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***INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES***

Mr. John Osborne  
Chief Executive Officer  
Lubbock Economic Development Alliance, Inc.  
1500 Broadway, Suite 600  
Lubbock, TX 79401

Dear Mr. Osborne:

We have performed the procedures enumerated in the attached supplement, which were agreed to by you, the specified user, solely to assist you with respect to determining the amounts payable pursuant to the Economic Development Grant Contracts with regard to job creation incentives only, for Covenant Health System. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified user of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the findings as a result thereof, are enumerated in the attached supplement which is an integral part of this report.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified user listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

  
Lubbock, Texas  
April 29, 2015

**Lubbock Economic Development Alliance, Inc. Agreement with  
Covenant Health System  
For the period from September 1, 2013 through August 31, 2014**

**Background:**

The Lubbock City Council established the Lubbock Economic Development Alliance, Inc. (hereinafter referred to as LEDA) to promote local economic development and stimulate business and commercial activity in Lubbock and the surrounding area. To this end, LEDA entered into a performance agreement with Covenant Health System (hereinafter referred to as "Covenant") on August 27, 2012.

The terms of the agreement provide incentives to Covenant for the creation of new jobs. The general terms of the agreement allow Covenant to receive up to \$223,000 for the creation and maintenance of sixty-nine (69) new full-time jobs from September 1, 2012 through August 31, 2017. Covenant will earn incentives ranging from \$2,500 to \$10,000 for each job created according to an annual compensation schedule, and these incentives will be earned in one-fifth (1/5) increments as of each annual measurement date.

**Objective, Scope and Procedures Performed:**

Our objective was to determine if Covenant met the job creation requirements of their agreement with LEDA. A summary of the procedures used is as follows:

- Reviewed the pertinent contract.
- Reviewed employee census data indicating names, dates of hire, dates of termination, work locations and compensation as of 8-31-2013 & 8-31-2014.
- Obtained the Texas Workforce Commissions (TWC) reports for quarters ending 12-31-2013 through 6-30-2014 and semi-monthly payroll reports for the months of September 2013 & July-August 2014.
- Reviewed wages reported on the TWC reports to verify annual compensation levels and to corroborate dates of hire and/or termination.
- Discussed questions and issues raised as a result of the above steps with Covenant personnel.
- Discussed agreement interpretations with LEDA personnel.

Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

## Results and Conclusions:

Per our review of the above data:

- Covenant had two hundred and three (203) full-time Lubbock employees and fifteen (15) part-time / on-call employees as of August 31, 2012.
- Covenant had two hundred twenty four (224) full-time Lubbock employees and eighteen (18) part-time / on-call Lubbock employees as of August 31, 2013. The two hundred twenty four full-time employees had total compensation of \$7,805,618 for the twelve months ended August 31, 2013.
- Covenant had two hundred thirteen (213) full-time Lubbock employees and twenty (20) part-time / on-call Lubbock employees as of August 31, 2014. The two hundred thirteen full-time employees had total compensation of \$7,575,757 for the twelve months ended August 31, 2014.
- For the ten (10) full-time positions created in Lubbock, we selected the employees with the highest levels of compensation for purposes of calculating the eligible incentives for the August 31, 2014 measurement period:

<u>Number of Employees</u>	<u>Incentive per Employee</u>	<u>Total Incentive</u>
3	\$ 10,000	\$ 30,000
4	7,500	30,000
2	5,000	10,000
1	4,000	4,000
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10		\$ 74,000
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Based on the above, Covenant is currently entitled to receive one-fifth (1/5) of the total second-year earned incentives of \$74,000, or \$14,800.