

**AMARILLO HOSPITAL DISTRICT
FINANCE COMMITTEE MEETING
AMARILLO CITY HALL
ROOM 306
APRIL 27, 2009
4:00 P.M.**

Members

Mr. Craig Bryan, Chairman
Mr. Greg Graham
Ms. Murielle Barnes

Present

Yes
Yes
Yes

Also Present

Mr. Dean Frigo	Finance Director, City of Amarillo
Ms. Andrea Rains	Recording Secretary, City of Amarillo
Mr. John M. Crider	Consulting Actuary
Mr. Jerry McMillon	Connor, McMillon, Mitchell, Shennum, PLLC
Mr. Kyle Sanders	Chief Operational Officer, Northwest Texas Healthcare System
Mr. Steve Walton	Neely, Craig, & Walton LLP
Mr. Grant Smith	PIA Insurance
Ms. Kathy Taylor	Upshaw Insurance
Mr. Dale Langehennig	Texas Preferred Insurance
Mr. Matt Ramsey	Investment Officer, Amarillo National Bank

ITEM 1. Mr. Bryan established a quorum, welcomed everyone in attendance, and called the meeting to order at 4:05 pm.

ITEM 2. Mr. Bryan presented the minutes of the last finance committee meeting held February 11, 2009. There were no questions or comments. Motion to approve the minutes as written was made by Mr. Graham, seconded by Ms. Barnes, and carried unanimously.

ITEM 3. Discussion of Actuarial Report on the Pension Plan. Mr. Crider presented the Actuarial Valuation on the Retirement Plan for the Employees of Northwest Texas Healthcare System as of October 1, 2008 and stated that contribution amounts have risen this year primarily due to the market downturn. He reviewed that the District budgeted \$1,978,698 for the current year and noted that funding this amount would comply with state law and accounting requirements. He further reviewed that the District historically budgets the 20-year funding contribution number and stated that for the 2009 budget year, that amount is \$2,103,169. Mr. Crider reported the rate of return on Plan assets measured at market value at September 30, 2008 was -10.8% for the Plan versus a return of -14.3% for the TLFRA average and a 5-year average market value of 3.9% versus 4.5%. Using the 5-year smoothing method, he explained, the rate of return on Plan assets measured at actuarial value for the Plan was 4.1% at September 30, 2008 compared to 8.5% at September 30, 2007. Mr. Crider reminded that it is important the Plan is not under or over-funded; that every dollar put into the Plan cannot be used to provide indigent healthcare and probably can never be received back from the Plan. He stated that he is satisfied with the course that the Board has maintained, taking responsibility very seriously. Plan issues, he addressed, were: the Fund's rate of return will need to continue being monitored; employees continue to leave the hospital without applying for benefits; and the District will have to submit this Plan to the Internal Revenue Service for a determination letter by January 31, 2011. Mr. Crider recommended that the AHD do anything and everything possible to simplify its Plan prior to submission to the IRS. In closing, he thanked the Hospital District for the opportunity to work on the Plan.

ITEM 4. Consider Funding Recommendation on the Pension Plan. Mr. Frigo stated that he recommend the Pension Plan be funded at the AHD budgeted level. Motion was made by Mr. Graham and seconded by Ms. Barnes to recommend to the full Amarillo Hospital District Board of Managers that it fund the 20-year budgeted number of \$1,978,698 to the Pension Plan.

ITEM 5. Presentation and Discussion of AHD Audit. Mr. McMillon presented the Annual Financial Report and the Annual Single Audit Reports at September 30, 2008 for the Amarillo Hospital District. He reported that both audits presented clean or unqualified opinions, stating that this was the best result that could be achieved from an audit. Mr. Frigo noted that should the legislation pass with Texas Tech and the Poison Center, the District would no longer need to provide for the Single Audit Report.

ITEM 6. Presentation and Discussion of Nwth Pension Plan Audit. Mr. McMillon presented the Annual Financial Report for the Retirement Plan for the Employees of Northwest Texas Healthcare System at September 30, 2008 and reported that the audit produced an unqualified opinion; that there were no issues within the report.

ITEM 7. Presentation and Discussion on Agreed Upon Procedures Audit on the Tobacco Settlement Cost Report. Mr. McMillon presented the Independent Accountant's Report on Applying Agreed-Upon Procedures and reviewed that this audit is performed annually, relating to the Tobacco Settlement Cost Report that the District submits to the State. He stated that due diligence is the main purpose of the audit to assure that the District is complying with the requirements of the State, and reminded the Committee that the District has been audited by the State in the past. Mr. McMillon noted that the penalty from the State is significant; 10% of any overstatement reported. He reported that a sample of 50 individuals that were denied indigent care services had been randomly reviewed. He reported that all denials were proper, there were no exceptions, and there was nothing out of the ordinary within the report. Mr. McMillon thanked the staff at Northwest Texas Hospital for their assistance with the audit.

ITEM 8. Presentation of the 2009 Tobacco Settlement Cost Report. Mr. Frigo presented the Tobacco Settlement Cost Report for 2009 and pointed out that this year, the District was awarded total settlement proceeds in the amount of \$961,807.68 and ranked in the top 10 recipients of all Hospital Districts in Texas. He reported that the District submitted a joint report with Potter County to the State totaling expenditures of \$24,303,943. Mr. Frigo explained that the District gets to reprice services received from Northwest Texas Hospital for indigent care using higher Medicare rates. Potter County, he reviewed, submitted unreimbursed county expenditures for hail health care in the amount of \$525,831. He stated that of the total settlement proceeds amount, Potter County would receive \$20,809.31 and the Amarillo Hospital District would receive \$940,998.37. Mr. Frigo reported that the District had just received notice in the mail from the State advising tobacco settlement proceeds recipients to budget one-half of the amount received this year when preparing the next year's budget due to the current economic conditions.

ITEM 9. Consider Approval of the Potter County Sheriff Sale Property. Mr. Frigo presented Sheriff Sale properties from Potter County. He stated that the properties listed had delinquent taxes and did not sale on the steps of the courthouse for the amount of taxes due and were then struck off to the tax collector. The tax collector, he reviewed, solicited sealed bids for the properties and is now recommending that these properties be awarded to the highest bidder. Mr. Graham motioned to recommend to the full Board that it approve the sale of the presented Potter County Sheriff Sale properties. Ms. Barnes seconded the motion and it carried unanimously.

ITEM 10. Consider Award of Officers and Directors Insurance Policy. Mr. Frigo reviewed that Neely, Craig, and Walton, LLP, PIA Insurance, Texas Preferred Insurance, and Upshaw Insurance had all submitted proposals for Directors and Officers/Public Officials Liability Insurance. He further reviewed that Neely Craig and Walton had submitted a bid using AIG, PIA using Chubb, Texas Preferred using Travelers, and Upshaw using Darwin. Mr. Frigo presented and reviewed an analysis based on a point system for all four proposals; he noted that all quotes were for one year. He reviewed that points were based on factor one, 50% weight: limits, terms, and conditions, agency resources and experience, exclusions and specific coverages, and financial solvency; and factor two, 50% weight, would be based on cost. Based on the point system, Mr. Frigo reported that a total of 63.0 points were given to Texas Preferred, 82.4 points to PIA, 85.5 points to Neely, Craig and Walton, and 73.7 points were given to Upshaw. Each agent spoke regarding his or her companies quote. Ms. Taylor stated that although she does not like to walk away from a sale, for the difference in premium and the continuity of PIA, she felt that it would be in the best interest of the District to stay with the incumbent agency, PIA. All agents agreed that making a decision for the best interest of the District was most important. Mr. Graham motioned to

recommend to the full Board that it continue with the current policy in place with PIA/Chubb Insurance. Ms. Barnes seconded the motion and it carried unanimously.

ITEM 11. Consider Investment Policy Change. Mr. Frigo reviewed that Herman Shirly from Herring Bank had requested at the last meeting adding CDARS (Certificate of Deposit Account Registry Service) as investment options to the District’s Investment Policy. To accommodate Mr. Shirly’s request, he stated that CDARS had been added to the Policy under section II.b., on page 2. Other recommended changes, he reported, were to modify the language under section II.a., to provide for CDs that have deposit insurance or are collateralized; and to delete the commercial paper section from the Policy on page 3. Mr. Frigo reviewed that defaults are now being made on commercial paper and further reviewed that the money managers are no longer using commercial paper. Mr. Ramsey confirmed that this suggested change would not hurt him. Motion to recommend the suggested Policy changes to the full Board was made by Ms. Barnes, seconded by Mr. Graham and carried unanimously.

ITEM 12. Presentation of Quarterly Financial Report. Mr. Frigo presented the District’s financial statements at March 31, 2009 and noted that this would represent half the District’s fiscal year. He reported \$235,535,378 in total current assets versus \$6,880,569 in total current liabilities. He noted \$6,640,500 in invested securities lending collateral with a corresponding liability for once the collateral is returned. Mr. Frigo reviewed total liabilities and Fund balance of \$238,004,277. Total revenue, he stated was \$10,012,855; which included \$5,816,296 in realized investment income and \$3,714,568 in unrealized investment income. Reviewing operating expenses, Mr. Frigo reviewed that the indigent care contract, in the amount of \$3,110,853, was the Fund’s largest expense followed by the contract with Nwth for Pediatric/Dental/Tobacco Free Amarillo services in the amount of \$731,543. He reported that total expenses were \$4,710,020 and noted that the Fund had an operating income amount of \$5,302,835. Reviewing the budget versus actual report for the Operating Fund, Mr. Frigo noted an actual realized investment income amount of \$5,792,712 versus a budgeted amount of \$10,687,000 and stated that this number was on target at 54.2%. The indigent care contract, he reported, was \$3,110,853 actual versus \$6,148, 416 budgeted and that Public Health was \$318,389 actual versus \$909,278 budgeted. Mr. Frigo reviewed budget versus actual for the Tobacco Fund and reported that the Fund will be above the budgeted amount of \$775,000 in miscellaneous income because of the actual settlement proceeds received this month. He further reviewed that professional services were \$683,041 actual versus a budgeted amount of \$1,366,081. Overall, Mr. Frigo stated that the District’s financials for this quarter look good.

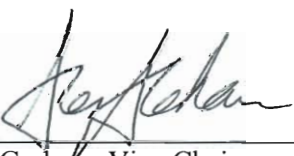
ITEM 13. Quarterly Investment Report from Investment Officer. Mr. Graham reported that the Amarillo Hospital District’s Investment Portfolio was in compliance with the AHD Investment Policy and stated that he would present the full Investment Report at March 31, 2009 at the next morning’s AHD Board of Managers meeting.

ITEM 14. Public Comments. There were no public comments at this time.

ITEM 15. Adjournment. There, being no further business, Mr. Bryan adjourned the meeting at 5:25 p.m. This meeting has been recorded and all comments are on file in the City Finance Department.



Craig Bryan, Chairman



Greg Graham, Vice-Chairman