

**AMARILLO HOSPITAL DISTRICT
BOARD OF MANAGERS
MINUTES
October 26, 1999**

<u>Members</u>	<u>Present</u>
Mr. Steve Walton, Chairman	Yes
Mr. Rick Jones, Secretary & Chairman Pro Tem	Yes
Mrs. Paula Toland	No
Mr. John Irwin	Yes
Dr. Ronald Fortner	No
Mr. Stan Harrison	Yes
Ms. Karen O'Hara	No

Also Present

Mr. Merrill Nunn	City Attorney-City of Amarillo
Mr. Dean Frigo	Director of Finance-City of Amarillo
Ms. Debbie Close	Recording Secretary-City of Amarillo
Mr. Roger Schacht	Ernst & Young LLP
Mr. John Crider	Consulting Actuary

ITEM 1: Mr. Walton called the meeting to order at 7:30 a.m. at City Hall, 509 East 7th Street, Third Floor, Commission Chambers, and welcomed those in attendance.

ITEM 2: Mr. Walton presented the Minutes of September 27, 1999. Motion for approval was made by Mr. Irwin, seconded by Mr. Harrison, and unanimously carried.

ITEM 3: Review Actuarial Future Cash Flow Analysis. Mr. Roger Schacht presented the actuarial future cash flow analysis to the Board. Mr. Schacht reviewed the assumptions used in the analysis and concluded that under these assumptions the fund would be extinguished in the year 2026. He further reported the main reason for the decrease in the fund balance is that the contract with Universal Health Services (UHS) for indigent health care is a fixed contract. Through the term of the contract payments to UHS will remain fairly consistent while health care costs are increasing to an estimated amount of \$50 million annually at expiration of the contract (2021). Until this time the fund level remains very secure. At expiration of the contract, expenses will exceed income and the fund level will be very difficult to maintain. Mr. Schacht recommended that the Amarillo Hospital District adopt a spending limit of approximately 5.5% of corpus. This will allow the District to maintain the corpus throughout the term of the contract with UHS.

ITEM 4: Consideration of Amarillo Hospital District (AHD) Spending Policy: The Amount of AHD Earnings to Earmark for additions to AHD Corpus and Amount available for AHD Projects. Mr. Frigo recommended that the Finance Committee meet to review the 5.5% spending rate and determine if the rate will maintain a stable funding level and provide for excess money to be allocated. Mr. Walton asked if it should be the Board's obligation to maintain the corpus of AHD funds? Mr. Frigo replied that it was the goal of the Finance Committee to retain the corpus amount for future boards. Mr. Frigo further stated that the analysis presented by Mr. Schacht retains the corpus in tact for use by future boards and maintains the purchasing power of the AHD.

ITEM 5: Review and Consideration of Legal Correspondence Regarding Distribution of Tobacco Settlement Sums. Mr. Frigo stated that the first distribution to AHD for tobacco settlement was \$2.9 million which was received during the fiscal year ending September 30, 1999. This distribution was based on population. Future distributions will be based on expenditures. Because AHD does not collect taxes the law provides for AHD to report expenditures for health services. There is also a provision in the law that districts purchasing health services may be able to reprice these services using medicare pricing. Hilgers & Watkins has stated that there is an argument to reprice. Estimates show that based on \$8 million in expenditures, the AHD would receive a rebate of approximately \$1.1 million. If repricing is used the estimated rebate amount would increase to \$1.5 million. Mr. Frigo reported that the downside of repricing is if the method is contested, there could be an audit. If the results of the audit determine that repricing was not appropriate the District would have to pay for the audit and may be penalized. Mr. Frigo recommended that the Board use an accounting firm that specializes in these services to perform the repricing and to further note on the report of expenditures to the State that the repricing method was used. Mr. Walton questioned what were the penalties involved if the method is contested? Mr. Frigo replied that the cost to the AHD could be 10% of the over statement, the cost of the audit, and any litigation expenses. Mr. Frigo asked the Board if there was an interest in pursuing the repricing method? Mr. Walton polled the Board and stated there was an interest in pursuing this method.

ITEM 6: Consideration of Letter of Engagement from Prudential Securities. Mr. Frigo stated that this engagement would increase the review of the pension plan investments from annually to semi-annually. Mr. Nunn stated that he had two concerns with the contract but did not feel that these provisions would affect the AHD. Motion for approval to accept the Letter of Engagement from Prudential Securities was made by Mr. Irwin, seconded by Mr. Harrison, and unanimously carried.

ITEM 7: Pension Plan Update. Mr. John Crider, Actuary, presented to the Board the GASB standard disclosures that are required for the auditors. Mr. Crider stated that the termination of the plan with respect to Healthcare Professional Associates (HPA) is complete, but there are several items that will need to be dealt with during the next year. The calculation of the plan termination benefits for each HPA employee will need to be performed and proposed distribution along with the plan documents will need to be submitted to the IRS for a determination letter. After IRS approval, distribution of plan termination benefits will need to be made to HPA employees who participated

in the plan. Mr. Crider stated that calculation of the plan termination benefits could be completed by December 31, 1999. The AHD attorney would need approximately 30 days to review plan changes before submitting the termination to the IRS for the determination letter. Mr. Crider also stated that he would like to present the October 1, 1999 Actuarial Evaluation at the January 2000 meeting. Mr. Crider recommended that the plan document be restated. Mr. Crider stated he and Mr. Frigo would be meeting with Mr. Miller of Fulbright & Jaworski regarding plan document changes and would like to present to the Board proposed changes. Mr. Walton stated that he had serious concerns regarding any changes to the document that would affect retiree options and would like to see the affect of any proposed changes presented along with the revised plan document.

ITEM 8: Presentation of Quarterly Financial Statements. Mr. Walton asked Mr. Frigo to review the quarterly financial statements with the Board. Mr. Frigo gave an overview of the financial statements for the period ending September 30, 1999. Mr. Frigo reported that the AHD had a fund balance in excess of \$202 million at September 30, 1999. Mr. Frigo also reported that Governmental Accounting Standards Board number 31 (GASB 31) requires that the AHD adjust the investment portfolio to the market value and that in a rising interest rate environment the market value would decrease resulting in unrealized losses. Correspondingly, in a falling interest rate environment market value would increase. Mr. Frigo stated that the unrealized investment income of \$13 million is the adjustment required by GASB 31 and is not a realized loss. Mr. Frigo stated that the realized investment income amount of \$12.795 million compares to budgeted investment income of \$12.792 million. Mr. Frigo further clarified that the net income figure without the unrealized loss would be approximately \$2.9 million. On a budget versus actual basis Mr. Frigo stated that actual receipts of \$13.8 million compares to budgeted receipts of \$12.9 million. Large Medicare distributions that were received during the last fiscal year provided for an increase in actual revenue over budget. Actual expenditures of \$11.1 million compared to budgeted expenditures of \$16.6 million. Actual expenditures were less than budgeted expenditures because amounts budgeted for Expanded Children's Treatment were not used during the fiscal year September 30, 1999.

ITEM 9: Quarterly Investment Report from Investment Officer. Mr. Irwin reported that for the quarter ending September 30, 1999, as the memo to the Board states, the Investment Portfolio was in compliance with state law and the AHD's Investment Policy.

ITEM 10: Consideration of and Appointment to a District Committee to Determine Funding Parameters of Special Projects. Mr. Walton stated that he felt there was a need for the AHD to have written policies regarding the funding of special projects. Mr. Walton recommended to the Board that Mr. Jones chair an AHD committee to determine funding parameters of special projects. Mr. Walton asked that Mr. Jones appoint at least one other AHD Board member to sit on this committee as well as any outside experts Mr. Jones feels are appropriate. Mr. Walton also asked that the committee provide a preliminary report by the April AHD Board meeting. Motion for approval was made by Mr. Irwin to appoint Mr. Jones as chair of an AHD committee to determine funding parameters of special projects of the AHD, seconded by Mr. Harrison and unanimously carried.

ITEM 11: Election of Officers. Mr. Walton stated that the Board needed to elect officers. Mr. Jones made the motion to elect: Steve Walton-Chairman, Rick Jones-Chairman Pro Tem, Stan Harrison-Secretary, and John Irwin-Treasurer/Investment Officer. Motion was seconded by Mr. Harrison, and unanimously carried, to approve the recommendation of officers as presented.

ITEM 12: Executive Session to Discuss Pending Litigation. Mr. Nunn said there was no pending litigation that needed to be discussed in Executive Session.


ITEM 13: Public Comments. There were no public comments.

ITEM 14: There being no further business, Mr. Jones made the motion for adjournment at 8:40 a.m. This meeting was recorded and all comments are on file in the City Finance Department.



Steve Walton, Chairman

ATTEST:



Rick Jones, Secretary