

**MARILLO HOSPITAL DISTRICT
BOARD OF MANAGERS
MINUTES
April 27, 1999**

<u>Members</u>	<u>Present</u>
Ms. Lilia Escajeda, Chairman	Yes
Mr. Steve Walton, Chairman Pro Tem	No
Mr. Rick Jones, Secretary	Yes
Mrs. Paula Toland	Yes
Mr. John Irwin	Yes
Dr. Ronald Fortner	No
Mr. Stan Harrison	Yes

Also Present

Mr. Merrill Nunn	City Attorney-City of Amarillo
Mr. Dean Frigo	Director of Finance-City of Amarillo
Mr. Chuck Speed	Director of Personnel-City of Amarillo
Ms. Debbie Close	Recording Secretary-City of Amarillo
Mr. Roy Browning	Prudential Bache Securities
Mr. John Crider	Consulting Actuary
Mr. David Clark	Healthcare Professional Associates

ITEM 1: Ms. Escajeda called the meeting to order at 7:35 a.m. at City Hall, 509 East 7th Street, Third Floor, Commission Chambers, and welcomed those in attendance.

ITEM 2: Ms. Escajeda presented the Minutes of April 20, 1999. Motion for approval was made by Mr. Irwin, seconded by Mrs. Toland and unanimously carried.

ITEM 3: Mr. Browning of Prudential Bache Securities presented the investment review of the Amarillo Hospital District Employees Pension Fund for the period ending March 31, 1999. Mr. Browning said that the portfolio had a return of .5% for the quarter compared to the Market Index of 1.9%. For the last 12 months, the Portfolio had a return of 7.8% compared to a Market Index of 12.3%. Since inception, the Portfolio had a return of 13.8% compared to a Market Index of 16.7%. Mr. Browning further stated it has not been a good quarter and a somewhat dismal 12 month period. Although further out, the performance was a lot better. The return of the total Portfolio ranked in the 53rd percentile for the quarter ended May 31, 1998, in the 38th percentile for the last 12 months, and in the 37th percentile since inception. In conclusion, Mr. Browning stated that less than a two year time frame is not enough time to make a decision in total but is enough time to express concerns over the performance of the Portfolio. Mr. Irwin asked Mr. Browning what time frame is enough to make a decision. Mr. Browning replied that normally in a three to five year period or in a market cycle, but at the end of two years, the Board should start being concerned and should issue a letter to the money manager. Mr. Frigo volunteered to meet with the money managers regarding the investment review. Ms. Escajeda agreed, and asked that Mr. Irwin be included in this review.

ITEM 4: Ms. Escajeda asked Mr. Frigo to review the quarterly financial statements with the board. Mr. Frigo gave an overview of the financial statements through March 31, 1999. Mr. Frigo reported that AHD had approximately \$17 million in cash and cash equivalents and the market value of the investment portfolio is \$189 million for a total of \$206 million in cash and in investments. The Amarillo Hospital District has \$2.5 million set up to cover self-insurance cost. Current self-insurance costs are booked at \$478,701 and long term liabilities for self-insurance costs are \$1,750,266. At March 31, 1999 the AHD

will have a fund balance of \$208 million. Delinquent tax receipts are \$49,306. Realized investment income is approximately \$6.5 million. There was a change in the market value of investments that resulted in an unrealized loss of \$7.3 million. Mr. Frigo stated that the budget only included amounts for realized income and any changes in the market value of investments would not affect the ability of AHD to pay obligations. Mr. Frigo reported that the majority of the expenses is for indigent care in the amount of \$4 million and that the May 1999 payment for indigent care will go up by an inflation factor of 1.67% to \$2,033,416. The net loss for the period of \$4.6 million includes the unrealized loss of \$7.3 million. Mr. Frigo stated that comparing budget versus actual shows that amounts collected for delinquent tax income and investment income are right at 50% of budget. Amounts collected from miscellaneous income is \$616,095 versus a budget of \$50,000. Mr. Frigo also pointed out that a \$1 million retirement plan contribution is included in the budget. Mr. Harrison asked about the budget process. Mr. Frigo offered to prepare a budget for board review during May, 1999 and board approval at the July, 1999 meeting.

ITEM 5. Quarterly Investment Report was presented by Mr. Irwin. Mr. Irwin reported that for the quarter ending March 31, 1999, the Investment Portfolio was in compliance with state law and the AHD's Investment Policy. Mr. Irwin asked Mr. Frigo if he had any comments. Mr. Frigo stated that an unrealized loss in market value was reported due to market fluctuations and that last fiscal year, a substantial unrealized gain had been recorded. Mr. Frigo also stated that for next year, interest income will be budgeted at under \$12 million as investment maturities are reinvested at lower rates.

ITEM 6. Actuarial report on the AHD Pension Plan was presented by Mr. Crider. Mr. Crider stated that the report is a summary of the results from October 1, 1998 actuarial valuation of the Retirement Plan for employees of Northwest Texas Healthcare System. Mr. Crider stated that the contribution range is from \$875,727 for 30 year funding to \$966,390 for 10 year funding. Mr. Crider stated that this contribution range is approximately half of what the contribution amount has been historically and should remain relatively stable. Mr. Crider reviewed that the plan is frozen but participants still get service credit for early retirement eligibility and for vesting. Therefore, benefits are still growing. Mr. Frigo asked what amount of money would be required to terminate the plan. Mr. Crider stated that the amount would be approximately \$40 million versus a \$20 million actuarial value of assets. Mr. Crider offered to meet with the employees to discuss pension plan provisions. *Mrs. Toland requested that in July Mr. Crider meet first with the board to tell the members what he would tell the former employees, and then meet with the employees.* Mr. Crider stated that the issue of part-time employees presents a problem and needs to be discussed further. Mr. Frigo recommended to the board that they approve a contribution to the retirement plan. Ms. Escajeda asked Mr. Speed if there was a trend in the employee retirement. Mr. Speed stated that he felt like for the 10 year period after the date of the hospital sale there would be increased retirements. Mr. Clark stated that Healthcare Professional Associates (HPA) will make a contribution corresponding with the amortization period that the Amarillo Hospital District approves. Mr. Jones moved to accept the 10 year funding amortization period with a \$966,390 allocation to the retirement plan. Mrs. Toland questioned whether Mr. Jones' motion included a contribution to cover the HPA members. When it was resolved that HPA is responsible for making their own contributions, Mrs. Toland seconded and the motion unanimously carried with no abstentions.

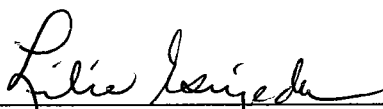
ITEM 7. Update on Community Health Issues Committee was made by Ms. Escajeda. Ms. Escajeda

passed out a list of the citizens that will participate in a meeting conducted by the Amarillo Area Foundation.

ITEM 8. *Executive session to discuss pending litigation. Mr. Nunn reported that no executive session was necessary and that the number of pending lawsuits is decreasing and will continue to decrease until such time as minors become of age and possibly file lawsuits. Mrs. Toland requested that for the next board meeting, Mr. Nunn provide the board with a report regarding the status of pending cases for review during executive session. Mr. Nunn stated that he had been asked to review the Certus Corporation contract on behalf of the board. He stated that this contract had already been executed and questioned whether or not he should still review it and how far the review should go. Mr. Irwin asked if Mr. Nunn had concerns regarding the contract. Mr. Nunn replied yes that he had a number of concerns. Mr. Irwin stated that the board needed to be aware of the concerns. The first concern was that the place of performance is California and that the laws of California apply. AHD is a taxable entity in California and the contract states that AHD agrees to pay taxes due on the amounts that arise out of the contract. Another concern of the contract is a clause to arbitrate disputes under the laws and rules of American Arbitration Association. The contract also includes an indemnification clause. Public entities in Texas are not allowed to indemnify. Mr. Irwin asked if these items were significant enough to require changes to the contract. Mr. Nunn replied yes, that these items were significant. Ms. Escajeda stated that she assumes some of the responsibility for executing the contract because she relies on Mr. Frigo since he receives the contracts and normally runs them by Mr. Nunn. She also stated that Certus has done a good job for the Amarillo Hospital District and to her knowledge does a lot of work in California. Mr. Frigo pointed out to the Board that during the last meeting, the contract had been approved subject to Mr. Nunn's review. Mr. Jones agreed and asked if the contract had been forwarded to Certus. Mr. Frigo stated no the contract had not been forwarded to Certus. Mr. Jones asked if the contract can still be modified. Mr. Irwin requested that Mr. Nunn follow up with Certus Corporation and resolve these concerns. Mrs. Toland requested that in the interest of time if Mr. Nunn could resolve his concerns with the contract by telephone and not get bogged down in a letter writing campaign. Mr. Irwin stated that at some point the reservations about the contract would have to be reduced to writing and communicated to Certus Corporation.*

ITEM 9: There were no public comments.

ITEM 10: There being no further business, Mr. Irwin made the motion for adjournment at 9:00 a.m. This meeting was recorded and all comments are on file in the City Finance Department.



Lilia Escajeda, Chairman