AMARILLO HOSPITAL DISTRICT
FINANCE COMMITTEE MEETING
AMARILLO CITY HALL
ROOM 306
MINUTES
APRIL 25, 2011
4:00 P.M.

Members	Present
Mr. Greg Graham	Yes
Ms. Murielle Barnes	Yes
Mr. Chuck Speed	Yes

Also Present	
Mr. Dean Frigo	Assistant City Manager for Financial Services, City of Amarillo
Ms. Andrea Rains	Recording Secretary, City of Amarillo
Mr. John M. Crider, Jr.	Consulting Actuary
Mr. Jerry McMillon	CPA, Connor, McMillon, Mitchell, Shennum, PLLC
Ms. Janie Arnold	CPA, Connor, McMillon, Mitchell, Shennum, PLLC

ITEM 1. Mr. Graham called the meeting to order at 4:05 p.m. at City Hall, 509 East 7th Street, Third Floor, Room 306, and welcomed everyone in attendance. He introduced Mr. Chuck Speed and thanked him for joining the Committee.

ITEM 2. Mr. Graham presented the minutes of the last AHD Finance Committee meeting held January 31, 2011. With no questions or comments, Ms. Barnes motioned to approve the minutes as presented. Mr. Speed seconded the motion and it carried unanimously.

ITEM 3. Consider Pension Plan Investment Policy. Mr. Frigo announced that due to inclement weather in the Dallas/Ft. Worth area, Mr. Browning was unable to make a flight in time for the Finance Committee. He recommended the Board table this item once again for a meeting that Mr. Browning could attend. The Committee agreed that it was best to table this item for the next Finance Committee meeting so that Mr. Browning could speak to the Committee.

ITEM 4. 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, 2010 and reported that the District's budgeted twenty-year funding number of $2,231,091 was within requirement range of the State of Texas and GASB statements. Mr. Crider explained that the twenty year funding contribution uses a shorter amortization period each year. Mr. Frigo noted that the goal of the District is to have the Plan funded as much as possible by the end of the contract with UHS in May of 2021 and stated that he would budget the twenty-year funding number from the current valuation of $2,382,712 for the District's next fiscal year. Mr. Crider reviewed that contribution levels over the next several valuations are expected to rise because of the market downturn in 2008 thru 2010 and stated that the downturn would be fully recognized by September of 2014. He stated that the valuation was based upon an assumed rate of return of 8.0%. Using the market value of assets, Mr. Crider reviewed approximate annual rates of return for the plan years ending September 30, 2006 through 2010, were 7.5%, 12.8%, -10.8%, -0.2%, and 7.6% respectively and that the average rate of return for the five-year period ending on the valuation date was 3.0%. Mr. Crider reported that the rate of return on the actuarial value of assets for the twelve-month period ending September 30, 2010 was 2.1% and the average rate of rent on the actuarial value of assets for the five-year period ending September 30, 2010 was 4.1%. He noted that active participants were assumed to retire at age 56; however, participants during the past year retired at age 54.2, on average. He further noted that the number of retirements have been decreasing each year. Plan issues, Mr. Crider reviewed, included monitoring the Fund's rate of return, catching up on benefit requests, and simplifying the Plan. He reported that the IRS Determination letter for the Plan

had been filed on time, with State standards being met. Mr. Crider recommended that the Board continue reviewing the Plan's Investment Policy.

ITEM 5. Consider Funding Recommendation on the Pension Plan. Mr. Speed moved that the Finance Committee recommend to the full Board that it contribute the budgeted 20-year funding amount of $2,231,091 to the Pension Plan. The motion was seconded by Ms. Barnes and unanimously carried.

ITEM 6. Presentation and Discussion of AHD Audit. Mr. Jerry McMillon introduced Ms. Janie Arnold and presented the Annual Financial Report for the Amarillo Hospital District at September 30, 2010. He reported that the audit produced a clean, unqualified opinion.

ITEM 7. 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, 2010. He thanked Mr. Crider for his help during the audit. Mr. McMillon reported that overall, the audit presented a clean opinion.

ITEM 8. Presentation and Discussion on Agreed Upon Procedures Audit on the Tobacco Settlement Cost Report. Mr. McMillon presented the Report on Applying Agreed-Upon Procedures on the 2011 Tobacco Settlement Expenditure Statement. He reviewed that the state assesses steep penalties for any discrepancies found in the Tobacco Cost Report and stated that this audit serves as due diligence for the District, further stating that this report has served its purpose. Mr. McMillon reported that there were no findings in a sample of patients whom were denied indigent care, that all denials were accurate. He stated that there were no discrepancies within the report and thanked Northwest Texas Hospital for their assistance in the audit.

ITEM 9. Presentation of 2011 Tobacco Settlement Cost Report. Mr. Frigo presented the 2011 Tobacco Cost Report and reported total allowable expenditures submitted of $12,951,460. He reviewed that of that total amount, the District reported expenses of $12,403,741 and Potter County reported $547,719. Mr. Frigo stated that the AHD is one of the top ten reporters in the State and explained that within the report, the District is allowed by law to re-price indigent care services provided by Northwest Texas Hospital by using Medicaid rates and report a higher figure on the report than the amount actually paid to UHS. Mr. Frigo reviewed that a letter from the Texas Department of State Health Services had been received, reporting that the Amarillo Hospital District's 2011 payment from the Tobacco Settlement Proceeds would be $250,323.57. He stated that the amount the District is set to accept is the lowest amount received from the settlement proceeds to-date and noted that the District had budgeted $350 thousand in Tobacco Settlement Proceeds. He noted that the Tobacco Free Amarillo is funded by the District through this program.

ITEM 10. Consider Partial Release of Collateral. Mr. Frigo explained that the Turn Center, a nonprofit children's rehabilitation center, had approached Northwest Texas Hospital about releasing the deed to the parking lot servicing the center and adjacent to the hospital. He noted that the Turn Center has no parking lot of its own and UHS is willing to release the deed; however UHS needs a release from the Amarillo Hospital District in order to convey. Mr. Speed explained that he was once on the Board of the Center, and recalled that the parking lot was an issue in regards to whose responsibility it was to maintain. Mr. Frigo stated that this release would transfer the liability of the parking lot to the Center and is an insignificant amount of collateral to release compared to the amount secured by contract between UHS and the Hospital District. Mr. Speed motioned to recommend approval of the partial release of collateral to the full Board. Ms. Barnes seconded the motion and it unanimously carried.

ITEM 11. Consider Resolution to Nominate a Member to the Tobacco Settlement Investment Advisory Committee. Mr. Frigo and Mr. Graham explained that because the Amarillo Hospital District is one of the top ten tobacco cost reporting Districts in the State, the District had been asked to nominate a member to the Tobacco Settlement Investment Advisory Committee. Mr. Graham noted that although the District has been asked to make a nomination, it does not mean that the nominee will be chosen. Mr. Frigo stated that he felt that Mr. Browning, the Fund's Investment Consultant, has a very good resume and a very good chance at being selected. Mr. Graham added that Mr. Browning may also have more of an ability to

attend the meetings, being from the Dallas/Ft. Worth area. Motion to recommend approval to the full Board of the resolution to nominate Roy Browning to the Tobacco Settlement Investment Advisory Committee was made by Mr. Speed, seconded by Ms. Barnes and carried unanimously.

ITEM 12. Consider Approval of the Potter County Sheriff Sale Property. Mr. Frigo explained that Potter County receives sealed bids on the properties that do not sale at the Sheriff's Sale. He stated that since the presented properties were selling for less than the taxes owed, each taxing entity must approve the sale. Ms. Barnes motioned to recommend to the full Board that it approve the Potter County Sheriff Sale Properties. Mr. Speed seconded the motion and it unanimously carried.

ITEM 13. Consider Approval of Investment Training with the University of North Texas. Mr. Frigo reviewed that the investment training was administered by the Center for Public Management at the University of North Texas and the Government Treasurers' Organization of Texas (GTOT). He reviewed that he and the City's Finance Director, Michelle Bonner, had attended the investment training this year. Mr. Frigo explained that investment officers must receive at least ten hours of investment training every two years from an independent source and that the source must be approved by the governing body. Motion to recommend approval of the investment training with the University of North Texas to the full Board was made by Mr. Speed, seconded by Ms. Barnes and unanimously carried.

ITEM 14. Presentation of Quarterly Financial Statements. Mr. Frigo presented the Quarterly Financial Statements at March 31, 2011 and reviewed the balance sheet of the General Fund. He reported total cash and investments of approximately $205 million and about $16.6 million in prepaid expenses after the Board approved the resolution to fund the UPL at the special meeting held the previous week on April 20th, 2011. In other assets, he reviewed fixed assets of $99,410; which is the dental building, and $4,284,585 in a net pension asset, because the District is funding the pension plan at a faster rate than required. Mr. Frigo reported total assets of $226,280,349 and a total Fund balance of $225,611,441. Reviewing the income statement, he noted $2,949,167 in realized investment income and an unrealized loss of $5,082,336. He reported total revenue of a negative $2,112,291 and total expenses of $4,271,431 for an operating income loss of $6,383,722; which would be about a $1.3 million loss without the above unrealized loss. Mr. Frigo reviewed operating expenses of the Indigent Care Agreement at $2,763,473; Professional Services at $781,714; and Public Health at $387,158. Reviewing the budget versus actual report of the Operating Fund, Mr. Frigo explained that total revenue was only 32.34% realized when it should be at 50% for halfway through the year. He reported a budgeted revenue amount of $9,177,478 versus an actual amount of $2,967,897. Mr. Frigo pointed out that the Indigent Care Agreement was right at 50% realized and that the $2,231,091 budgeted retirement trust amount would be made upon full Board approval. Mr. Frigo noted that the Fund is missing its budgeted investment income target amount. He reviewed the Tobacco Fund's budget versus actual report and stated that the Fund had a budgeted total revenue amount of $352,275 versus an actual amount of about $250 thousand; the amount received this year from the tobacco settlement proceeds. Mr. Frigo pointed out that the Donor Restricted Funds were also included in the quarterly financial statements.

ITEM 15. Quarterly Investment Report from Investment Officer. Mr. Graham stated that the Fund's Investment Portfolio remained in compliance with the Investment Policy and announced that he would present the full Quarterly Investment Report at the next morning's Board of Directors meeting, April 26th, 2011.

ITEM 16. Legislative Briefing. Mr. Frigo and Mr. Crider gave a brief status update on HB 2731 (Truitt's Bill) and stated that staff would continue to monitor the bill.

ITEM 17. Public Comments. There were no public comments at this meeting.

ITEM 18. Adjournment. There, being no further business, Mr. Graham adjourned the meeting at 5:13 p.m. This meeting has been recorded and all comments are on file in the City Finance Department.

Greg Graham, Chairman

ATTEST:

Murielle Barnes, Vice-Chairman