

**AMARILLO HOSPITAL DISTRICT  
REGULAR MEETING OF BOARD OF MANAGERS  
AMARILLO CITY HALL  
CITY COMMISSION CHAMBERS  
MINUTES  
January 30, 2007  
7:30 A.M.**

<u>Members</u>	<u>Present</u>
Mr. John Turner, Chairman	Yes
Mr. Craig Bryan	Yes
Mr. Greg Graham	Yes
Ms. Becky Dodson	Yes
Mr. Alphonso Vaughn	No
Ms. Carol Lovelady	Yes
Mr. John Ben Blanchard	Yes

Also Present

Mr. Marcus Norris	City Attorney, City of Amarillo
Mr. Dean Frigo	Finance Director, City of Amarillo
Ms. Andrea Rains	Recording Secretary, City of Amarillo
Mr. Roy Browning	Wachovia Securities
Mr. Matt Ramsey	Amarillo National Bank
Mr. Herman Shirly	Herring National Bank
Ms. Deborah Cain	Texas Tech School of Medicine
Mr. Matt Richardson	Director of Public Health, City of Amarillo
Ms. Vicki Covey	Director of Community Services, City of Amarillo

**ITEM 1:** Mr. Turner called the meeting to order at 7:35 am at City Hall and welcomed those in attendance.

**ITEM 2:** Election of Officers and TIR Representative. Mr. Blanchard announced to the Board that the Nomination Committee, comprised of Mr. Vaughn and Mr. Blanchard, had met and discussed the following five positions that needed to be filled: Chairman, Vice-Chairman, Secretary, Investment Officer and Board Representative to Tax Increment Reinvestment Zone Board. Mr. Blanchard stated that the Nomination Committee recommended the following to fill the vacant positions: Chairman – John Turner, Vice Chairman – Craig Bryan, Secretary – Becky Dodson, Investment Officer – Craig Bryan, and Representative to Tax Increment Reinvestment Zone Board – John Ben Blanchard. The Board voted in favor of the recommendations with no oppositions.

**ITEM 3:** Presentations. Mr. Turner presented plaques stating “In Appreciation of outstanding public service and contribution to the progress and growth of the City of Amarillo, Texas as a member of the Amarillo Hospital District Board of Managers” to Dr. Constantine Saadeh and Dave Taylor.

**ITEM 4:** Approval of Minutes from November 8, 2006. Mr. Turner presented the minutes from the November 8, 2006 meeting. Motion for approval was made by Mr. Blanchard, seconded by Mr. Bryan, and unanimously carried.

**ITEM 5:** Approval of Amended Minutes from October 31, 2006. Mr. Turner presented the amended minutes of the October 31, 2006 meeting. The following paragraph was added to item number seven: "Dr. Pierce addressed the Board and stated that as a citizen, he is proud of the indigent care program and cautioned the Board to be very careful in amending the contract. He also thanked the Board for their efforts of due diligence." Motion for approval of the minutes with the above amendments was made by Mr. Blanchard, seconded by Ms. Lovelady, and unanimously carried.

Mr. Turner acknowledged and welcomed new Board Members: Greg Graham and Becky Dodson.

**ITEM 6:** Presentation and Discussion of the AHD Corpus Investment Performance. Mr. Browning presented the composition of the portfolio at December 31, 2006 and stated that the total market value was \$203,146,236. He further stated that in time-weighted returns for the latest quarter, the Fund had a return of 0.82% versus 0.87% of the Policy; for the latest year: 4.10% versus 3.73%; three years: 3.07% versus 2.93%; five years: 4.56% versus 4.29%; and since inception 5.19% versus 4.96%. Mr. Browning noted a soft quarter, but in great shape for longer periods. He stated the Fund ranked in the 19<sup>th</sup> percentile for the year, 31<sup>st</sup> percentile for three years, 20<sup>th</sup> percentile for 5 years and 12<sup>th</sup> percentile since inception; further stating that the numbers are outstanding. On a risk-reward basis, the portfolio has more return and taking less risk than that of the policy. Reviewing the sharpe ratio, Mr. Browning stated the Fund was at 0.04 better than -0.02 of the Policy for three years and 0.81 versus 0.52 for five years; 1.03 versus 0.74 for seven years; and since inception 0.66 versus 0.46. On a risk-reward basis, Mr. Browning stated that the sharpe ratio is terrific. Mr. Turner questioned if the Board needed to be concerned about the latest quarter and Mr. Browning replied that he did not think the Board should be concerned; that the long-term numbers were terrific.

**ITEM 7:** Presentation and Discussion of the Pension Fund Investment Performance. Mr. Browning stated that for the quarter the portfolio composition includes 67.38% equities, 30.69% fixed income, and 1.94% cash and equivalents. In time-weighted returns for the latest quarter, the Fund had a return of 5.38% compared to a market index of 4.35%; 13.20% versus 10.90% of the latest year; 7.11% versus 6.50% for three years; 5.36% versus 5.52% for five years; and 6.32% versus 6.57% since inception. Mr. Browning noted that the portfolio started the quarter with 63.19% in equities and ended with 67.38%. Mr. Ramsey stated that that the Policy gives a target of 60% with a range of 55 to 70% in equities and although he is still optimistic about the equity market, he has backed down to 55% in equities and will increase the fixed income area. Mr. Blanchard questioned the move from equities to fixed income. Mr. Ramsey stated that he had a good run in equities but started having concerns about the equity market. Mr. Browning stated that the Fund is taking slightly more risk and getting less return than that of the Policy; noting that it has improved from the same time last year. Looking at the sharpe ratios for three years, Mr. Browning stated that the risk measure of the Fund was 1.06 versus 1.01 of the Policy for the 3 year period; noting that the numbers were very positive. He further stated that for the quarter, the Fund ranked in the 10<sup>th</sup> percentile and in the 18<sup>th</sup> percentile for the year. Mr.

Browning announced that the Pension Fund is in great shape, and the new management format from Amarillo National Bank has done very well for the year.

**ITEM 8:** Discussion of and Consideration of Changing the Asset Allocation between the AHD Money Managers. Mr. Browning stated that having looked at the sharpe ratios of the total Fund and each of the managers, determined that the Fund was better off in the current investment format. Mr. Bryan stated that the Finance Committee had discussed the asset allocation between the District's two money managers, Amarillo National Bank and Herring National Bank, and recommended to the Board that the allocations remain at the current level. Mr. Bryan further stated that the Finance Committee also recommended the asset allocation between the money managers be reviewed on a regular basis.

**ITEM 9:** Consider Increasing Allocation to Agency Securities. Mr. Frigo explained that Herring National Bank would like to increase the allocation from 20% to 30% for investments in mortgage-backed securities and increase the allocation from 80% to 85% for investments in government agencies. Mr. Frigo noted that Mr. Browning had reviewed the request at the Finance Committee Meeting and recommended the increases. Mr. Shirly explained that these types of securities allow him to increase the current yield with very little added risk. Mr. Bryan stated that these types of investments are in compliance with the Public Funds Investment Act and the Finance Committee recommended the Board amend the investment policy to reflect the increase in allocation from 20% to 30% for investments in mortgage-backed securities and increase the allocation from 80% to 85% for investments in government agencies. The Board voted in favor of the recommendations with no oppositions.

**ITEM 10:** Presentation and Discussion of the Amarillo Hospital District Audit. Mr. Ray presented the audit of the financial statements ending September 30, 2006 and stated that the audit went well and reflected an unqualified opinion. Mr. Ray further stated that the single audit report had no findings or comments.

**ITEM 11:** Presentation of Quarterly Financial Statements. Mr. Frigo presented the quarterly financial statements for the first quarter ending December 31, 2006 and reviewed the balance sheet. In budget versus actual, Mr. Frigo noted a soft quarter in investment income. Mr. Frigo stated that by design, the District is spending down the Tobacco monies.

**ITEM 12:** Quarterly Investment Report from Investment Officer. Mr. Bryan reported that for the quarter ending December 31, 2006, as the memo to the Board states, the Investment Portfolio was in compliance with the state law and the Amarillo Hospital District Investment Policy.

**ITEM 13:** Consider Reimbursement Request from Texas Tech for Community Dental Clinic Prior Year Payment. Deborah Cain stated that Texas Tech is requesting expenses incurred in fiscal year 2005 be reimbursed under the current budget for fiscal year 2007. Ms. Cain reported that the internal auditor for Texas Tech and the internal auditor for the City of Amarillo both agreed that there were expenses incurred in the amount of \$12,131.27 that were not submitted to the Amarillo Hospital District for reimbursement. Ms. Cain explained that there is a new system now in place to prevent the failure of submitting expenses in the future. Mr. Bryan motioned to authorize reimbursement to Texas Tech in the amount of \$12,131.27. Ms. Dodson seconded the motion and it carried unanimously.

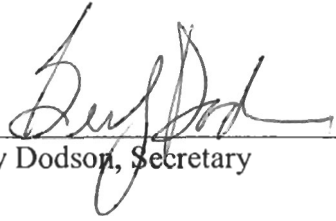
**ITEM 14:** Presentation and Discussion on City Department of Public Health. Mr. Richardson presented an overview of programs offered by the Department of Public Health. Mr. Richardson announced that the Public Health Department is located within the J.O. Wyatt Clinic, Unit C. Programs discussed were: communicable disease investigations, HIV and STD services, immunization coordination, the Care Van, public health preparedness, refugee relocation, tuberculosis screening and control, quality assurance, teen pregnancy, childhood obesity, cancer screening, non-reportable diseases, medical student rotations and community health assessments. Mr. Richardson noted that Public Health does not offer family practice or primary care services. Mr. Richardson reported that Public Health is funded 56% by state and federal grants, and 44% by the Amarillo Hospital District. He stated that Public Health has 30 funded positions and is expected to grow as the community grows. Mr. Blanchard questioned how much of Public Health is funded by the City. Mr. Richardson replied that the City funds zero percent of Public Health. Mr. Bryan stated that if the City funded Public Health, a tax would have to be imposed. Mr. Blanchard reminded the Board that in 1995 and 1996, upon the sale of NWTB to UHS, the public was promised that the District would rid taxes and at the end of the 25 year Indigent Care Agreement, will have generated sufficient income from the sale of the hospital to buy another hospital or set up a managed care arrangement. Mr. Blanchard stated that he feared the District is not living up to the promises made; that it was the Board's responsibility to the community to look closely at how it is spending the money the public was told that the District would save. Mr. Norris explained that the Board also needed to remember how the stock market performed in 1996, noting that Board has not had that same kind of performance amongst other factors that enter in the corpus growing as anticipated in 1996. Mr. Blanchard stated that he thought the investments performed very well, his concern being that the Board is giving away a lot of money; further stating that if the community agrees with the way the District is spending money, then some point in 15 years, the Board will have to reinstitute a tax. Ms. Dodson stated that within the next 15 years, the District also has an obligation to take care of its indigents. Ms. Covey stated that part of the sale of the hospital was to fund Public Health and provide space rather than returning the budget to the General Revenue Funds, or City tax revenues. Mr. Frigo noted that Public Health was once funded by the City, then moved to Northwest Texas Hospital and was part of the District at the time of the sale. Ms. Covey further noted that five years before the sale of the hospital, the employees were moved to Northwest. Mr. Frigo stated that after the sale of the Hospital, the employees came back as City employees. Mr. Frigo stated that the Board has a mission to decide whether to accumulate money or put health services into the community; further stating that the Board has a tough job. Mr. Turner agreed that the Board needed to be careful in the money spent.

**ITEM 15:** Committee Reports. There were no Committee Reports for this quarter.

**ITEM 16:** Public Comments. There were no comments from the public.

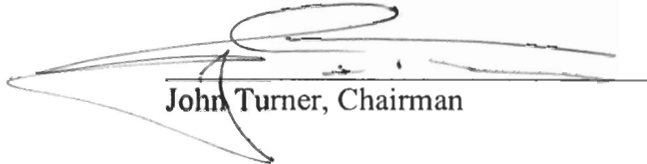
**ITEM 17:** Consideration of Agenda Items for Next Board Meeting. There were no items at this time.

**ITEM 18:** There, being no further business, the meeting adjourned at 9:45 am. This meeting was recorded and all comments are on file in the City Finance Department.



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Becky Dodson, Secretary



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John Turner, Chairman