

**AMARILLO HOSPITAL DISTRICT
BOARD OF MANAGERS
MINUTES
January 25, 2000**

<u>Members</u>	<u>Present</u>
Mr. Steve Walton, Chairman	Yes
Mr. Rick Jones, Chairman Pro Tem	No
Mr. John Irwin	Yes
Dr. Ronald Fortner	No
Mr. Stan Harrison, Secretary	Yes
Ms. Karen O'Hara	Yes
Mr. Ernie Boyd	Yes

Also Present

Mr. Claud Drinnen	First Assistant City Attorney-City of Amarillo
Mr. Dean Frigo	Director of Finance-City of Amarillo
Ms. Debbie Close	Recording Secretary-City of Amarillo
Mr. Chuck Speed	Director of Personnel-City of Amarillo
Ms. Claudia Blackburn	Public Health Director-City of Amarillo
Mr. Andy Ray	Clifton Gunderson P.L.L.C.
Mr. Roy Browning	Prudential Bache Securities
Mr. David Clark	Amarillo Area Healthcare Specialists

ITEM 1: Mr. Walton called the meeting to order at 7:30 a.m. at City Hall, 509 East 7th Street, Third Floor, Commission Chambers, and welcomed those in attendance. Mr. Walton acknowledged Ms. Paula Toland's contributions to the Board and welcomed Ernie Boyd as a new member of the Board of Managers.

ITEM 2: Mr. Walton presented the Minutes of October 26, 1999. Motion for approval was made by Mr. Harrison, seconded by Mr. Irwin, and unanimously carried.

ITEM 3: Mr. Andy Ray of Clifton Gunderson, presented the Audit Report for the year ended September 30, 1999. Mr. Ray stated that the General Purpose Financial Statements were issued an unqualified audit opinion. Mr. Ray further stated that the combining balance sheet included General funds, Donor Restricted funds, and Fiduciary funds. Total assets for all funds was approximately \$232 million, which was down from \$242 million at September 30, 1998. Fund balances included \$203 million Unrestricted, \$309,000 Donor Restricted, and \$24.6 million for Fiduciary funds. The combined statement of revenue and expenses shows a deficiency of revenue over expenses of approximately \$11.5 million. Included in that amount is a \$13.1 million decrease in the fair value

of investments. Mr. Ray also presented the Single Audit Report dated September 30, 1999. This report included Federal immunization grants and State poison grants. There were no audit findings for this audit. Mr. Ray also presented the management letter which included information regarding the year 2000 dating problem as well as noting that the Board should annually evaluate the need for designated assets, specifically assets designated for self insurance health claims.

ITEM 4: Consideration of Pension Plan Amendment. Mr. Frigo presented the amended Pension Plan document from Mr. Mark Miller of Fulbright & Jaworski. Mr. Frigo explained that the purpose of amending the Plan is to bring the Plan into compliance with the most recent tax act and conform the Plan to specific operational practices that the Plan currently operates under. Mr. Walton explained to the Board members that the Plan's attorney had been instructed that any changes to the Plan would not reduce pension benefits. Mr. Walton recommended approval of the amended Plan document. Motion for approval was made by Mr. Irwin, seconded by Ms. O'Hara, and unanimously carried.

ITEM 5: Consideration of amending Pension Plan to grant Service Credit for former AHD employees transferring to Texas Tech. Mr. Chuck Speed explained to the Board that the AHD had received a request to amend the pension plan to include service of former AHD employees that have transferred to Texas Tech. Mr. Speed recommended that the Board allow the employees to continue the retirement service credits while employed at Texas Tech because they had vested retirement benefits with Northwest Texas Hospital (NWTN) at the time of the hospital sale. Motion for approval was made by Mr. Harrison, seconded by Ms. O'Hara, and unanimously carried.

ITEM 6: Consideration of Healthcare Professional Associates Inventory Adjustment. Mr. David Clark of Amarillo Area Healthcare Specialists (AAHS) requested that the Board refund \$4,264 which is the dollar amount of lab supplies that were pre-paid by AAHS. Mr. Steve Walton explained that AAHS did not purchase the lab equipment and was therefore unable to use the lab supplies. Mr. John Irwin made the motion to approve the refund of prepaid lab supplies, in the amount of \$4,264, seconded by Mr. Harrison, and unanimously carried.

ITEM 7: Approval of High Bidders on Tax Sale Properties. Mr. Frigo presented a list of Potter County Sheriff Sale properties that had been sold to the high bidder. Mr. Frigo explained that delinquent tax property is struck off the tax roles and then sold to the highest bidder and that Potter County requires approval from the taxing entities to complete the sale of this property. Motion was made by Mr. Boyd, seconded by Ms. O'Hara, and unanimously carried, to approve the sale of the Sheriff Sale property.

ITEM 8: Presentation of Pension Fund Investment Performance Review. Mr. Roy Browning of Prudential Bache Securities presented the investment review of the Amarillo Hospital District employees pension fund for the period ending December 31, 1999. Mr. Browning stated that the portfolio had a return of a -.3% for the quarter compared to a market index of 6.8%. For the last

twelve months, the portfolio had a return of 1.4% compared to a market index of 9.0%. Since inception, the portfolio had a return of 9.6% compared to a market index of 14.4%. Mr. Browning further stated it had been a bad quarter and the portfolio had underperformed for the 12 month period. The return of the portfolio ranked in the 93rd percentile for the quarter ending December 31, 1999, in the 80th percentile for the last 12 months, and in the 52nd percentile since inception. Mr. Browning recommended that the Board direct Mr. Frigo to review the Investment Policy requirements and communicate in writing to the investment manager regarding the serious underperformance of the portfolio. Mr. Walton stated that he agreed with the recommendation and asked Mr. Frigo to review the policy and notify the money manager of the Board's concerns.

ITEM 9: Presentation of Quarterly Financial Statements. Mr. Walton asked Mr. Frigo to review the quarterly financial statements with the Board. Mr. Frigo gave an overview of the General Fund financial statements for the period ending December 31, 1999. Mr. Frigo reported that the AHD had a fund balance of approximately \$200 million at December 31, 1999. Mr. Frigo also reported that Governmental Accounting Standards Board Number 31 (GASB 31) requires that the AHD adjust the investment portfolio to the market value and that in a rising interest rate environment the market value would decrease resulting in unrealized losses. Correspondingly, in a falling interest rate environment market value would increase. Mr. Frigo stated that the unrealized investment income of \$3.2 million is the adjustment required by GASB 31 and is not a realized loss. Since the District hold investments to maturity the District will never actually realize the loss. Mr. Frigo stated that the realized investment income amount of \$2.5 million is approximately 20% of the amount budgeted for the 1999/2000 fiscal year. Actual expenditures were \$2.5 million. Of this amount, approximately \$2,050,000 was for indigent care and \$264,000 was for pediatric support services. Mr. Frigo stated that the net loss for the period was \$3.2 million. Mr. Frigo further clarified that the net income figure without the unrealized loss would be approximately \$72,000.

ITEM 10: Quarterly Investment Report from Investment Officer. Mr. Irwin reported that for the quarter ending December 31, 1999, as the memo to the Board states, the Investment Portfolio was in compliance with state law and the AHD's Investment Policy.

ITEM 11: Amarillo Hospital District Grant Update. Mr. Frigo presented to the Board that he along with Mr. Walton and Mr. Irwin, met with representatives of UHS and the Texas Department of Health regarding the poison control and immunization grants. Mr. Frigo explained that they had agreed in principle to have the Texas Department of Health contract directly with UHS for both grants. Mr. Walton commented that the concern was that the grant money and the jobs will stay in the Amarillo community, therefore the AHD will have the first option to take the grants back if UHS were no longer willing to perform the grants.

ITEM 12: Tobacco Settlement Repricing. Mr. Frigo reported to the Board that for tobacco settlement cost reporting AHD will be allowed to reprice the services performed by UHS using the medicaid rates. He also reported that the higher cost should result in a greater distribution of tobacco

funds to the AHD. Mr. Walton asked Mr. Frigo about the penalty section of the law. Mr. Frigo explained that the AHD has a requirement of due diligence and he recommended that the AHD request that UHS perform the repricing on these services and that Clifton Gunderson audit this repricing before submission of the report to the Texas Department of Health. So long as the District demonstrates due diligence there should not be a penalty. Mr. Frigo also noted that there is a March 31, 2000 deadline for reporting this information. Motion for approval was made by Mr. Harrison, seconded by Mr. Irwin, and unanimously carried.

ITEM 13: Committee Reports. Mr. Walton requested committee reports from Board members. Ms. Claudia Blackburn reported that she had met with Mr. Rick Jones regarding recommended funding parameters of special projects. Ms. Blackburn stated she recommended two funding priorities for the next fiscal year, improvement of access to healthcare and improvement of access to dental care. Mr. Boyd asked if the committee would provide a written policy stating guidelines for the AHD regarding the funding of additional community healthcare needs. Ms. Blackburn also noted that they would take into consideration needs identified by the Children's Health Insurance Program (CHIP) and the Texas Healthy Kids Committee. Mr. Walton asked that the committee provide a written report to the AHD by the April Board meeting.

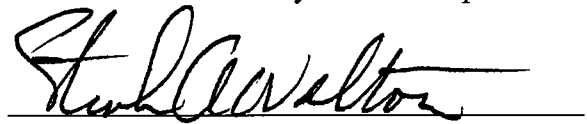
Mr. Irwin reported for the Investment Committee that the actuarial analysis performed by Ernst & Young stated that a spending limit of 5.5% of corpus would allow corpus to grow over time as well as allow for discretionary spending. Mr. Irwin stated that the Investment Committee would have a written recommendation by the next AHD Board meeting.

Ms. Karen O'Hara reported that she had attended a Public Private Partnership meeting. She stated that the main goals of this committee were the areas of diabetes and immunization. Ms. Blackburn further explained that the Public Private Partnership includes healthcare insurers and addresses public health issues.

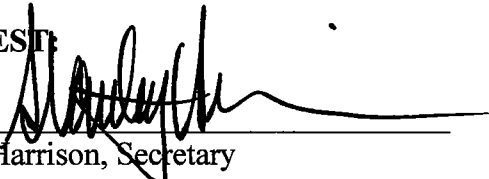
ITEM 14: Executive Session to Discuss Pending Litigation. Mr. Drinnen said there was no pending litigation that needed to be discussed in Executive Session.

ITEM 15: Public Comments. There were no public comments.

ITEM 16: There being no further business, Ms. O'Hara made the motion for adjournment at 9:10 a.m. This meeting was recorded and all comments are on file in the City Finance Department.


Steve Walton, Chairman

ATTEST:


Stan Harrison, Secretary