

**AMARILLO HOSPITAL DISTRICT
REGULAR MEETING OF BOARD OF MANAGERS
AMARILLO CITY HALL
CITY COMMISSION CHAMBERS
MINUTES
APRIL 28, 2009
7:30 A.M.**

<u>Members</u>	<u>Present</u>
Mr. Craig Bryan, Chairman	Yes
Mr. Greg Graham	Yes
Mr. Alphonso Vaughn	No
Dr. Paul Proffer	Yes
Ms. Liz Hughes	Yes
Ms. Nancy Kritser	Yes
Ms. Murielle Barnes	Yes

Also Present

Mr. Marcus Norris	City Attorney, City of Amarillo
Mr. Dean Frigo	Finance Director, City of Amarillo
Ms. Andrea Rains	Recording Secretary, City of Amarillo
Ms. Vicki Covey	Director of Community Services, City of Amarillo
Mr. Matt Richardson	Director of Public Health, City of Amarillo
Mr. Roy Browning	Investment Consultant, Wachovia Securities
Mr. John M. Crider	Consulting Actuary
Mr. Jerry McMillon	Connor, McMillon, Mitchell, Shennum, PLLC
Mr. Kyle Sanders	Chief Operational Officer, Northwest Texas Healthcare System

ITEM 1: Mr. Bryan established a quorum, called the meeting to order at 7:33 am in the Commission Chambers of City Hall, and welcomed everyone in attendance.

ITEM 2: Approval of Minutes from February 12, 2009. Mr. Bryan presented the minutes from the last meeting held February 12, 2009. There were no questions or comments. Ms. Hughes motioned to approve the minutes as written. Dr. Proffer seconded the motion and it carried unanimously.

ITEM 3: Presentation and Discussion of the Pension Fund Investment Performance. Mr. Browning reviewed the quarterfinals for the first quarter ending March 31, 2009. He reported the total market value of the Portfolio was \$12,502,489 and was invested 52.10% equities, 40.36% fixed income, and 7.54% cash and equivalents. He noted that all investments were within Policy limits. Reviewing time-weighted returns for the quarter, Mr. Browning stated that the Fund had returns of -5.38% versus that of the Policy of -6.57%. He reviewed returns of -20.13% versus -22.41% for the latest year, -4.06% versus -4.88% for the latest 3-years, and -0.21% versus -1.10 for the latest 5-year period. Mr. Browning stated that the Funds returns were competitive on a relative basis and ahead of the market for the latest 10-year and since inception periods. On a risk-adjusted basis, he reported that the entire Fund, for the entire period, was slightly less volatile, taking less risk than that of the market and receiving a greater return. Using the Universe Comparison of the Total Fund's returns, Mr. Browning reviewed that the Fund was in the 51st percentile for the latest year, 27th for the latest 3-years, and in 44th percentile for the latest 5-year period. He further reviewed that the Universe Comparison of the Fund's Fixed Income returns ranked in the 23rd percentile for the fiscal year to date, 24th for the latest 1-year, and in the 25th percentile for the latest 3-year period; noting that the rankings for the 5, 10, and since inception periods were terrific. In summary, Mr. Browning stated that although a difficult period, the money managers are doing a terrific job; the Fund's returns were better than expected.

ITEM 4: Presentation and Discussion of the AHD Corpus Investment Performance. Mr. Browning presented the Investment Performance Review of the AHD Corpus at March 31, 2009 and reported that total assets of the total Portfolio were \$211,363,995. Reviewing total assets of the investment managers,

he reviewed that Amarillo National Bank held \$132,199,912; Herring Bank I held \$41,105,482, Herring Bank II held \$38,058,601 and the Tobacco Settlement Fund held \$3,530,815. Mr. Browning reported that for the latest quarter, ANB had returns of 0.37% and Herring I had 1.14%, both versus a market index of -0.05%. He reviewed ANB returns of 4.07% and Herring I returns of 5.50% versus a market index of 1.97% for the last 12 months, 6.48% and 6.43% versus 5.63% for the latest 3-years, and 4.50% and 4.59% versus 3.69% for the latest 5-year period. For the latest quarter, 12 month, and 3-year periods, Mr. Browning stated that Herring II had even better returns. On a risk-reward basis, he reported that the Total Fund is taking less risk and receiving greater return than that of the market; Amarillo National Bank is receiving considerably greater returns with much less risk than the market index; and Herring Bank is taking a greater risk and receiving a greater return than that of the market index. Mr. Browning stated that in sum, the Fund is well managed; that Amarillo National Bank and Herring Bank is a good combination.

ITEM 5: Discussion of Actuarial Report on the Pension Plan. Mr. Crider presented the Retirement Plan for Employees of Northwest Texas Healthcare System at October 1, 2008 and reviewed that for the current year, the Amarillo Hospital District has budgeted the twenty-year funding contribution amount of \$1,978,698. He further reviewed that the budgeted amount falls within the recommended range. Mr. Crider stated that the numbers are higher this year because the markets had not performed as expected. He noted that the valuation assumes that the Trust Fund, over the long term, will earn a return rate of 8% per annum. Reviewing the rate of return on Plan assets measured at market value at 9/30/08, Mr. Crider reported the Plan had returns of -10.8% versus the TLFFRA average market value of -14.3%. He further reported that the rates of return on the actuarial value of assets, which smoothes in gains and losses over five years, were 8.5% at 9/30/07 and 4.1% at 9/30/08. Mr. Crider reviewed that the District historically budgets the twenty-year funding number, which is \$2,103,169 for the 2009-2010 budget year. He recommended that in order to be more easily administered, the Plan be simplified before having to be submitted to the Internal Revenue Service by January 31, 2011. In conclusion, Mr. Crider stated that the Plan meets state and accounting profession standards and the Valuation is certified to meet state, accounting profession, and actuarial standards. He thanked the Board for the opportunity to prepare the Valuation, and reminded that the Plan must be carefully watched to prevent over or under funding; that excess dollars in the Plan could not be moved to provide for indigent healthcare.

ITEM 6: Consider Funding Recommendation on the Pension Plan. Mr. Bryan stated that the Finance Committee had met the day before and discussed the funding recommendation on the pension plan and reported that the consensus was that funding be continued based upon the budgeted twenty-year amount. The Board voted in favor to authorize the budgeted contribution amount of \$1,978,698 to the Plan. Since the recommendation was made at the Finance Committee meeting, this item deems no motion or second.

ITEM 7: Presentation and Discussion of AHD Audit. Mr. McMillon presented the Annual Financial Report and the Single Audit Reports for the Amarillo Hospital District at September 30, 2008. He announced that the Annual Financial Report presented a clean opinion, which is the best opinion that can be achieved. The Single Audit Reports, Mr. McMillon reviewed, relates to the Poison Control Grant and both reports presented clean or unqualified opinions and no issues or findings.

ITEM 8: Presentation and Discussion of Nwth Pension Plan Audit. Mr. McMillon presented the Annual Financial Report of the Retirement Plan for the Employees of Northwest Texas Healthcare System at September 30, 2008 and reported that the audit produced a clean opinion.

ITEM 9: Presentation and Discussion of Agreed Upon Procedures Audit on the Tobacco Settlement Cost Report. Mr. McMillon reviewed that this Audit is performed annually in conjunction with the Tobacco Settlement Cost Report as due diligence for the District and functions as part of the re-pricing mechanism. He reminded the Board that the penalties from the state are significant for mistakes found in the report. In short, Mr. McMillon reported that there were no findings or issues within the audit. He reviewed that as part of the audit, a sample of 50 individuals that were denied indigent care services were randomly selected and reviewed to verify that reasons for denial were proper and reported that there were no exceptions.

ITEM 10: Presentation of 2009 Tobacco Settlement Cost Report. Mr. Frigo announced that the Amarillo Hospital District ranked in the top ten tobacco settlement proceed recipients of all hospital districts and counties in Texas. He reported that the District received \$961,807.68; noting that this was the largest distribution received by the District from the Tobacco Settlement Distribution. Mr. Frigo reviewed that a letter had been received from the State informing tobacco settlement recipients to budget for no more than half of this year's proceeds when budgeting for the next year. Reviewing the 2009 Cost Report, he stated that the Amarillo Hospital District reported \$24,303,943 in total costs and that of those costs, \$525,831 were costs submitted by Potter County. Mr. Frigo reviewed that of the \$961,807.68 total settlement proceeds received, \$20,809.31 was Potter County's portion and \$940,998.37 was the District's portion.

ITEM 11: Consider Proposal to Distribute and Close Certain Donor Restricted Funds. Mr. Norris reviewed that in the spring of 2008, the Board was alerted to a list of 11 special accounts totaling \$51,393.78, consisting of donations given to AHD for various purposes. He noted that 9 of the 11 accounts are for purposes irrelevant and incompatible with the modern day scope, mission, and structure of the AHD and that the other 2 accounts continue being researched. Mr. Norris stated that for purposes of disbursement and closure of the accounts, the accounts are divided into 3 categories: 1) if donor's intent is known, it is recommended that the AHD promptly disburse and close the account, 2) if donor's intent is unknown, is greater than 20 years old and contains less than \$25 thousand, it is recommended that the AHD seek a waiver from the Texas Attorney General and disburse the funds for the general purposes of the AHD, 3) if donor intent is unknown and the account is ineligible for the A.G. waiver, it is recommended that the AHD either (i) contact descendants for their concurrence on a proper use or (ii) go to court for a declaratory judgment; or (iii) await the 20 years and apply to A.G. for a waiver at that time. Mr. Norris presented a two-part proposal; the first part to disburse funds of \$18,327.57 to WTAMU; \$20,100.75 to Amarillo College; \$1,643.67 to the Department of Public Health; and \$2,949.91 to NWT. The second part of the proposal, Mr. Norris stated, would regard the 2 unknown accounts and recommend that staff continue to research Board minutes and seek persons who might provide either reliable insight about donor intent or a time frame for when the gift was given to narrow the search of Board minutes and staff will give a recommendation for the 2 funds at a later time. Motion to accept the recommendations as presented by Mr. Norris, and specifically to accept Option (1) for the Wanda Reed Fund, was made by Mr. Graham. Dr. Proffer seconded the motion and it carried unanimously.

ITEM 12: Consider Investment Policy Change. Mr. Frigo reviewed that the money manager from Herring Bank had requested specific language for CD's in the District's Policy. He noted that under Section II.A., updated current language of the law had been added to the CD's to clarify that the depository must have a main or branch office in the State of Texas and have FDIC insurance or be secured by collateral. Also added, Mr. Frigo reviewed, was CDARS (Certificate of Deposit Account Registry Service) language as investment options at the request of Herring Bank. He further reviewed that the last recommended change was to delete the commercial paper language from the Policy, noting that the money managers are no longer using commercial paper. Mr. Bryan stated that this was also considered the day before at the Finance Committee meeting and comes to the full Board as a recommended action. The Board voted in favor to approve the recommended Investment Policy changes as presented. Since the recommendation was made at the Finance Committee meeting, this item deems no motion or second.

ITEM 13: Review and Consider the District's Bylaws. Mr. Richardson reviewed that under Article VII, Subsection C, of the District's Bylaws, the intent was to have the Indigent Care and Funding Priorities Committee consisting of five members of the Board of Managers. He reported that currently, the first sentence reads: "The Indigent Care and Priorities Committee shall consist of at least three (5) members of the Board...." Staff's recommended change, Mr. Richardson stated, is to replace the word "three" with "five" to read as follows: "The Indigent Care and Priorities Committee shall consist of at least five (5) members of the Board...." Motion to make the recommended change to the District's bylaws was made by Dr. Proffer, Seconded by Ms. Kritser and carried unanimously.

ITEM 14: Consider Approval of Potter County Sheriff Sale Properties. Mr. Frigo reviewed that when properties are sold for delinquent taxes, they are first attempted to sell on the courthouse steps for the

amount of taxes due against the properties. He further reviewed that if the properties do not sale on the courthouse steps for the amount of taxes due, they are struck off to the tax collector and the tax collector then sales the properties by sealed bid. Since the bids are less than the taxes due, Mr. Frigo reported, each governing body has to approve the sale. He noted that the properties are awarded to the highest bidder, and that staff is recommending approval of the sale. Mr. Bryan stated that the properties were discussed and considered at the Finance Committee meeting and comes as a recommended item to the full Board by the Committee. The Board voted in favor to approve the Sheriff Sale Properties as presented. Since the recommendation was made at the Finance Committee meeting, this item deems no motion or second.

ITEM 15: Presentation and Discussion on Stimulus Funds. Mr. Richardson presented the Legislative Budget Board Summary of Stimulus Funds Anticipated by the State of Texas and reviewed that Medicaid disbursements to Texas are dependant on investments and their matching funds from the Federal Government. He further reviewed that under ARRA, the American Recovery and Reinvestment Act, the Federal Government is going to raise its matching contribution amount. Mr. Richardson stated that regarding Prevention and Wellness, Texas would receive a \$12.8 million increase in immunizations and a \$650 million designation for Evidence-Based Clinical Prevention Services and Community-Based Prevention Programs; which target obesity, smoking and other health risks. He anticipated that when the Texas allocation becomes available, Amarillo would be competitive under several programs and projects. In short, Mr. Richardson stated that stimulus dollars for Health and Human Services in Texas are still up in the air, and has not been staffed by the Department of State Health Services and Health and Human Services in Texas because they are still waiting on Federal guidance. He noted that this would be a slow process and that he would probably know more in the fall.

ITEM 16: Consider Award of Officers and Directors Insurance Policy. Mr. Frigo reported that the District had received four very competitive proposals for Officers and Directors Liability Insurance from: PIA Insurance (the incumbent), Upshaw Insurance, Neely, Craig & Walton, and Texas Preferred; all representing larger insurance carriers in the industry. At the Finance Committee meeting, he reviewed, recommendation to the full Board was made that the District stay with the incumbent was because of the small difference in premium and the continuity of the insurance coverage. Mr. Frigo reported that the last premium paid by the District was approximately \$22,500 and that the new premium would be about \$18,700. The Board voted in favor of adopting the proposal submitted by PIA Insurance. Since the recommendation was made at the Finance Committee meeting, this item deems no motion or second.

ITEM 17: Presentation of Quarterly Financial Statements. Mr. Frigo presented financial statements at half the District's fiscal year for the quarter ending March 31, 2009. He reported a total fund balance of approximately \$230.8 million and reviewed cash and investments of about \$213 million, prepaid expenses of \$13.7 million and a securities lending collateral amount of \$6.6 million with a corresponding amount listed as a liability for when the securities are returned. Mr. Frigo noted a net pension asset amount of approximately \$2.4 million and reminded the Board that this amount is listed as an asset because the Plan is being funded over 20 years instead of a 30-year period. Reviewing the income statement, he reported total revenue of approximately \$10 million versus total expenses of \$4.7 million and an operating income amount of \$5.3 million. Mr. Frigo noted that indigent care of about \$3.1 million, and professional services of \$731,543, were the District's two largest expenses. He reviewed the Operating Fund's budget versus actual report and noted actual realized investment income of \$5.8 million versus a budgeted amount of \$10.7 million. For half the year, he reported this was 54.2% of budget. Reviewing operating expenses, he stated that the indigent care contract was budgeted at \$6.1 million versus an actual \$3.1 million and Public Health budget of \$909,278 versus an actual \$318,389. Reviewing the Tobacco Fund, Mr. Frigo reported that miscellaneous income, or the Tobacco Settlement proceeds, was budgeted at \$775 thousand and noted that \$940 thousand had been received in April. He further reported professional services budget of \$1,366,081 versus actual \$683,041. In closing, Mr. Frigo reported that the first half of the year has been really good for the Amarillo Hospital District.

ITEM 18: Quarterly Investment Report from Investment Officer. Mr. Graham reported that for the quarter ending March 31, 2009, the Investment Portfolio was in compliance with the Amarillo Hospital District Investment Policy as amended on January 30, 2007 and the Public Funds Investment Act. He reviewed that agency securities, including mortgage-backed securities, represent 81.34% of the total

Portfolio, which is below the 85% Agency limit. Mortgage backed securities, he stated, represent 14.50% of the total Portfolio, which is below the 30% limit, and obligations of state or local governments represent 4.48% of the total Portfolio, which is below the 10% limit. He reported that treasuries and full faith and credit obligations comprise 3.46% of the total Portfolio and cash balances, including Money Market funds, comprise about 10.72%. Investments with maturities greater than 10 years represent 31.00% of the total Portfolio, which is under the 50% restriction in the Policy. Mr. Graham reported that there are no securities with a maturity of greater than 30 years. He stated that the market value of the Portfolio is 101.89% of the book value, with a market value of \$213,200,920 and a book value of \$209,251,444. Mr. Graham reviewed that in the current year, the AHD Budget called for \$10,772,000 in realized investment income and the current investment earnings through March 31, 2009 were \$5,816,296.

ITEM 19: Consider the Reappointment of the AHD Representative to the Center City TIRZ #1 Board of Directors. Mr. Bryan stated that Dr. Proffer is currently the District's representative on the TIRZ #1 Board of Directors. He reviewed that Dr. Proffer's term had expired and the Board would either need to appoint a new representative or reappoint Dr. Proffer. With no objection from Dr. Proffer, Mr. Graham motioned to reappoint Dr. Proffer as the District's representative to the Center City TIRZ #1 Board of Directors. Mr. Bryan seconded the motion and it carried unanimously.

ITEM 20: Committee Reports. There were no committee reports at this time.

ITEM 21: Public Comments. There were no public comments.

ITEM 22: Adjournment. There, being no further business, the meeting adjourned at 9:00 am. This meeting was recorded and all comments are on file in the City Finance Department.



Craig Bryan, Chairman

Murielle Barnes, Secretary