

**AMARILLO HOSPITAL DISTRICT  
REGULAR MEETING OF BOARD OF MANAGERS  
AMARILLO CITY HALL  
ROOM 306  
MINUTES  
AUGUST 3, 2004  
7:30 A.M.**

Members

Mr. Ernie Boyd, Chair  
Mr. Dave Taylor, Vice-Chair  
Ms. Karen O'Hara, Secretary  
Ms. Nancy Seliger  
Dr. Constantine Saadeh  
Mr. Sam Spradlin  
Mr. John Turner

Present

Yes  
Yes  
No  
No  
Yes  
Yes  
No

Also Present

Mr. Marcus Norris	City Attorney, City of Amarillo
Mr. Dean Frigo	Finance Director, City of Amarillo
Ms. Debbie Close	Recording Secretary, City of Amarillo
Mr. Roy Browning	Wachovia Securities
Mr. Scott McIntyre	First Southwest Asset Management, Inc.
Dr. Steven Berk	Texas Tech University Health Sciences Center
Ms. Mary Coyne	Tobacco Free Amarillo
Dr. Fred McCurdy	Texas Tech University Health Sciences Center

**ITEM I:** Mr. Boyd called the meeting to order at 7:37 a.m. at City Hall, 509 East 7<sup>th</sup> Street, Third Floor, Commission Chambers, and welcomed those in attendance.

**ITEM II:** Mr. Boyd presented the Minutes of the April 27, 2004 meeting. Motion for approval was made by Mr. Spradlin, seconded by Mr. Taylor and unanimously carried.

**ITEM III:** Presentation and Discussion of the Pension Fund Investment Performance Review. Mr. Browning reviewed the time-weighted returns of the Portfolio. The total Portfolio had returns for the latest quarter of 0.74%, for the fiscal year to date of 1.99%, for the latest one year period 7.56%, latest three year period 2.93%, and latest five year period 2.70%. Mr. Browning pointed out that the Board had made a good decision in asking the money manager to increase the holdings in equity positions. The equity returns for the latest quarter were 3.02% versus a market of 1.72%, for the fiscal year to date 4.19% versus a market of 3.44%, and for the latest one year 25.20% versus a market of 19.11%. The composition of the Portfolio is 42.50% equity, 55.15% fixed and 2.36% cash. Mr. Browning also reviewed the Portfolio on a risk return basis. He stated that the Portfolio took less risk and received higher returns versus the market when comparing the Portfolio to a universe of money market managers. Mr. Browning stated that for the latest quarter the Portfolio performed better than 85% of the money managers. In reviewing Mr. Browning stated that the Portfolio has excellent returns in stocks and bonds but the money manager should continue to work on the allocation of assets.

**ITEM IV:** Consideration and Recommendation Regarding Securities Lending. Mr. McIntyre with First Southwest presented the securities lending proposal. Mr. McIntyre reminded the Board that the state had authorized securities lending in 2003. This allows an organization to lend a security to a third party that provides cash or collateral which can increase earnings of a security by 5 to 15 basis points. Mr. McIntyre reviewed the Bank One proposal which estimates the Hospital District will earn an additional \$60,000. Mr. McIntyre stated that the Frost Bank proposal estimated additional earnings for the District in the amount of \$75,000. Mr. McIntyre stated that the Frost Bank proposal provided more money for the District and appears to be a safer transaction. The Frost Bank proposal reinvest the money in money market funds which are very safe, liquid and close to risk-free. Motion for approval of Frost Banks's proposal was made by Mr. Spradlin, seconded by Mr. Taylor and unanimously carried.

**ITEM V:** Consider Recognition of Lease between Nwth/UHS and WHA Medical Building Partners and Discussion of effect of Right of Re-entry by AHD. Mr. Norris explained the District had been requested to recognize the lease between Northwest and WHA Medical Building Partners. Mr. Norris said this request is similar to a lease that was approved by the Board in 2000. Motion for approval was made by Mr. Spradlin, seconded by Mr. Taylor and unanimously carried 4-0.

**ITEM VI:** Review and Consider Dental Clinic Continuation. Motion for approval to table this item until the next meeting was made by Mr. Taylor, seconded by Dr. Saadeh and unanimously carried.

**ITEM VII:** Review and Consider Texas Tech Continuation. Motion for approval to table this item until the next meeting was made by Mr. Taylor, seconded by Dr. Saadeh and unanimously carried.

**ITEM VIII:** Review and Consider Texas Tech Continuation. Motion for approval to table this item until the next meeting was made by Mr. Taylor, seconded by Dr. Saadeh and unanimously carried.

**ITEM IX:** Consideration of Amarillo Hospital District 2004/22005 Fiscal Year Budget. Motion for approval to table this item until the next meeting was made by Mr. Taylor, seconded by Dr. Saadeh and unanimously carried.

**ITEM X:** Presentation of Quarterly Financial Statements. Mr. Frigo gave an overview of the AHD preliminary financial statements for the quarter ended June 30, 2004. Mr. Frigo reported that the AHD has total assets of \$226.8 million, current liabilities in the amount of \$1.4 million and long-term liabilities of \$1.2 million. Mr. Frigo reported that the AHD had total revenue of \$1.2 million and total expenses of \$8 million, for a net loss of approximately \$6.8 million. He said that the net loss figure includes unrealized investment losses in the amount of \$7.6 million. He explained that in a rising interest rate environment the portfolio will reflect unrealized losses and that when interest rates drop the portfolio will reflect unrealized gains. Mr. Frigo also reviewed the budget versus actual report at June 30, 2004. Mr. Frigo stated that actual interest income of \$8.5 million is at 76% of the amount budgeted. Mr. Frigo reviewed expenditures with actual expenditures in the amount of \$8.1 million compared to 72% of the amount budgeted. Included in the operating expenses are payments to UHS for indigent care services in the amount of \$5.1 million versus the budget of \$6.8 million.

**ITEM XI:** Quarterly Investment Report from Investment Officer. Mr. Taylor reported that for the quarter ending June 30, 2004, as the memo to the Board states, the Investment Portfolio was in compliance with state law and the AHD's Investment Policy.

**ITEM XII:** Committee Reports. There were no committee reports.

**ITEM XIII:** Appointment of Nominating Committee for Board Offices. Mr. Boyd tabled the item.

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

**ITEM XV:** Public Comments. Ms. Mary Coyne stated that the tobacco free program has shown a 45% decrease in children not smoking and that the tobacco settlement money is a gift to the city. Dr. Saadeh questioned Dr. Berk regarding the performance measures used to evaluate the Pediatric Sub-specialty Contract. Dr. Saadeh did not feel it was appropriate to use diabetes and asthma as benchmarks for this contract. Dr. Saadeh said that numerous doctors in the community treat asthma and diabetes. Dr. Saadeh stated if we're going to evaluate something, we needed to look at some outcome measures in the community related to pediatric surgery. Dr. Berk responded that asthma and diabetes were used as benchmarks because there are national standards for comparison. Dr. McCurdy also responded that they could develop other performances for the contract.

**ITEM XVI:** There being no further business, Mr. Taylor made the motion for adjournment at 8:35 a.m. This meeting was recorded and all comments are on file in the City Finance Department.

  
Ernie Boyd, Chair

  
Karen O'Hara, Secretary