

**AMARILLO HOSPITAL DISTRICT
REGULAR MEETING OF BOARD OF MANAGERS
AMARILLO CITY HALL
CITY COMMISSION CHAMBERS
MINUTES
May 10, 2005
7:30 A.M.**

<u>Members</u>	<u>Present</u>
Mr. Ernie Boyd, Chair	Yes
Mr. Dave Taylor, Vice-Chair	Yes
Mr. Craig Bryan	Yes
Ms. Nancy Seliger	Yes
Dr. Constantine Saadeh	Yes
Mr. Sam Spradlin, Secretary	No
Mr. John Turner	Yes

Also Present

Mr. Marcus Norris	City Attorney, City of Amarillo
Mr. Dean Frigo	Finance Director, City of Amarillo
Ms. Jennifer Allen	Legal Secretary, City of Amarillo
Ms. Claudia Blackburn	Public Health Director, City of Amarillo
Mr. Roy Browning	Wachovia Securities
Mr. Cliff Bickerstaff	Amarillo National Bank
Mr. Matt Ramsey	Amarillo National Bank
Mr. Andy Ray	Clifton Gunderson
Mr. Jerry McMillon	Clifton Gunderson
Ms. Patsy Weeks	Plains Capital Management
Mr. David Watson	Texas Tech School of Pharmacy
Mr. Kyle Sanders	Northwest Texas Hospital

ITEM I: Mr. Boyd called the meeting to order at 7:40 a.m. at City Hall, 509 East 7th Street, Third Floor, Commission Chambers, and welcomed those in attendance.

ITEM II: Mr. Boyd presented the Minutes of the January 25, 2005 meeting. Mr. Boyd asked for the following changes to Item III of the Minutes: "Mr. Browning stated that the rankings of the portfolio compared to other money managers are 96th percentile for the latest quarter, 79th percentile for the latest one year period, 81st percentile for the latest three year period, and 48th percentile for the latest five year period." Motion for approval of the Minutes with the above changes was made by Nancy Seliger, seconded by Dr. Saadeh and unanimously carried.

ITEM III: Proclamation--Ernie Boyd, Chair. Mr. Boyd presented a Plaque to Claudia Blackburn, stating "In appreciation of nine years of outstanding public service, dedication, and contribution to the health and well-being of the citizens of Amarillo, Texas as Public Health Director and Staff Liaison to the Amarillo Hospital District." Mr. Boyd expressed the Board's appreciation of Ms. Blackburn.

ITEM IV: Presentation and Discussion of the Pension Fund Investment Performance Review was presented by Cliff Bickerstaff and Matt Ramsey of Amarillo National Bank. Mr. Bickerstaff thanked the Board for entrusting the funds with Amarillo National Bank. Mr. Ramsey reviewed the Pension performance information with the Board. He stated that Amarillo National Bank is in the process of determining outside managers that will be responsible for managing the equity portion of the portfolio. Mr. Boyd asked if there is an increase in fees for the outside management? Mr. Ramsey stated that the fees would increase by approximately 30 basis points or close to \$55,000 per year. He also stated that the performance of the portfolio should increase to cover these fees. Mr. Ramsey reviewed that performance of the portfolio versus the 8% actuarial rate of return. He stated in this environment an 8% return on a portfolio with both fixed income and equities will be difficult to achieve. Mr. Browning explained that an 8% return is ambitious for the next 5 years, but history of the long-term performance indicates an 8% return is a fair number. Mr. Frigo stated that the 8% actuarial assumption is still a conservative number and that the actuary uses this number as a long-term estimate of the performance of the Fund.

ITEM V: Presentation and Discussion of the AHD Investment Performance Review by Roy Browning with Wachovia Securities. Mr. Browning reviewed the time weighted returns of the Portfolio for the latest quarter of -0.28% versus a market of -0.54%, latest one year of 0.54% versus a market of -0.09%, latest three year of 5.56% versus a market of 5.13%, and the latest 5 year of 6.73% versus a market of 6.34%. He stated that the performance is above the index for every time period. On a risk return basis he reviewed that the Portfolio is earning more return with less volatility than the market. Mr. Browning also reviewed each money manager individually. Amarillo National Bank is outperforming the market for all time periods reviewed with a five-year return of 6.69% versus a market of 6.34%. On a risk return basis they are earning more return with less volatility. Herring National Bank is also outperforming the market for all time periods reviewed with a five-year return of 8.25% versus a market of 6.34%. On a risk return basis he stated that they do have greater volatility than the market, but are earning significantly more return. In reviewing Plains National Bank he explained that they earned a five-year return of 5.36% versus the market of 6.34%. He stated that they are lagging behind the other managers, but are still competitive. He also stated that they have a very acceptable risk adjusted return. In reviewing the Tobacco Settlement account Mr. Browning explained that the returns are lower than the market, but this is explained by the 100% weight in cash for three years. Mr. Frigo reminded the Board that the Tobacco money originally was invested in cash until the Board decided how the money would be spent. Patsy Weeks, Plains National Bank, reassured the Board that they were not purchased by Wells Fargo and continue as an independent trust company in Amarillo.

ITEM VI: Presentation of September 30, 2004 AHD Audit Report by Andy Ray of Clifton Gunderson. Mr. Ray stated that the annual financials reflected a clean audit opinion. He stated that the major change on the Financials was a non-current pension asset of \$755,000. He stated this amount reflected an actuarial adjustment of the contributions versus the net pension cost.

ITEM VII: Presentation of September 30, 2004 Poison Control Audit by Andy Ray of Clifton Gunderson. Mr. Ray presented the Single Audit, which includes the grant for the Poison Control Center. He explained that the Texas Tech actually administers the grant for AHD, but that the reporting is by AHD as the actual grant recipient. He stated that there were five findings included in this report: sub-grantee should be monitored more closely, late reporting to the State, inaccuracies of personal property reporting, allocable cost should be based on actual effort, and

the fourth quarter report understated expenses. Mr. Ray stated that the Audit Report included a corrective action plan that was agreed on by AHD, Texas Tech, and Clifton Gunderson. David Watson with Texas Tech assured the Board that procedures were now in place to correct the items included in the Audit.

ITEM VIII: Presentation of September 30, 2004 Pension Audit Report by Andy Ray of Clifton Gunderson. Mr. Ray presented the Pension Plan Audit and stated that the audit had a clean opinion with no findings.

ITEM IX: Presentation of September 30, 2004 Tobacco Audit Report by Jerry McMillon of Clifton Gunderson. Mr. McMillon stated that this procedure includes sampling of the amounts and pricing reported as indigent care services by Northwest Texas Hospital. He stated that there were no exceptions. Mr. Frigo reminded the Board that this procedure is done for due diligence in verifying that the amounts reported for Tobacco Proceeds settlement are correct.

ITEM X: Review and Consider Revisions to the October 2003 Letter from Northwest Texas Hospital Agreeing to Produce an Annual Report of Indicators Regarding Access to and Quality of Indigent Care Program was presented by Claudia Blackburn. Ms. Blackburn reviewed the changes to the Access to Care Indicators. She stated that the Indigent Care Committee recommended approval of the Indicators. Mr. Taylor seconded and the motion unanimously carried.

ITEM XI: Review and Consider Amarillo Hospital District Indigent Care Quality Assurance Program Procedure was presented by Claudia Blackburn. Ms. Blackburn explained that this is a new procedure, which will provide information regarding the access and quality of healthcare. Ms. Blackburn stated that the Indigent Care Committee recommended approval of the Quality Assurance Program Procedure. Mr. Turner seconded and the motion unanimously carried.

ITEM XII: Review and Consider Revised Annual Report of Amarillo Hospital District Indigent Care Program was presented by Kyle Sanders of Northwest Texas Hospital. Mr. Sanders reviewed the statistical information regarding the Indigent Care Program. Mr. Sanders reviewed that the number of qualified indigents was 6,374 for the 2003 reporting period. He stated that this number is down from the prior year. He also reviewed the decrease in the number of Patient Days and Discharges. He stated that these decreases reflect changes in the psychology area with more outpatient care. Mr. Sanders stated that the total hospital costs for the Indigent Care Program were \$12.6 million for the 2003 year. He also reviewed the \$3.9 million payments by Northwest Texas Hospital to outside providers for indigent care treatment. The Indigent Care Committee recommended approval of the Annual Report, Dr. Saadeh seconded, and the motion unanimously carried.

ITEM XIII: Review and Consider Updated Annual Access to Care and Quality of Care Indicators Report for Amarillo Hospital District Indigent Care Program was presented by Kyle Sanders. Mr. Sanders reviewed the indicators noting that there was a decrease in the percent of emergency room visits versus the number of qualified indigents. He stated that this reflects procedures implemented to facilitate patients into the clinic quicker thereby reducing the need for emergency room visits. Ms. Blackburn pointed out that the length of time from application to District Clinic eligibility had decreased from 25.4 (2002) days to 4 days (2005). The Indigent

Care Committee recommended approval of the Indicators Report, Dr. Saadeh seconded, and the motion unanimously carried.

ITEM XIV: Review and Consider Amarillo Hospital District Problem Follow-up Procedure was presented by Claudia Blackburn. Ms. Blackburn stated that this Procedure outlines a timeline and steps that will be followed when the Health Department receives a complaint regarding indigent care. The Indigent Care Committee recommended approval of the Problem Follow-up Procedure, Dr. Saadeh seconded, and the motion unanimously carried.

ITEM XV: Review and Consider "Tell Us if You Have a Problem With Your Care" Brochures was presented by Claudia Blackburn. Ms. Blackburn stated that these brochures will give patients an opportunity to provide feedback regarding their care and will be made accessible in several areas. The Indigent Care Committee recommended approval of the Brochure, Dr. Saadeh seconded, and the motion unanimously carried.

ITEM XVI: Presentation of Actuarial Report on the Pension Plan by Dean Frigo. Mr. Frigo reported that the October 1, 2004 report reflects a 20-year funding amount of \$1,525,909 and the 30-year funding amount of \$1,215,804. He compared the 20-year funding amount to the prior year's amount of \$1,253,657. Mr. Frigo explained that the Actuary has lowered the retirement age assumption from 60 to 58. He stated that this change reflects that the employees are currently retiring at an earlier age.

ITEM XVII: Consideration of Funding Recommendation on the Pension Plan by Dean Frigo. Mr. Frigo recommended to the Board that they fund the budgeted amount of \$1,253,567 which is between the 20 and 30 year funding amounts in the Actuarial Report for the 2004/2005 fiscal year and that the Board budget \$1,525,909 for the 2005/2006 fiscal year. Mr. Boyd asked why they would not want to approve the lower amount for the 30-year funding period? Mr. Frigo explained that he recommended the 20-year funding to correspond with the time period of the Universal Health Services Indigent Care Contract. That way at the end of the contract the plan will be fully funded. Motion for approval to fund the Pension Plan at \$1,253,567 was made by Mr. Turner, seconded by Mr. Bryan and unanimously carried.

ITEM XVIII: Presentation of AHD Tobacco Cost Report by Dean Frigo. Mr. Frigo explained that the report included \$15,747,100 of indigent care services. Included in this amount is \$369,718 for services provided by Potter County. Mr. Frigo explained that the District's share of services provided is \$15,377,382 which reflects the repriced services that Universal Health Services provides for the District. The cost of these services to the District was approximately \$6.8 million, but the State allows the services to be repriced and that the calculation was reviewed and tested by the District's auditors, Clifton Gunderson.

ITEM XIX: Custodial Notice of Termination of Custodial Relationship with Bank of New York along with the Transfer of the Assets to Frost Bank was presented by Dean Frigo. Mr. Frigo recommended that the Board approve transfer of the custody of District security assets from Bank of New York to Frost Bank. He explained that this transfer will facilitate the securities lending program that the Board has approved. Mr. Bryan made the motion to approve the transfer of custody of the Bank of New York custody to Frost Bank, Mr. Taylor seconded and the motion unanimously carried.

ITEM XX: Consider Approval of Investment Training Provided by the University of North Texas was presented by Dean Frigo. Motion for approval was made by Mr. Turner, seconded by Mr. Bryan and unanimously carried.

ITEM XXI: Consider Approval of High Bidders on Tax Sale Properties for Potter County. 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. Taylor, seconded by Mr. Turner and unanimously carried, to approve the list of Sheriff Sale Properties.

ITEM XXII: Consider Waiver of Penalty and Interest on Property on 305 South Jackson. Mr. Frigo explained that the property was purchased by the City and that the City has asked to have the penalty and interest waived in the amount of \$496.94. Motion was made by Mr. Turner, seconded by Mr. Taylor and unanimously carried to have the penalty and interest waived.

ITEM XXIII: Presentation of Quarterly Financial Statements. Mr. Frigo gave an overview of the AHD preliminary financial statements for the quarter ended March 31, 2005. Mr. Frigo reported that the AHD has cash of \$5.3 million and investments of \$217 million. Current liabilities are \$1.7 million and long-term liabilities are approximately \$1.1 million. Mr. Frigo reported that AHD had realized investment income in the amount of \$4.7 million and unrealized investment losses of \$4.3 million. He reviewed the operating expenses of \$4.9 million and stated that the income statement reflects a net loss of \$4.2 million. He explained to the Board that without the unrealized loss on investments there would be a net income amount of approximately \$100,000. Mr. Frigo also reviewed the budget versus actual report at March 31, 2005. Mr. Frigo stated that actual interest income of \$4.6 million is only 46% of the amount budget and should be at 50%. Mr. Frigo reviewed expenditures with actual expenditures in the amount of \$3.9 million at 41% of the amount budgeted. Mr. Frigo also reviewed the Tobacco Proceeds and the Poison Control Grant budget versus actual reports.

ITEM XXIV: Quarterly Investment Report from Investment Officer. Mr. Taylor reported that for the quarter ending March 31, 2005, as the memo to the Board states, the Investment Portfolio was in compliance with state law and the AHD's Investment Policy.

ITEM XXV: Committee Reports. There were no committee reports.

ITEM XXVI: Consider Lease Agreement with Amarillo Area Foundation. Mr. Norris recommended adoption of the one-year Lease with Amarillo Area Foundation. Mr. Boyd questioned who would be responsible for the maintenance and repairs of the property. Mr. Frigo explained that the City Parks Department would mow that area and that the Facilities Department would handle routine repair items, but any major repairs or improvements would require the Board to approve the funding. Motion for approval was made by Mr. Taylor, seconded by Mr. Turner and unanimously carried.

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

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

ITEM XXIX: Consideration of Agenda Items for Next Board Meeting. There was nothing at this time.

ITEM XXX: There being no further business, Mr. Taylor made the motion for adjournment at 9:55 a.m. This meeting was recorded and all comments are on file in the City Finance Department.



Ernie Boyd, Chair



Sam Spradlin, Secretary