

**AMARILLO HOSPITAL DISTRICT
REGULAR MEETING OF BOARD OF MANAGERS
AMARILLO CITY HALL
CITY COMMISSION CHAMBERS**

**MINUTES
April 25, 2006
7:30 A.M.**

Members

Mr. John Turner, Chairman
Mr. Craig Bryan
Dr. Constantine Saadeh
Mr. Sam Spradlin, Secretary
Mr. Alphonso Vaughn
Ms. Carol Lovelady
Mr. John Ben Blanchard

Present

Yes
Yes
No
No
Yes
Yes
Yes

Also Present

Debra McCartt	Mayor, City of Amarillo
Mr. Marcus Norris	City Attorney, City of Amarillo
Mr. Dean Frigo	Finance Director, City of Amarillo
Ms. Donna DeRight	City Secretary, City of Amarillo
Mr. John McKissack	Baptist St. Anthony's Health System
Mr. Roy Browning	Wachovia Securities
Mr. John Crider	John M. Crider, Jr. Consulting Actuary
Mr. Matt Richardson	Director of Public Health, City of Amarillo
Mr. Kyle Sanders	Northwest Texas Healthcare System
Mr. Cliff Bickerstaff	Amarillo National Bank
Ms. Jacque Branch	Amarillo National Bank
Mr. Matt Ramsey	Amarillo National Bank
Mr. Dennis Spear	Amarillo National Bank

ITEM 1: Call to Order

Mr. Turner called the meeting to order and welcomed those in attendance.

ITEM 2: Approval of Minutes from March 23, 2006

Mr. Turner presented the Minutes of the March 23, 2006 meeting. Motion for approval was made by Mr. Vaughn, seconded by Mr. Blanchard, and unanimously carried.

ITEM 3: Consider Acceptance of the building donation by Baptist St. Anthony's Health System for the Community Dental Clinic

Mr. Turner introduced John McKissack with Baptist St. Anthony's Health System and asked him to explain this donation. Mr. McKissack stated that BSA had been leasing the building at 206

NE 7th Ave. to the Amarillo Hospital District for the Community Dental Clinic. He stated that BSA decided it would be more beneficial to deed the building to the Amarillo Hospital District for the Dental Clinic to enable them to make the best use of the building and be able meet their needs. Mayor McCartt thanked Mr. McKissack and Baptist St. Anthony's Health System for the donation of the building. She also thanked the past and present Amarillo Hospital District Board for their insight to provide a Dental Clinic for the citizens of our community. Motion was made by Mr. Blanchard, seconded by Mr. Vaughn, and unanimously carried to accept the donation.

ITEM 4: Presentation and Discussion of the Pension Fund Investment Performance Review

It was stated that the Pension Fund Investment Performance Review is only presented twice a year so there will not be a review of this item at this meeting.

ITEM 5: Presentation and Discussion of the AHD Investment Performance

Mr. Browning presented the Quarter Finals ending March 31, 2006, and made the following points:

- The bond indexes fell in the three month period ended March 31 as the threat of inflation deterred U.S. bond investors, interest rates rose and equities (both domestically and abroad) were bullish and more appealing to investors.
- During the first quarter of 2006, long-term interest rates dropped below short-term rates for a significant period of time, a trend known as inversion, which almost always precedes an economic downturn.
- Along with the inversion of the yield curve, the 30-year Treasury bond returned to the market in February and yielded 4.90% at the end of March, just above the 4.86% yield for the 10-year Treasury. The two-year Treasury ended the quarter with its highest level in five years, yielding 4.82%.
- The Fed, apparently determined to keep the economy on stable ground, continued to raise interest rates in February and March, marking the 15th time since June 2004 that the central bank has raised the federal funds rate. The quarter ended with the Fed Funds Rate at 4.75%, the highest level in five years.
- The Lehman Brothers Aggregate Bond Index fell into the red for the quarter, declining 0.6%, and the intermediate duration bonds, represented by the Lehman Brothers Govt/Credit Intermediate Index, fell 0.4%.
- The Lehman Brothers Govt/Credit Long Index declined a significant 3.4% for the quarter, its worst quarterly performance since June 2004.
- High yield (lower quality) bonds, as measured by the Merrill Lynch High Yield Master Index, were bolstered by rallying equity markets, generally good U.S. and global economic data, and solid earnings of auto and airline issuers, and returned a solid 2.9% for the quarter.

Mr. Browning presented the Executive Summary for the period ending March 31, 2006. He stated that the Total Portfolio was up for the last quarter by 0.04% and except for the Tobacco Settlement Fund the other funds beat the index returns. He stated the Tobacco Settlement Fund was down but there was not a need for concern. Mr. Browning stated all the numbers were better than the index returns. He stated that Amarillo National Bank beat the Index in all categories. He also stated that the original fund with Herring National Bank I numbers beat the index with 3.17% over the last 12 months.

ITEM 6: Presentation of Actuarial Report on the Pension Plan

Mr. Crider stated the Actuarial Report on the Pension Plan for 2005 was presented at the Finance Committee meeting the day before. He stated there was an increase in the required funding. The thirty-year funding increased from \$1,215,804 in 2004 to \$1,391,164 in 2005. The twenty-year funding from October 1, 1998 increased from \$1,525,909 in 2004 to \$1,850,125 in 2005 and the ten-year funding increased from \$1,790,775 in 2004 to \$2,124,176 in 2005. Mr. Crider explained that the increase in the required funding was for two reasons: the fund did not meet its actuarial investment return of 8% and the average retirement age is earlier than the age 58 assumed in the plan. The assumed retirement age has been lowered from age 62 to age 60 and again from age 60 to age 58. Mr. Crider stated that members are retiring before the assumed retirement age of 58 and therefore there could be further increases in contributions over the next couple of years.

ITEM 7: Consideration of Funding Recommendation on the Pension Plan

Mr. Crider recommended that the Amarillo Hospital District contribute the thirty-year funding contribution in 2006 and budget the twenty-year funding contribution in 2006. Mr. Crider also recommended reducing the assumed retirement age by one year each study until the assumed retirement age matches the actual average retirement age. Mr. Turner stated that the Finance Committee approved the recommendation that the Amarillo Hospital District contribute the thirty-year funding of \$1,391,164 to the pension plan in 2006. Motion was made by Mr. Turner, seconded by Mr. Blanchard, and unanimously carried, to approve the 30-year funding of \$1,391,664 to the pension plan in 2006.

ITEM 8: Consider award of Directors and Officers Insurance

Mr. Frigo presented the proposal for the Directors and Officers/Public Officials Liability Insurance. He stated this insurance would provide for defense cost if the Board members were sued. He reviewed the proposal requirements and stated that each proposal was evaluated on a points system. Mr. Frigo stated that based on the point system Executive Risk received the most points. He advised that the Finance Committee reviewed the proposals and recommended the Directors and Officers Insurance be awarded to Executive Risk. Motion was made by Mr. Blanchard, seconded by Mr. Vaughn, and unanimously carried, to approve the award of the Directors and Officers Insurance to Executive Risk.

ITEM 9: Presentation of AHD Tobacco Cost Report

Mr. Frigo stated that the Tobacco Cost Report is filed annually jointly with Potter County. He stated the total 2006 payment from tobacco settlement proceeds would be \$628,640.21 with Potter County receiving \$17,729.64. Mr. Frigo advised that the tobacco settlement amount is more than projected in the budget.

ITEM 10: Presentation of Quarterly Financial Statements

Mr. Frigo presented the financial statements for the period ending March 31, 2006. The Balance Sheet for General Fund was presented showing a balance of \$375,294,315. The Operating Budget vs. Actual Report showed the revenue to be down a small percentage for the quarter but the expenses were on target. The Tobacco Budget vs. Actual Report showed revenues to be greater and expenses to be less.

ITEM 11: Quarterly Investment Report from Investment Officers

Mr. Bryan stated on March 31, 2006, the Amarillo Hospital District Investment Portfolio was in compliance with the AHD Investment Policy. He stated the agency securities (including mortgage backed securities) represent 77.81% of the total Portfolio which is below the 80% Agency limit; however, Amarillo National Bank's investment in agency securities is 80.68% of its total portfolio and they are in the process of getting back into compliance with the AHD Investment Policy. Mortgage backed securities represent 10.20% of the total Portfolio, which is below the 20% limit. Obligations of state or local governments represent 6.67% of the total Portfolio, which is below the 10% limit. Treasuries and full faith and credit obligations comprise 13.60% of the total Portfolio. Cash balances including Money Market funds comprise about 1.92%. Investments with maturities greater than 10 years represent 9.66% of the total Portfolio, which is under the 50% restriction in the Policy. There are no securities with a maturity of greater than 30 years. The market value of the Portfolio is 97.54% of the book value, with a market value of \$217,745,936 and a book value of \$223,237,158. In the current year, the AHD Budget called for \$9,395,661 in realized investment income. Current investment earnings through March 31, 2006 are \$4,382,641.

ITEM 12: Committee Reports

There were no Committee Reports for this quarter.

ITEM 13: Executive Session to Discuss Pending Litigation

There was not pending litigation to discuss at this time.

ITEM 14: Public Comments

There were no comments from the public.

ITEM 15: Consideration of Agenda Items for Next Board Meeting

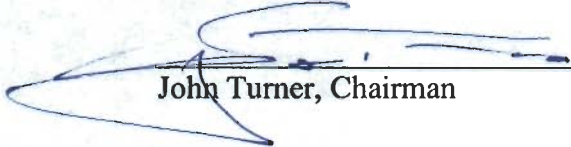
There were no Agenda items for consideration at this time.

ITEM 16: Adjournment

There, being no further business the meeting was adjourned at 8:30 am. This meeting was recorded and all comments are on file in the City Finance Department.



Sam Spradlin, Secretary



John Turner, Chairman