



University Health System

BEXAR COUNTY HOSPITAL DISTRICT BOARD OF MANAGERS

Tuesday, November 6, 2018

2:00 p.m.

Encino Conference Room

University Hospital

4502 Medical Drive

San Antonio, Texas 78229

MINUTES

BOARD MEMBERS PRESENT:

Jim Adams, Chair
Ira Smith, Vice Chair
Roberto L. Jimenez, M.D, Immediate Past Chair
Robert Engberg
James C. Hasslocher

BOARD MEMBERS ABSENT:

Dianna M. Burns, M.D., Secretary
Janie Barrera`

OTHERS PRESENT:

George B. Hernández, Jr., President/Chief Executive Officer, University Health System
Bryan Alsip, M.D., Executive Vice President/Chief Medical Officer, University Health System
Tommye Austin, Ph.D., Senior Vice President, Chief Nurse Executive, University Health System
Edward Banos, Executive Vice President/Chief Operating Officer, University Health System
Lourdes Castro-Ramirez, President, University Health System Foundation
Ted Day, Executive Vice President, Strategic Planning and Business Development, University Health System
Jose Fernandez Executive Director, Financial Decision, Support, University Health System
Roe Garrett, Vice President/Controller, University Health System
Greg Gieseman, President/Chief Executive Officer, Community First Health Plans, Inc.
Barbara Holmes, Chief Financial Officer, Community First Health Plans, Inc.
Rob Hromas, M.D., Dean, Long School of Medicine, UT Health San Antonio
Reed Hurley, Executive Vice President/Chief Financial Officer, University Health System
Leni Kirkman, Senior Vice President, Strategic Communication and Patient Relations, University Health System
Elliott Mandell, PhD, MBA, RPh, Senior Vice President/Chief Pharmacy Officer, University Health System
Teresa Nino, Director, Epic Communications, University Health System
Rosa Olivares, Administrative Resident, Trinity University
Bill Phillips, Senior Vice President/Chief Information Officer, University Health System
Kirsten Plastino, M.D., President, Medical/Dental Staff, University Health System; and Professor, Department of Obstetrics & Gynecology, UT Health, San Antonio
Robert Rattenbury, Director, Budget & Finance Services, University Health System

Serina Rivela, Interim Chief Legal Officer, University Health System
Michael Roussos, Administrator, University Hospital
Armando J. Sandoval, Chief of Police, Protective Services, University Health System
Travis Smith, Deputy Chief Financial Officer, University Health System
Jim Willis, Vice President, Associate Administrator, University Hospital
William T. Avila, Esq., Bracewell, LLP
Donald J. Gonzales, Managing Director, Estrada/Hinojosa
Ricardo Villasenor, Senior Vice President, Hilltop Securities
And other attendees.

CALL TO ORDER AND RECORD OF ATTENDANCE: JIM ADAMS, CHAIR, BOARD OF MANAGERS

Mr. Adams called the meeting to order at 2:02 p.m.

INVOCATION AND PLEDGE OF ALLEGIANCE

Mr. Adams introduced and yielded the floor to Ms. Leni Kirkman, Senior Vice President, University Health System, for the invocation and he led the Pledge of Allegiance.

ITEMS FOR REVIEW AND DISCUSSION:

REVIEW AND DISCUSSION REGARDING COMMUNITY FIRST HEALTH PLANS, INC., OPERATING AND CAPITAL BUDGETS FOR FISCAL YEAR 2019 — GREG GIESEMAN

SUMMARY:

Mr. Gieseman presented CFHP's 2019 operating and capital budget, which he explained assumes net income of \$4.1 million, and net underwriting income (excluding investment income) of \$2.6 million. He reviewed focus areas, initiatives strategies, objectives, and 2019 budget impacts, as follows, with the Board of Managers:

Core Business Focus - Maintain current core business at high performing level.

- Strategy - Maintain current lines of business at a high quality and fulfill CFHP's mission to the community.

Objective: Increase profitable market share for governmental products.

Budget Impact:

- Maintained resources for traditional outreach activities
- Conduct RFP for outsourced promotion and public relations support
- Review CFHP brand and logo and develop any implementation plan for revisions
- Improve coordination within CFHP departments as to outreach support, material content and material presentation
- Added resources to ensure consistent translation activities
- Review /improvement of CFHP's Value Added Services (VAS) and communication plan to members

Objective: Provide advocacy support value of community based plans.

- Coordinate education to legislative and regulatory officials re local market information/initiatives with TAHP and TACHP
- Coordinate advocacy issues with University Health System efforts as appropriate

Objective: Successful RFP response for ERS for Sep 2019-2020 year for fully-insured program

Budget Impact: Actuarial expense included

Objective - Ensure timely regulatory compliance, including reporting and response to ad hoc requests

Budget Impact:

- Included additional configuration and testing staff
- Added additional staff to coordinate interactions with HHSC
- Revised and improve claims processing activities to eliminate penalties and interest

Business Development Focus - Expand existing product lines; Analyze potential of new product offerings.

- Strategy - New service offerings

Objective:

- Develop recommendation for Board approval for participation in STAR+Plus assuming successful response to HHSC RFP for effective date of 6/20 including business plan, financial pro formas, necessary capabilities to secure MA DSNP licensing and 2019 implementation costs
- Improve CFHP operational capabilities specific to commercial and individual products
- Develop market intelligence gathering for commercial products including self-insured ASO business
- Develop recommendation for reentry in Marketplace products in Jan 2020

Budget Impact:

- STAR+Plus development expenses not included in proposed budget
- Continued develop of commercial group and individual capabilities in QNXT implementation
- Consultant dollars added to determine requirements and business opportunities in commercial group business
- Monitor legislative and CMS actions regarding marketplace

Health System Integrated Delivery Network (IDN) - Ensure performance of CFHP's role as part of Health System integrated delivery system

- Strategy - Partner with Health System to expand IDN capabilities and encourage utilization of Health System services

Objective:

- Continue care coordination with UHS complex care clinic
- Develop and implement programs with UHS to minimize overall Health System expenses

Budget Impact:

Develop additional outcome measures to evaluate effectiveness of shared staff resources to coordinate clinical integration

Provider Focus - Explore varying provider network models, implement timely data sharing and value based reimbursements

- Strategy – New provider compensation/network models
- Implement gain sharing model with primary care groups for Medicaid compared to total cost of care
- Implement APM with three PCP groups re PDN costs in STAR Kids
- Increase performance targets for physician incentive program

Budget Impact:

- Develop infrastructure to support gain sharing and APM programs; Medical Economics department to develop, monitor and report on model
 - Maintain physician incentive payout at 2018 estimated level
- Internal Focus - Improve infrastructure including technology and staff

- Strategy – IT/Infrastructure/Operations

Objective:

- Stabilize QNXT for all current lines of business
- Implement Jiva for STAR Kids (LTSS) by 3/2019
- Begin implementation of Jiva for STAR+ Plus, if approved

Budget Impact:

- CFHP consultants included for Jiva and QNXT stabilization

Objective – Implement customer relationship software

Budget Impact:

- Implement software/capabilities to track stakeholder contacts

Objective - Improve encounter and FSR reconciliation process

Budget Impact: Enhanced skill sets in new staff additions

Objective:

- Improve capabilities and refresh look of CFHP’s public and internal websites

Budget Impact: Resources added for external consultant

Bexar Service Area Market Assumptions - While the Bexar market is projected to decline, similar to 2018, CFHP projects to increase market share in Medicaid and STAR Kids and to stop the decline of market share in CHIP. Budget resources are added to re-align staffing, re-configure marketing communications and make the provider’s experience better.

	2017 Actual	2018 Outlook	Projected 2018 Trend	2019 Budget
Medicaid	257,891	253,987	-.41%	250,927
CHIP	32,328	31,115	-3.9%	30,491
CHIP Perinate	1,251	1,397	13.5%	1,430
STAR Kids	14,632	14,294	-2.4%	13964

End of Year Market Share

	2017 Actual	2018 Outlook	2019 Budget
Medicaid	41.2%	41.5%	41.0%
CHIP	55.8%	55.3%	55.4%
CHIP Perinate	40.3%	35.7%	35.5%
STAR Kids	53.6%	54.2%	54.8%

Revenue Assumptions – Membership

	2017 Actual	2018 Outlook	2019 Budget	Change
Medicaid	1,277,956	1,298,146	1,293,564	-0.4%
CHIP	219,067	209,448	203,777	-2.7%
CHIP Perinate	7,067	6,401	6,308	-1.5%
STAR Kids	96,175	94,676	93,399	-1.3%
Commercial	59,907	52,769	50,869	-3.6%
Total Member Months with ASO	1,660,172	1,661,440	1,661,440	-0.8%
ASO (Family Care Plan)	197,772	207,248	210,246	1.4%
Total Member Months	1,857,944	1,868,688	1,858,163	-0.6%

Despite membership decrease, a 3.7 percent revenue increase is projected in 2019, or \$562 million as compared to the 2018 outlook of \$542 million.

Revenue Assumptions – Premiums

STAR, CHIP and STAR Kids

- Medical Premium – Sep 2018 rates held constant for the year
- Pharmacy Premium - Sep 2018 rates held constant for the year
- Network Access Improvement Program and UHRIP remain at Sep 2018 rates throughout the year

Commercial

- ERS – Sep 2018 rates held constant until a 3% increase in Sep 2019

ASO

- No change in per employee administrative fee

Nominal Changes to Revenue Sources - CFHP assumes no material shift in Revenue sources for 2018, although STAR Kids revenue is projected to increase slightly (.3%), with a corresponding slight decline in Medicaid and CHIP. Total Revenue is projected to increase \$20 Million from Outlook 2018.

Medical Expense

- Claims expense consistent with 2018 levels and rate setting adjustments from HHSC and experience
 - STAR/CHIP - Medical 3.0% inflation, RX 3.0%
 - Commercial - Medical 7.0% inflation, RX 8.0%
 - STAR Kids - Medical 0.5% inflation, RX 3.0%
- Flu season adjustment - \$1 M reduction for less severe flu season
- Contracting/claims initiatives
 - Savings from contract/fee schedule changes - \$814,000
 - COB recoupments including Rx - \$750,000
- Utilization Management Initiatives
 - One day Length of Stay - \$500,000
- No savings have been included for any implemented enhanced provider relationships and/or APMs

Assumptions/Key Issues - Administrative

- CFHP will operate both Amisys and QNXT core systems through Dec
- Consultant support
 - For QNXT stabilization through March
 - Jiva implementation of LTSS by March
- Implement
 - Customer service/sales force software
 - Optum pricing software
 - Jiva (care management system) upgrades
- Implement improvements
 - External and internal web site functionality and appearance
 - Disaster recovery capabilities
 - Eliminate penalties for late claims payment
 - Improve encounter data submission and FSR reconciliation process
- Review logo and preparations for 25th anniversary in 2020
- Maintain HHSC/TDI/CMS performance requirements
 - Implement improvements and staff in system configuration, testing and auditing
 - Added resources for expected increased HHSC ad hoc requests given a legislative session year
- Transition of PMO to vendor management function

- Staffing adjustments to be realized by year end
- Identify opportunities and requirements for growth in individual and commercial area
- No dollars allocated in 2019 budget for marketplace participation in 2020
- STAR+Plus awards will be announced in May/June
 - No 2019 development expenses items included
- Total is \$1.6 M less than 2018 Outlook despite \$1.5 M increase in depreciation and taxes
 - PMPM expense reduced 2.2% from 2018 outlook of \$30.22 to \$29.57
 - ALR reduced from 10.8% to 10.1%
- Operational administration expenses for STAR, CHIP and STAR Kids are within the HHSC allowed amount included in premium despite HHSC admin allocation reduction of \$.50 pmpm (\$800,000)

Administrative Expense - Key Changes from 2018 Outlook

- Consulting and Professional Fees: \$4.2 M decrease
- Electronic Processing Expense: \$200,000 decrease
- Salary: \$ 1.0 M increase (3.9%)
- Marketing: \$200,000 increase
- Computer Service Agreements: \$264,000 increase
- Employee Development: \$385,000 increase
- Postage/Printing/New Member Kits: \$300,000 increase
- Jiva (Care Management System) Upgrades: \$360,000 (New)
- Customer Service Contact System: \$100,000 (New)
- Optum Pricing Software: \$240,000 (New)

Staffing -10 FTE Decrease from 2018 Budget by Year End

- 2018 Budget – 416
- 2019 Additions – 6 (two provider service reps; one administrative support in Quality Dept.; one data analyst in IT; one compliance specialist; one bilingual copywriter)
- 2019 Deletions –16 (one EVV auditor, one PMO business analyst; two PHM service coordinators; nine positions in claims, one SIU Investigator, two IT staff)
- 2019 Budget – 406

2016 Actual, 2017 Actual, 2018 Outlook, and 2019 Budget – Overall the CFHP budget for 2019 projects a net income of \$4,117,343 with income from operations totaling \$2,617,343. Mr. Engberg helped to clarify that premium increases in 2019 are needed to beat the projected \$21 million loss of 2018. CFHP investment portfolios are managed by First Southwest along with the Health System’s and provided separately on a quarterly basis for the Board of Managers’ review.

Budget Capital Expenditures – Calendar Year 2019 - Of the \$2,137,190 budgeted for depreciation and amortization expense in 2019, \$916,667 is amortization of core system perpetual licenses, depreciation and amortization for 2019 capital expenditures is \$224,118.

<u>Item</u>	<u>Cost</u>
Computer & Equipment Replacements – Existing Employees	\$75,504
Furniture & Fixtures, Leasehold Improvements	185,190
Set Up Costs – New Employees	46,958
Infrastructure Enhancements Upgrades – Server, VMWare	
Virtual Desktop	325,038
Software Efficiencies/Upgrades – Budget System/Data Warehouse	94,793
Telephone Replacement	<u>92,188</u>
Total	\$819,671

RECOMMENDATION: The CFHP Board of Directors reviewed and approved the 2019 operating and capital budget on Friday, October 26, 2018. On their behalf, staff recommends approval by the Board of Managers.

ACTION: A **MOTION** to approve staff's recommendation was made Mr. Engberg, **SECONDED** by Mr. Hasslocher, and **PASSED UNANIMOUSLY**.

EVALUATION: None.

FOLLOW-UP: None.

NEW BUSINESS – ACTION ITEMS:

CONSIDERATION AND APPROPRIATE ACTION REGARDING THE BEXAR COUNTY HOSPITAL DISTRICT D/B/A UNIVERSITY HEALTH SYSTEM'S OPERATING, DEBT SERVICE AND CAPITAL BUDGETS FOR FISCAL YEAR 2019 — GEORGE B. HERNÁNDEZ, JR./REED HURLEY

SUMMARY: Mr. Hurley summarized the 2019 preliminary budget (excluding CFHP and debt service) for University Health System, which indicates a bottom line of \$13.5 million, variance of -\$25.30) million, or -65.2 percent. The budget presentation today will focus on three items that warranted additional discussion, based on the feedback received from the Board at its last meeting: Salaries, Purchased Services, and Supplies.

2018 Projected Salary Expense	\$468 million	7,575 FTEs
<u>2019 Budgeted Salary Expense</u>	<u>498 million</u>	<u>8,018 FTEs</u>
2019 Salary Increase	\$ 30 million or	6.4 %

2019 Major Drivers:

Growth in FTEs	\$13 million
Merit increase at average 3 percent	14 million
Living wage increase at \$14.25/\$15.00	4 million

2018 Projected FTE:	7,575 FTE
<u>2019 Budgeted FTE:</u>	<u>8,018 FTE</u>
2019 FTE Increase:	444 FTE 5.9%

2019 Major Drivers:

Meds to Beds/Retail Pharmacy	45 FTE
Revenue Cycle Enhancement	25 FTE
Power UP & Power Through	22 FTE
Justice Intake Center	12 FTE
Infection Control Process Improvement	11 FTE
Ground Ambulance Outsource	(20) FTE
Volume Impact at 2.7% Growth	192 FTE
<u>Vacancy Replacement</u>	<u>157 FTE</u>
Total	444 FTE

2019 Volume Growth at 2.7 Percent

Additional Medicine inpatient bed capacity (12 floor Horizon, 9 floor Rio, 7 floor Sky (AYA Unit); More efficient throughput of ED: Power UP & Power Through; Express admit unit Cardiology growth including new Cardiology Clinic (Second floor Rio); Transplant growth (liver, lung, and living related donors); Expanded Cystic Fibrosis Clinic; Neurosurgery & Orthopedic growth and Ambulatory provider efficiency vs benchmark.

2019 Salary and FTE: Operational Controls

Daily Productivity Standard Review; Bi-weekly Labor & Productivity Committee; Discuss variances to expectations; Evaluate new position requests; and Determine replacement need.

2019 Purchased Services

2018 Projected Purchased Services:	\$202 million	
<u>2019 Budgeted Purchased Services:</u>	<u>\$233 million</u>	
2019 Purchased Services Increase:	\$ 31 million	15%

2019 Major Drivers

Epic Operating Expense	\$ 14 million
Planning Design Construction	\$ 8 million
Clinic Refresh:	\$ 5 million
Project Carryforward:	\$ 3 million
(L&D renovation, Reeves refresh, Psych anti-ligature project)	
Ryan White Grant Administration	\$ 5 million
IT Security & Infrastructure	\$ 3 million

2019 Purchased Services Expense Operational Controls

Monthly Operational Review; Reporting and Variance Explanation; Senior Leadership; Departmental Leadership; and RFP Evaluation Teams.

2019 Supply Budget (excluding Drug Cost)

2018 Projected Supply Expense:	\$158 million	
<u>2019 Budgeted Supply Expense:</u>	<u>\$163 million</u>	
2019 Supply Increase (excluding drug cost)	\$ 5 million	3.5%

2019 Major Drivers

Volume Impact at 2.7% Growth	\$ 4 million
Specialty Surgical Supplies	\$ 1 million
(Di Vinci Robot, Trauma, Sterile Processing initiative)	
Laboratory Supplies	\$ 1 million
Insource Immunohistochemistry exams:	
(Purchased Services reduction)	\$1.4 million

2019 Supply Expense Operational Controls

Medical Supply Product Evaluation (Value Analysis Team, Physician Product Evaluation Committee, and Nursing Product Evaluation Committee.) GPO Enhancement: (Benchmarks & competitive bidding, bulk buys)

2019 Pharmaceutical Budget

2018 Projected Drug Cost: \$69 million
2019 Budgeted Drug Cost: \$80 million
 2019 Drug Cost Increase: \$11 million 17%

<u>Volume</u>	<u>2018 \$69 million</u> <u>Incremental Cost</u>
Inpatient 2.7%	\$1.33M/Year
Outpatient 3.6%	\$0.27M/Year
New Business	\$5.16M/Year
(Meds-to-Beds: Increased associated revenue)	\$8.6 Million)
<u>Inflation-Price increases 7%</u>	\$4.12M/Year

2018 Factors for 2019

Unique Patients – No alternative \$1.41M/Year
 (Hemophiliacs, enzyme deficiency, etc.)

Shortages – Average premiums for Gray Market greater than 1,000%
 (examples cited by Mr. Hurley) \$2.41M/Year

2019 Drug Expense Operational Controls

	Cost Avoidance
Utilization	
–Prevention of Errors	(\$4.32M)/Year
–Stewardship	(\$2.88M)/Year
–Formulary Management	(\$22.40M)/Year
Purchasing Strategies	
–Outpatient at GPO (340B Savings)	\$43.7M/Year
–Unfunded at GPO (MAP Drugs)	\$18.4M/Year

2019 Consolidated Budget

Consolidated (Dollars in Millions)	2017 Audited	2018 Projected	2019 Preliminary Budget	Variance from Projected	% Variance
Total Operating Revenue	\$1,700.9	\$1,810.8	\$1,899.2	\$88.4	4.9%
Total Operating Expense	\$1,597.6	\$1,732.9	\$1,820.8	\$87.9	5.1%
Operating Gain	\$103.3	\$77.9	\$78.4	\$5.5	0.6%
Nonoperating Revenue/(Expense):					
Depreciation/Amortization	(\$79.1)	(\$75.9)	(\$77.4)	(\$1.5)	(2.0%)
Other Non-operating	\$7.8	\$17.9	\$16.6	(\$1.3)	(7.1%)
Premium Deficiency Reserve	(\$6.1)	\$6.1	\$0.0	(\$6.1)	(100.0%)
Total Nonoperating Revenue	(\$77.3)	(\$52.0)	(\$60.8)	(\$8.8)	(16.9%)
Bottom Line excluding Debt Service	\$25.9	\$25.9	\$17.6	(\$8.3)	(32.0%)
Debt Service Revenue	\$56.4	\$62.2	\$65.4	\$3.2	5.1%
Debt Service	\$56.4	\$62.2	\$65.4	\$3.2	5.1%
Net Debt Service	\$0.0	\$0.0	\$0.0	\$0.0	0.0%
Capital Requirements	\$30.2	\$28.7	\$32.5	(\$3.8)	(13.3%)

2019 Consolidated Capital Summary

Priority	Mandated (Regulatory Safety & Required Maintenance)	Replacement	Strategic (New Service / Expansion)	Grand Total
Essential: Cannot Function Without	\$ 1,649,425	\$ 7,468,383	\$ 4,144,171	\$ 13,261,979
Important: Necessary For Improvement	\$ 663,201	\$ 5,807,704	\$ 2,773,744	\$ 9,244,649
Proactive: Necessary To Avoid Problems	\$ 4,901,091	\$ 161,500	\$ 4,971,925	\$ 10,034,516
Total	\$ 7,213,717	\$ 13,437,587	\$ 11,889,840	\$ 32,541,144

2019 Debe Service

Dollars in millions	2018 Projected	2019 Preliminary Budget	Variance from Projected	% Variance
Debt Service I&S Tax Funds	\$ 62.2	\$ 65.4	\$ 3.2	5.1%
Debt Service Payment	\$ 62.2	\$ 65.4	\$ 3.2	5.1%
Net Debt Service Revenue	\$ -	\$ -	\$ -	0.0%

Additional detail regarding the 2019 preliminary budget was provided in the following Exhibits:

- Exhibit 1A Preliminary 2019 Consolidated Statement of Revenues and Expenses
- Exhibit 1B Preliminary 2019 UHS less CFHP Statement of Revenues and Expenses
- Exhibit 1C Preliminary 2019 CFHP Statement of Revenues and Expenses
- Exhibit 2 Preliminary 2019 Activity and notes
- Exhibit 3 Preliminary 2019 Budget, Changes to Total Operating Revenue
- Exhibit 4 Preliminary 2019 Budget, Legislative Changes
- Exhibit 5 Preliminary 2019 Budget, Changes to Total Operating Expense
- Exhibit 6 Preliminary 2019 Budget, FTE Changes
- Exhibit 7 Preliminary 2019 Budget, Analysis of Tax Rate
- Exhibit 8 Preliminary 2019 Budget, Detail of Capital Request, UHS less CFHP
- Exhibit 9 Annual Report on Learning and Development – Summary provided as requested by Dr. Jimenez to reflect the Health System’s investment in education of the workforce.

RECOMMENDATION: Staff recommends Board of Managers’ approval of the proposed Operating, Debt Service and Capital Budgets for Fiscal Year 2019, and endorses it to Bexar Commissioners’ Court for their final approval on December 4, 2018.

ACTION: A **MOTION** to **APPROVE** staff’s recommendation was made by Mr. Hasslocher, **SECONDED** by Mr. Engberg, and **PASSED UNANIMOUSLY**.

EVALUATION: The budget document now includes a summary attachment of the Annual Report on Learning and Development (Exhibit 9) which reflects the Health System's investment in education of the workforce, as previously requested by Dr. Jimenez.

FOLLOW-UP: None.

CONSIDERATION AND APPROPRIATE ACTION REGARDING A RESOLUTION OF THE BOARD OF MANAGERS OF THE BEXAR COUNTY HOSPITAL DISTRICT REQUESTING THAT BEXAR COUNTY COMMISSIONERS COURT TAKE ALL ACTIONS REQUIRED TO AUTHORIZE THE ISSUANCE OF LIMITED TAX REFUNDING BONDS IN ACCORDANCE WITH SPECIFIED PARAMETERS; AUTHORIZING DISTRICT STAFF, CO-FINANCIAL ADVISORS AND BOND COUNSEL TO COORDINATE THIS MATTER WITH COUNTY STAFF; AND AUTHORIZING ALL OTHER REQUIRED AND RELATED ACTIONS — GEORGE B. HERNÁNDEZ, JR./REED HURLEY

SUMMARY: Staff proposes a Board Resolution requesting that the Bexar County Commissioners Court authorize the issuance and sale of refunding bonds. Since 2008, the Health System has issued four ad valorem tax supported municipal bond offerings, Certificates of Obligation Series 2008 Tax Exempt, Series 2009A Tax Exempt, Series 2009B Taxable and Series 2010B Taxable. These four bond issues financed the construction of the Sky Tower, Robert B. Green Medical building, Central Utility Plant, West Parking Garage and other renovation projects to provide Bexar County Residents and South Texas with state-of-the-art medical facilities. Assuming that the market conditions remain favorable, staff will make its recommendation regarding the timing of the sale and issuance of the limited tax refunding bonds to the Board's Audit Committee. Upon the concurrence of the Board's Audit Committee, the Health System, through the assistance of Co-Financial Advisors and Bond Counsel, will coordinate the sale of the refunding bonds to ensure the lowest possible interest rate. The transaction to refund the 2009 issuance is anticipated to be completed in early 2019. Based on the most recent analysis the Health System can save approximately \$10.5 million over the remaining life of the 2009 issue or \$6.9 million in present value. The projected savings figures may change as interest rates fluctuate. These savings will come in the form of reduced interest expense due to lower rates over the remaining life of the bonds which will be projected to be paid off fully in 2039. Mr. Don Gonzalez, Financial Advisor with Estrada Hinojosa, provided the Board with a market update, and reviewed Thomson Reuters Municipal Market Data (MMD) to Treasury Ratios, MMD Rates and AAA MMD to MMD Spreads for the period November 2015 to November 2018. He also reviewed AAA MMD history since 2000 for a 30-year period with the current AAA MMD rate for the Health System at year 30 at approximately 2.5 percent. The average rate since 2000 is 3 percent. Maturity of bonds at the 30 year mark was discussed. Refunding the Health System's outstanding Series 2009B, Taxable Build American Bonds, would result in Net Present Value (NPV) savings of approximately \$10.2 million, or 3 percent. This would translate into average annual savings of approximately \$500,000 from 2020 through 2039 and reflect level savings. Rates are as of November 1, 2018 plus 70 basis points (bps) in anticipation of possible increases in interest rates between November 1 and January 2019 when pricing is anticipated to occur. A detailed summary of refunding results was provided, as well as a debt service comparison.

Finally, Mr. Gonzalez reviewed a financing timetable beginning the week of November 5, 2018 through the week of February 4, 2019, for drafting the Preliminary Official Statement (POS), bond documents, rating materials, schedule rating agency calls, receiving ratings, authorizing and filing Parameters Resolution, Federal Reserve meetings, due diligence calls, pre-pricing, Pricing: Approval of Bond Pricing Agency, circulate, print and post Final Official Statement (FSO), draft Closing Memo and Closing Document. The subsidy tax credit is based on the day of closing, which at this time is estimated to be the week of February 4, or 11, 2019.

RECOMMENDATION: Staff recommends the Board of Managers approve and authorize the attached Parameters Resolution.

ACTION: A **MOTION** to **APPROVE** staff's recommendation was made by Mr. Hasslocher, **SECONDED** by Mr. Engberg, and **PASSED UNANIMOUSLY**.

EVALUATION: The Health System's total obligation in terms of bonds at the present time is \$720 million. Mr. Engberg noted that Bexar County tax payers would appreciate this kind of re-funding credit. Mr. Adams encouraged the staff to move forward expeditiously; it is his experience that large government organizations typically end up with some sort of delay

FOLLOW-UP: None.

ADJOURNMENT:

There being no further business, Mr. Smith adjourned the public Board meeting at 4:10 p.m.

Jim Adams
Chair, Board of Managers

Dianna M. Burns, M.D.
Secretary, Board of Managers

Sandra D. Garcia, Recording Secretary