

**AMARILLO HOSPITAL DISTRICT
FINANCE COMMITTEE MEETING
AMARILLO CITY HALL
Room 306
June 28, 2007
7:30 A.M.**

Members

Mr. Craig Bryan, Chair
Mr. Greg Graham
Ms. Carol Lovelady

Present

Yes
Yes
Yes

Also Present

Mr. Dean Frigo	Finance Director, City of Amarillo
Ms. Andrea Rains	Recording Secretary, City of Amarillo
Mr. Matt Richardson	Public Health Director, City of Amarillo
Dr. J. Rush Pierce	Texas Tech University Health Sciences Center
Dr. Bonna G. Benjamin	Texas Tech University Health Sciences Center
Mr. Kyle Sanders	Northwest Texas Healthcare System
Ms. Mary Coyne	Tobacco Free Amarillo

ITEM 1. Mr. Bryan called the meeting to order at 7:40 a.m. at City Hall, 509 East 7th Street, Third Floor, Room 306, and welcomed those in attendance.

ITEM 2. Mr. Bryan presented the minutes of the last finance committee meeting held May 21, 2007. Motion for approval was made by Ms. Lovelady, seconded by Mr. Graham, and unanimously carried.

ITEM 3. Presentation of AHD estimated future available funds. Mr. Frigo presented the estimate of AHD future available funds analysis and stated that the estimate of future available funds is a little different than the budget estimate. In the budget estimate, he stated that he is attempting to estimate net assets, and with the available funds projection, trying to estimate investable funds. Mr. Frigo further stated that the future available funds estimate also measures the affect of funding the Pediatric Support contract, Dental Clinic, Community Health Assessment Study and the Tobacco Free Amarillo Initiative on future available funds. For the purposes of this analysis, he reported, the Pediatric Support Contract, Dental Clinic, Community Health Assessment Study and the Tobacco Free Amarillo initiative are referred to as non-sale items. Mr. Frigo presented a work sheet that had two sections and stated that the first section estimates what the District's available funds would be in 2021 if the District only funded the items included in the Sales Agreement: Indigent Care, Public Health, the Pension Plan and outstanding claims along with the District's operating expenses. The second section of the work sheet, Mr. Frigo stated, is an estimate of the District's available funds at 2021 including the non sale items: Pediatric Support Contract, Dental Clinic, Community Health Assessment Study and the Tobacco Free Amarillo initiative. Mr. Frigo discussed the District's operating expenses in detail with the Finance Committee and the assumptions made in the model. The model presented had an earnings estimate of 5.23%, which has been the District's average return along with inflation estimate of 3%. Based on the above assumptions, the District's available funds could grow to about \$276 million by 2021 if the District stopped funding the non-sale items. If the District continued to fund the non-sale items, the District's funds would be about \$224 million in 2021 assuming a 3% increase in the non-sale programs. Mr. Frigo stated that the model was very sensitive to changes in interest rates. At the time of the original sale of the hospital, the ten-year treasury bond yielded 6.877% and a comparable agency security yielded about 7.34%. Currently, he reviewed, the District is invested about 80% in agency securities and 20% in treasury securities. Using

the 80/20 blend at the time of the sale, the blended rate would be 7.25%. Using the 7.25% rate to project future available funds, the District would have \$392 million in available funds if it only funded the items mentioned in the sales agreement and \$331 million if the District continued to fund its current programs. Mr. Frigo noted that these figures would have been even more significant considering the entire 25 years of the contract, further noting that even small changes in investment returns can produce dramatic results over time. Mr. Bryan stated that that he felt the District had experienced some of the worst returns and that the model should conservatively project the District's available funds.


ITEM 4. Consider contract with UHS for Pediatric and Dental Services and Tobacco Free Amarillo. Mr. Sanders presented Northwest Texas Healthcare System's three-year proposal to contract for Pediatric Services, Dental Services, and Tobacco Free Amarillo. He stated that currently, AHD's payments to NWTHS are used for UPL matching. He reviewed that effective November 9, 2006; the Indigent Care Agreement was converted to Healthcare Services Agreement for compliance purposes. Mr. Sanders reminded the Finance Committee that the Amarillo Hospital District funds the non-federal share of the Medicaid supplemental payment program and paid \$12,712,530.61 to fund care through November 8, 2008. He stated that AHD contracts with NWTHS for Pediatric Services, Dental Services and Tobacco Free Amarillo and that the District retains the right to approve any subcontractor and change thereof. He reviewed that the Funding Priorities Committee recommended at their June 21, 2007 meeting: Pediatric Services in the amount of \$1,241,496, Dental Services for \$394,553, and Tobacco Free Amarillo for \$250,000; all totaling \$1,886,049. Mr. Sanders reported that NWTHS' proposed funding for all three services would total a 10% discounted amount of \$1,697,444 for an annual up-front payment from the Amarillo Hospital District. Mr. Sanders announced that the contract would give the District the ability to draw future obligations to NWTHS at a discounted rate to maximize matching funds available. Mr. Frigo stated that both Dental and Tobacco are caps and questioned how NWTH would true up at the end of the year. Mr. Sanders replied that he would include in the contract that it be contingent upon true up at the end of the year. Dr. Pierce stated that he endorsed the concept, further stating that he understood there was a trade-off for the number of years in the contract versus the unknown. Mr. Frigo questioned if there would there be funding to employ another specialist at Texas Tech University Health Sciences Center with the discount of the contract. Dr. Benjamin stated that TTUHSC was in need of a neurologist. Mr. Sanders replied that with the three year proposal, there would potentially be funding for neurology. Mr. Bryan said that he thought the concept of the proposal was fine, that there were details that needed to be worked out. Mr. Graham moved to recommend to the full Board the contract with UHS for Pediatric and Dental Services and Tobacco Free Amarillo. Ms. Lovelady seconded the motion and it carried unanimously.

ITEM 5. Consider Recommendation on 2007-2008 AHD Budget. Mr. Frigo announced that the Funding Priorities Committee had recommended the 2007-2008 Budget for the Amarillo Hospital District. He reviewed that the 2007-08 budget of \$1,241,496 for Pediatric Services was unchanged from the previous year. Mr. Frigo stated that Indigent Care would be allocating pre-paid items for a budget of \$6,356,268. The Dental Clinic, Mr. Frigo reported, had requested an increase from \$315,960 to \$394,553. Dr. Pierce stated that the increase was necessary due to loss of funding from the Amarillo Area Foundation, a partner that funded approximately \$100,000 annually. Mr. Frigo stated that the contribution amount of \$1,915,336 to the Pension Fund was the twenty-year funding number given by the Actuary, John Crider. He reviewed that the \$10,911,046 amount in interest income was an estimate produced by the money managers and that the miscellaneous revenue amount of \$679,323 is the amount expected from the tobacco settlement. Mr. Frigo stated that annually, the tobacco settlement generates approximately \$650,000 and will fund the Dental Clinic and the Tobacco Initiative comfortably. Mr. Richardson stated that the \$1.7 million amount in total revenue for the Department of Public Health was a conservative number, estimating the amount of grant funding; further stating that the budget amount requested of \$767,312 was also an estimated amount needed after grant funding. He stated that of the \$767 thousand

requested, \$520,000 would fund personnel services. Mr. Richardson reported that the Amarillo Hospital District funds 8.77 of 33 funded positions at the Public Health Department. Ms. Lovelady moved to recommend the budget as presented to the full Board, seconded by Mr. Graham, and carried unanimously.

ITEM 6. Public Comments. Ms. Coyne stated that she felt that the Tobacco Free Amarillo Initiative has shown positive results in the community and that she appreciated the continued support of the Amarillo Hospital District.

ITEM 7. Adjournment. There, being no further business, Mr. Bryan adjourned the meeting at 8:35 a.m. All comments of this meeting are on file in the City Finance Department.



Greg Graham, AHD Investment Officer



Craig Bryan, Chair