

**AMARILLO HOSPITAL DISTRICT
FINANCE COMMITTEE MEETING
AMARILLO CITY HALL
ROOM 306
April 24, 2006
3:30 P.M.**

Members

Mr. Craig Bryan, Chair
Mr. John Turner
Mr. Sam Spradlin

Present

Yes
Yes
No

Also Present

Mr. Dean Frigo	Finance Director, City of Amarillo
Mr. John Crider	Consulting Actuary
Mr. David Clark	AAHS
Mr. Matt Ramsey	Amarillo National Bank
Ms. Jacque Branch	Amarillo National Bank
Kyle Sanders	Northwest Texas Healthcare System

ITEM 1 Call to Order

Mr. Bryan called the meeting to order at 3:30 p.m. at City Hall, 509 East 7th Street, Third Floor, Room 306, and welcomed those in attendance.

ITEM 2. Approval of Minutes from August 17, 2005

Mr. Bryan presented the Minutes of the August 17, 2005 meeting. Motion for approval was made by Mr. Turner, seconded by Mr. Bryan, and unanimously carried.

ITEM 3. Discussion of Actuarial Report on the Pension Plan

Mr. Crider presented the Actuarial Report on the Pension Plan for 2005. Noting page one of the report the actuarial value of the assets has decreased from \$19,621,557 in 2004 to \$18,221,133 in 2005 while the actuarial present value of the accumulated plan benefits actually increased from \$32,565,521 in 2004 to \$33,088,048 in 2005. There was an increase in the required funding. The thirty-year funding increased from \$1,215,804 in 2004 to \$1,391,164 in 2005. The twenty-year funding from October 1, 1998 increased from \$1,525,909 in 2004 to \$1,850,125 in 2005 and the ten-year funding increased from \$1,790,775 in 2004 to \$2,124,176 in 2005. Mr. Crider noted that the increase in the required funded was for two reasons: the fund did not meet its actuarial investment return of 8% and the average retirement age is earlier than the age 58 assumed in the plan. The assumed retirement age has been lowered from age 62 to age 60 and again from age 60 to age 58. Actual investment returns from 2001 to 2005 have been .4%, 5.9%, 11.9%, 6.6% and 4.8%.

Mr. Crider noted that he used a 5 year smoothing of asset values to determine the actuarial value of the plan assets and any improvement in investment performance would take at least a couple of years to increase the value of the plan assets. Mr. Crider also noted that since members were

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retiring before the assumed retirement age of 58 that we could expect further increases in contributions over the next couple of years.

Mr. Crider recommended that AHD contribute the 30-year funding contribution in 2006 and budget the 20-year funding contribution in 2006. Mr. Crider also recommended reducing the assumed retirement age by one year each study until the assumed retirement age matches the actual average retirement age.

ITEM 4. Consider Funding Recommendation on the Pension Plan

Mr. Turner moved that the Finance Committee recommend that the Amarillo Hospital District contribute the 30-year funding of \$1,391,164 to the pension plan in 2006. The motion was seconded by Mr. Bryan and unanimously carried.

ITEM 5. Presentation of the 2006 Tobacco Settlement

Mr. Frigo presented the 2006 Tobacco Cost Report. Mr. Frigo stated that the Amarillo Hospital District files a joint report with Potter County. Potter County's portion of the cost report was \$411,155 and the Amarillo Hospital District's costs were \$14,167,175 for a total of \$14,578,330. Mr. Frigo noted that the District is able to reprice the services rendered by Nwth to the indigents using the Medicaid rates and report a higher figure on the cost report than the amount actually paid to UHS.

The District is scheduled to receive \$628,640.21. Potter County's portion is \$17,729.64 and the Amarillo Hospital District's portion is \$610,910.57. The District budgeted about \$437 thousand from Tobacco Settlement funds.

ITEM 6. Consider Acceptance of the building donation by Baptist St. Anthony for the Community Dental Clinic

Mr. Frigo informed the Finance Committee that BSA intends to transfer ownership of the Community Dental Clinic at the Board meeting tomorrow. Under the lease agreement the District currently has all the expenses of owning the building so the title transfer should not have a financial impact on the District.

ITEM 7. Presentation of Quarterly Financial Statements

Mr. Frigo presented the financial statements through March 31, 2006. The March financial statements cover half of the District's fiscal year. At March 31, 2006 the District had \$4,256,922 in cash and cash equivalents along with \$213,451,891 in investments. The district had \$154,731,900 in invested securities lending collateral with a corresponding liability to return the collateral. The District had \$1,251,242 in Accrued Expenses, which would be the accrual of the indigent care payment. The payment is accrued monthly and paid quarterly. The District fund balance at the end

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of March was \$217,846,979.

Through March 31, 2006 the District collected \$5,909 in delinquent taxes. The District has not levied a tax since 1996. The District had \$4,382,641 in realized investment income and a \$2,787,464 unrealized investment loss for net revenues of almost \$2 million. The District had expenses of \$5,085,160 for a net loss of \$3,113,390. Excluding the \$2,787,464 unrealized investment loss, the District loss would be \$325,926. Mr. Frigo noted that the District was intentionally spending down prior accumulated Tobacco funds.

According to the District Operation Budget versus actual report, the District has collected 46.65% of its realized investment income compared to 50% for half the year. The District's indigent care expense is 50% of the budgeted amount of \$7,227,142. The District has underspend Public Health through March, but funding to Public Health will increase as grant funds are exhausted.

The District has funded the Pediatric Support contract, the Dental Clinic and Tobacco Free Amarillo program in the Tobacco Fund Budget. The District has budgeted \$610,890 in revenue versus \$1,752,629 in expenses for the Tobacco Budget. The Pediatric contract is at 50% of budget since the District remits this amount monthly.

ITEM 8. Quarterly Investment Report from Investment Officer

Mr. Bryan presented the March 31, 2006 Investment Report. Mr. Bryan noted that in the total the District's investments were in compliance with the Public Funds Investment Act and the District's investment policy. However Amarillo National Bank's agencies securities were slightly over the 80% agency allocation. Matt Ramsey with Amarillo National Bank explained that the agency securities have appreciated in value, which pushed the securities slightly over the 80% agency limit. Mr. Ramsey stated that agency securities had been sold in April and Amarillo National was currently in compliance with the agency limit.

ITEM 9. Consider the Award Recommendation on the Directors and Officers Insurance

Mr. Frigo presented an analysis of the Director and Officers Insurance proposals received by the District. Since the policies had different features, Mr. Frigo used a points system to evaluate the proposals. However, Mr. Frigo excluded the proposal from TML. While the TML policy had some good features, it had some deficiencies. The TML policy excluded claims relating to the rendering of or failure to render healthcare. The Request for Proposals had asked for A M Best ratings of A or better. One of TML's reinsures had a B+ rating.

Executive Risk, Illinois National, Darwin, and RSUI were considered in the analysis. Executive Risk had the highest A M Best rating (AT++XV), which is the highest rating an insurance company can receive. Illinois National is a part of AIG, which has a rating of A+XV. RSUI had an AX rating. Darwin had a rating of A-Viii. There is some question if Darwin met the A requirement. The evaluation model also considered coverage, defense costs, settlement terms and cost. Executive

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Risk got the most points in total.

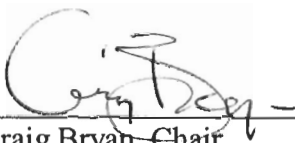
Mr. Turner moved that the Finance committee recommend Executive Risk to the Board. The motion was seconded by Mr. Bryan, and unanimously carried.

ITEM 10. Public Comments

None

ITEM 11. Adjournment

The meeting adjourned at 4:55 pm



Craig Bryan, Chair

Sam Spradlin, Secretary