

**AMARILLO HOSPITAL DISTRICT  
REGULAR MEETING OF BOARD OF MANAGERS  
AMARILLO CITY HALL  
CITY COMMISSION CHAMBERS  
MINUTES  
July 26, 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. Debbie Close	Recording Secretary, City of Amarillo
Ms. Vicki Covey	Planning Director, City of Amarillo
Mr. Matt Richardson	Public Health Director, City of Amarillo
Mr. Scott McIntyre	First Southwest Asset Management, Inc.
Mr. Roy Browning	Wachovia Securities
Ms. Stella Knickerbocker	Amarillo National Bank
Mr. Cliff Bickerstaff	Amarillo National Bank
Mr. Matt Ramsey	Amarillo National Bank
Ms. Meg Williams	Tobacco Free Amarillo
Dr. Steven Berk	Texas Tech University Health Sciences Center
Dr. Fred McCurdy	Texas Tech University Health Sciences Center
Mr. Allen Finegold	1524 S. Bell, Amarillo

**ITEM 1:** 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 2:** Presentations. Meg Williams with Tobacco Free Amarillo project presented the Board with a plaque accommodating the Board for setting the standard in the State for funding the Tobacco Prevention program. Ms. Williams said that they appreciate the support of the City Commission and of the Board.

**ITEM 3:** Mr. Boyd presented the Minutes of the May 10, 2005 meeting. Motion for approval was made by Ms. Seliger, seconded by Mr. Bryan and unanimously carried.

**ITEM 4:** Investment Portfolio Compliance Review by First Southwest. Scott McIntyre with First Southwest stated that he had reviewed the District's securities to verify that all securities were in compliance with the Texas Public Funds Investment Act and with the Amarillo Hospital District Investment Policy. Mr. McIntyre stated that all investments are in compliance with the Policy and with State law. Mr. McIntyre also stated that he had reviewed the

Investment Policy and that there were no recommended changes at this time, but will forward language changes after a new State law goes into effect in September 2005.

**ITEM 5:** Presentation and Discussion of the Pension Fund Investment and AHD Corpus Performance. Roy Browning with Wachovia Securities presented the Pension Fund Portfolio Review at June 30, 2005. Mr. Browning reported that the composition of the Portfolio is 4.9% cash, 44.5% equities, and 50.1% fixed income. Mr. Browning reviewed the equity returns versus the market for the quarter 1.10% versus 1.37%, for year to date -2.06% versus -0.81%, for the latest one year 2.63% versus 6.32%, for the latest three year 9.32% versus 8.28%, for the latest five year 2.31% versus -2.37%, and since August 31, 1997 of 5.70% versus 5.23%. Mr. Browning stated that as discussed in the Finance Committee meeting the market bench mark for the fixed income portfolio does not reflect that this portion of the portfolio has been kept very short to meet the Pension Plan liquidity needs. He stated that this comparison will be recalculated to show a shorter maturity bench mark. He said that the fixed income returns for the three year, five year, and since August 31, 1997 are very competitive with the market. Mr. Browning stated that on a risk adjusted basis the portfolio took more risk with less returns than the market. He again reminded the Board that adjusting the fixed income market comparison will affect this analysis. Matt Ramsey with Amarillo National Bank addressed the Board that the fixed income portfolio is used to meet the liquidity needs of the Retirement Plan and that a comparison to a market bench mark with shorter maturities will more accurately compare the returns of this portion of the portfolio.

Mr. Browning also presented the Amarillo Hospital District Corpus Investment Portfolio review at June 30, 2005. Mr. Browning presented the portfolio return versus the market for the quarter 1.94% versus 2.73%, one year 4.40% versus 5.37%, three years 4.79% versus 4.69%, five years 6.76% versus 6.55%, and since December 31, 1998 5.66% versus 5.54%. He stated that these returns place the portfolio in the 61<sup>st</sup> percentile for the quarter, 51<sup>st</sup> percentile for the one year and in the top quarter percentile for the five year and since December 31, 1998 time periods. Mr. Browning reviewed the Amarillo National Bank managed portfolio with returns versus the market for the quarter 1.82% versus 2.48%, one year 4.32% versus 4.77%, three years 4.65% versus 5.08%, and five years 6.82% versus 6.87%. He stated that ANB's ranking for the quarter is 64<sup>th</sup> percentile, one year 52<sup>nd</sup> percentile, three year 31<sup>st</sup> percentile and last five years 24<sup>th</sup> percentile. Mr. Browning reviewed the Herring National Bank managed portfolio with returns versus the market for the quarter 2.25% versus 2.48%, one year 5.48% versus 4.77%, three years 7.70% versus 5.08%, and five years 8.69% versus 6.87%. He stated that Herring's ranking was outstanding for the longer periods and reflected for the quarter the 50<sup>th</sup> percentile, one year 41<sup>st</sup> percentile, three year 13<sup>th</sup> percentile and last five years 12<sup>th</sup> percentile. Mr. Browning reviewed the Plains National Bank managed portfolio with returns versus the market for the quarter 2.43% versus 2.48%, one year 4.29% versus 4.77%, three years 3.68% versus 5.08%, and five years 5.92% versus 6.87%. He stated that Plains' ranking for the quarter is the 43<sup>rd</sup> percentile, one year 52<sup>nd</sup> percentile, three year 53<sup>rd</sup> percentile and last five years 48<sup>th</sup> percentile. He stated that on a risk return basis the total portfolio had better returns with much less risk. The ANB portfolio had significantly less risk than the market with greater returns. The Herring portfolio had greater risk than the market but greatly outperformed the market. He stated that the Plains portfolio was the weakest of the three managers but also outperformed the market on a risk return basis. Dr. Saadeh asked why not shift more of the assets to Herring since they were outperforming the other managers? Mr. Browning asked if that was something the Finance Committee should consider at the next meeting? Mr. Bryan asked if all three managers provided the same level of service for the District? Mr. Frigo stated that the ANB portfolio is used to meet

the cash flows requirements of the District. He explained that both the Herring and Plains portfolios have remained intact and are not required to meet cash flow needs. Mr. Browning stated that this Fund is doing excellent.

**ITEM 6:** Consideration of Amarillo National Bank Trust Department's Recommendation on the Restructuring of the Pension Plan's Equity Investments. Matt Ramsey with Amarillo National Bank presented a recommendation regarding restructuring the equity assets of the Pension Plan. Mr. Ramsey reviewed the portfolio composition ranges of 40-55% equity, 35-50% fixed income, and 0-10% cash. He also reviewed several asset allocations using a mix of several different equity funds. Mr. Bickerstaff stated that they are working with Mr. Browning to determine what might be a better asset allocation for the portfolio. Ms. Seliger asked how the equity percentage of 45% was determined and what effect will this change have on the fees? Mr. Browning stated that 45% equities is a very conservative number when there is an 8% actuarial assumption. Mr. Ramsey stated that the fees will increase by 50 to 65 basis points or approximately \$30,000 annually. Mr. Bickerstaff reminded the Board that they should also see an increase in the returns of the portfolio to cover the increased fees. Mr. Browning stated that the fees are conservative. Mr. Taylor stated that the Finance Committee recommended to table Items 6 and 7 until ANB makes a presentation to look at some additional asset allocations, Dr. Saadeh seconded, and the motion carried unanimously.

**ITEM 7:** Consideration of Revised Contract Amarillo National Bank Trust Department for the Management of the Pension Plan Assets, Participant Record Keeping and Benefit Payments. Mr. Taylor stated that the Finance Committee recommended to table Items 6 and 7 until ANB makes a presentation to look at some additional asset allocations, Dr. Saadeh seconded, and the motion carried unanimously.

**ITEM 8:** Review and Consider Pension Plan Amendment. Mr. Frigo presented an amendment to the Pension Plan that will change the amount of a mandatory distribution from \$1,000 to \$5,000. Mr. Frigo stated that this change is required by Federal law. Mr. Bryan made the motion to amend the Pension Plan, Mr. Turner seconded and the motion carried unanimously.

**ITEM 9:** Annual Review and Approval of AHD Investment Policy. Mr. Frigo presented the Investment Policy and stated that there were no recommended changes at this time. Mr. Taylor suggested that the Spending Policy section be modified to include the sentence: "The corpus will not be used for any discretionary spending." Mr. Frigo asked for a definition of discretionary spending. Mr. Taylor stated that he would include Tobacco Free Amarillo, Pediatric contract, and the Dental Clinic as discretionary spending. Mr. Boyd stated the Indigent Care contract, the pension plan contribution, and public health funding would not be discretionary funding. Mr. Boyd stated that there is already a spending rule of 5.5% of the book value of the investments in the Policy. Both Mr. Boyd and Mr. Turner stated concerns with a rule that could possibly limit funding to projects because of short-term investment earning decreases as well as it would tie future boards to that. Mr. Taylor made the motion to table this item, Mr. Turner seconded, and the motion carried unanimously.

**ITEM 10:** Review and Consider Dental Clinic Continuation. Dr. Berk with Texas Tech reviewed with the Board the activities of the Dental Clinic. He stated that Texas Tech had taken over the administration of the Dental Clinic during the last year and that Tech is looking at participating in the funding of the Clinic by hiring a full-time Dentist staff member. He stated

that they would like to increase the clinic hours from 24-40 hours per week to 60 hours a week. Dr. Berk expressed concern that the Board may limit funding to the Dental Clinic program in the future with the suggested changes to the Spending Policy. Ms. Seliger asked if there were other dental services available to the indigent community? Dr. Berk explained that Northwest Texas Hospital offers dental emergency care, but there are no preventative services available. Mr. Taylor made the motion to fund the Dental Clinic Program in the amount of \$291,433 for the 2005/2006 fiscal year, Mr. Turner seconded, and the motion carried unanimously.

**ITEM 11:** Review and Consider Continuation of the Pediatric Subspecialty Service Contract with Texas Tech. Dr. McCurdy with Texas Tech presented a summary of the specialized pediatric services. He stated that their goal is to provide a medical home for children that will provide comprehensive care irrespective of the ability to pay or the type of medical treatment needed. He also stated that they implemented an accounting system to more accurately track the expenditures of the specialized pediatric services. Members from the Funding Priorities Committee and the Finance Committee stated that they recommended approval of this program. Mr. Turner made the motion to approve funding of pediatric support services in the amount of \$1,241,496 for the 2005/2006 fiscal year, Dr. Saadeh seconded, and the motion carried unanimously.

**ITEM 12:** Review and Consider Tobacco Prevention and Control Program Continuation. Meg Williams with Tobacco Free Amarillo stated that this program has been in existence for three and a half years and has been a tremendous success in reducing tobacco use. She reviewed the five components of the program: school, cessation, community, media, and the evaluation components. Mr. Boyd asked when the annual statistical report would be available? Ms. Williams stated that information should be complete for the October meeting. Ms. Seliger made the motion to approve Tobacco Free Amarillo program in the amount of \$200,000 for the 2005/2006 fiscal year, Dr. Saadeh seconded, and the motion carried unanimously.

Mr. Boyd called a break at 9:09 a.m. Mr. Boyd resumed the meeting at 9:17 a.m.

**ITEM 13:** Consideration of Amarillo Hospital District 2005/2006 Fiscal Year Budget. Mr. Frigo presented the proposed 2005/2006 proposed budget. He stated that this budget included all of the changes that were requested during the Finance Committee meeting. The total operating revenue is \$9,979,625 and the total operating expenditures is \$10,470,476. He noted that the Finance Committee had requested a transfer of \$490,851 from the Tobacco Proceeds account to balance the revenue and expenditures. He also reviewed the Tobacco Proceeds budget with revenue of \$610,890 and expenses of \$1,752,629 and the offsetting transfer of \$490,851. He also reviewed the revised estimate numbers for the 2004/2005 fiscal year and noted that the projection for the operating budget now includes a shortfall of \$280,849 compared to the original budget which projected revenue over expenditures in the amount of \$556,155. He stated the reason for this is that the interest income for the year is estimated to come in lower than the original budget. He stated that the Finance Committee had suggested transferring money from the Tobacco Proceeds account to the Operating account to cover any budget shortfall. He stated he would have that information at the October meeting. Dr. Saadeh made the motion to approve the proposed 2005/2006 budget including a transfer from the Tobacco Proceeds account \$490,851, Mr. Taylor seconded and the motion carried unanimously.

**ITEM 14:** Presentation of Quarterly Financial Statements. Mr. Frigo presented the June 30, 2005 Financial Statements. He reviewed the total assets of \$226 million, which includes cash

and investments of \$224 million. He also reviewed total liability in the amount of \$2.6 million. In reviewing the Income Statement he stated that the total revenue amount of \$5.7 million includes \$2.3 million in unrealized loss on investments. The total expenditures are \$8.7 million, which result in a \$3.1 million net loss. He explained that if you back out the unrealized loss on investments, the Income Statement still reflects a net loss of \$817,453. The Budget Versus Actual report reflects that realized investment income is at 68.84% of the amount budgeted. At June 30, 2005, you would expect the percentage to be 75% of budget. He stated that total expenses are right on target at 75.56% of the amount budgeted.

**ITEM 15:** Quarterly Investment Report from Investment Officer. Mr. Taylor reported that for the quarter ending June 30, 2005, as the memo to the Board states, the Investment Portfolio was in compliance with State law and the AHD's Investment Policy.

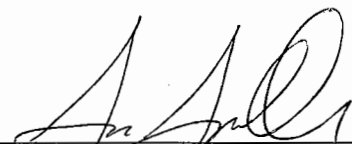
**ITEM 16:** Committee Reports. There were no Committee reports.

**ITEM 17:** Appointment of Nominating Committee for Board Offices. Mr. Boyd asked Mr. Turner and Dr. Saadeh to be the Nominating Committee for the Board Officers. Mr. Boyd asked that they have the nominations by the next Board meeting. They both accepted.

**ITEM 18:** Executive Session to Discuss Pending Litigation. There was no pending litigation.

**ITEM 19:** Public Comments. Allen Finegold of 1524 S. Bell, Amarillo, appeared and reviewed statistical information provided by the Texas Department of Health. He was concerned with the Potter County mortality rate which is 20% higher than the State of Texas as a whole. He also stated that the Infant Mortality Rate for Potter County is 100% higher than the State and Randall County is 50% higher than the State. Mr. Finegold said that in Amarillo there is a lack of attention to health problems of those that are indigent. He also said that we have no idea of how well we are providing for indigent care until there is a survey. You have to have an analysis done if you want to find out the cause of this mortality rate. Mr. Finegold encouraged the Board to request that the City Commission approve a comprehensive health care survey along with an extensive statistical analysis of the information. He also expressed concern with the incompatibility of the District's two primary objectives: 1) to increase the financial corpus, and 2) to provide adequate indigent care for all citizens of Amarillo. Mr. Finegold asked the Board if they want to make some compromise between the two primary objectives? Mr. Finegold suggested that the City Commission have an open discussion of two to three hours about the conflict of what the City of Amarillo is charged with.

**ITEM 20:** There being no further business, Mr. Boyd adjourned the meeting at 9:53 a.m. This meeting was recorded and all comments are on file in the City Finance Department.

  
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Sam Spradlin, Secretary

  
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Ernie Boyd, Chair