UHS to set it up whether the trust is a letter of credit, type of funding or guarantee. The trust would be structured so that the funds would be available to meet the obligations; the trust would always equal the amount advanced. Mr. Bryan clarified that if the AHD were holding a letter of credit, presumably it would not be managing any funds; it would only be holding the letter of credit in trust for the benefit of the qualified indigents of the Amarillo Hospital District. Mr. Graham questioned if the theory of the trust would be that the mandate to whoever the trustee is would be an identical mandate of what is already in place. Mr. Sanders agreed and stated that he envisioned a mandate that looks exactly like the Health Services Agreement. By the August 14<sup>th</sup>, 2008 Board of Managers meeting, he stated, UHS will have all specific documents regarding the additional collateral ready.

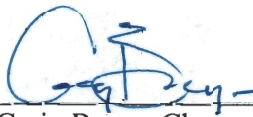
**ITEM 6.** Presentation of Quarterly Financial Statements. Mr. Frigo presented the Amarillo Hospital District's quarterly financial statements through June 30, 2008. He reported that the Fund had total assets

in the amount \$236.5 million and of that amount, approximately \$209 million was held in cash investments: \$11.5 million in cash and cash equivalents and \$197.7 million in investments. He further reported current assets of \$2.2 million in accrued interest on investments, \$10.2 million in securities lending collateral, with a liability of the same amount, and \$12.9 million in prepaid expenses, which is the Health Services Agreement. In other assets, he stated, the Fund had a net pension asset amount of \$1.6 million. Mr. Frigo reported total current liabilities in the amount of \$10.5 million, noting that \$10.2 million of that amount was the securities lending collateral amount. At the end of June, he announced, the total Fund balance was almost \$226 million. In reviewing the income statement of the Fund, Mr. Frigo reported total revenue in the amount of \$11.2 million versus total expenses in the amount of \$9.1 million for an operating income amount of \$2.1 million. He noted that if the unrealized gains were taken out of that amount, the Fund would still have \$1.4 million in net income. Mr. Frigo reviewed the budget versus actual report of the operating fund and reported actual realized investment income in the amount of \$8.9 million versus a budgeted amount of \$10.8 million. He noted that realized investment income was almost at 83% of budget for  $\frac{3}{4}$  of the fiscal year. He reviewed that the Indigent Care Expense was right at 75% and that Public Health was under budget at 59% or \$453 thousand versus \$767 thousand. Mr. Frigo reviewed the budget versus actual report of the tobacco funds and reported realized actual investment income of \$97 thousand versus a budgeted amount of \$111 thousand. He stated that realized investment income was at 87.72% of budget at June 30th. He reported that \$669 thousand was budgeted for tobacco proceeds and received \$767 thousand. Mr. Frigo stated that the **expenses** of the tobacco funds were all on target at the end of June.

**ITEM 7.** Quarterly Investment Report from Investment Officer. Mr. Graham highlighted that the Investment Portfolio was in compliance with the Investment Policy and guidelines and announced that he would present the full Quarterly Investment Report at the next Board of Directors meeting, August 14, 2008.

**ITEM 8.** Public Comments. Meg Williams announced that she would like to share Tobacco Free Amarillo's (TFA) evaluation results from last year. She stated that Tobacco Free Amarillo has been in existence for approximately seven and a half years and continues to be very successful, that its numbers continue to decrease drastically. She reported that since the inception of TFA, smoking has decreased by: 78% in the 6<sup>th</sup> grade, 69% in the 8<sup>th</sup> grade, 71% in the 9<sup>th</sup> grade, and 53% in the 12<sup>th</sup> grade. Ms. Williams thanked the Amarillo Hospital District for continuing to fund TFA and offering the community the service. Mr. Graham stated that he thought TFA's results were remarkable, that TFA has done a truly amazing job. Dr. Luce stated that he appreciates the continuing funding; that experiences have shown with other states that if the project is dropped, the smoking rates go back up.

**ITEM 9.** Adjournment. There, being no further business, Mr. Bryan adjourned the meeting at 12:30 p.m. This meeting has been recorded and all comments are on file in the City Finance Department.



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Craig Bryan, Chair



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Greg Graham, AHD Investment Officer