

**AMARILLO HOSPITAL DISTRICT
REGULAR MEETING OF BOARD OF MANAGERS
AMARILLO CITY HALL
CITY COMMISSION CHAMBERS
MINUTES
NOVEMBER 4, 2008
7:30 A.M.**

<u>Members</u>	<u>Present</u>
Mr. Craig Bryan, Chairman	Yes
Mr. Greg Graham	Yes
Mr. Alphonso Vaughn	No
Dr. Paul Proffer	Yes
Ms. Liz Hughes	Yes
Ms. Nancy Kritser	Yes
Ms. Murielle Barnes	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. Matt Richardson	Director of Public Health, City of Amarillo
Ms. Vicki Covey	Director of Community Services, City of Amarillo
Mr. Roy Browning	Investment Consultant, Wachovia Securities
Mr. Kyle Sanders	Chief Operational Officer, Northwest Texas Healthcare System
Mr. Brian Gibbs	Administrative Director, J.O. Wyatt Clinic

ITEM 1: Mr. Bryan called the meeting to order at 7:36 am in the Commission Chambers of City Hall and welcomed everyone in attendance. He introduced new Board members: Ms. Nancy Kritser and Ms. Murielle Barnes.

ITEM 2: Presentations. Mr. Bryan noted that Ms. Becky Dodson was absent from the audience and stated that her term had expired in October and that Ms. Kritser had been appointed as her replacement.

ITEM 3: Approval of Minutes from August 14, 2008. Mr. Bryan presented the minutes from the last meeting held August 14, 2008. There were no questions or comments. Approval of the minutes as written was motioned by Dr. Proffer, seconded by Mr. Graham and carried unanimously.

ITEM 4: Presentation and Discussion of the Pension Fund Investment Performance. Mr. Browning presented the Investment Performance Review at September 30, 2008 and reviewed the capital markets, economic overview, domestic equity, and fixed income at the end of the third quarter. Mr. Browning reported that the total market value of the fund was \$16,306,861 and stated that approximately 54% was invested in stocks, 41% in fixed income and 5% was invested in cash and equivalents. He noted that the investments were on the conservative end of Policy allowance. In reviewing time-weighted returns, Mr. Browning reported that for the latest quarter, the Fund had returns of -5.51% versus that of the Policy of -4.32%. He further reported returns of -9.00% versus -10.32% for the fiscal year to date, -10.46% versus -10.91 for the latest year, 3.23% versus 2.49% for the latest 3-years, and 4.37% versus 4.06% for the latest 5-years. He reviewed equity returns for the latest quarter of -9.85% versus -8.37% and fixed income returns of 0.16% versus 1.79% for the same quarter. Mr. Browning reported that, in the universe comparison, the total Fund ranked in the 57th percentile for the latest quarter, 28th for the fiscal year to date, 48th for the latest year and in the 24th percentile for the latest 3-years. On a risk-adjusted return, he noted that the Fund is taking slightly greater risk and receiving slightly less returns than that of the market. Mr. Browning reviewed that the Fund's Sharpe ratio was -0.11 versus the Policy of -0.24 for the latest 3-years, 0.22 versus 0.18 for the latest 5-years, and 0.19 versus 0.13 for the latest 10-years. In

closing, Mr. Browning stated that the Pension Fund is very well invested and Amarillo National Bank has done an admirable job, receiving more return for less risk.

ITEM 5: Presentation and Discussion of the AHD Corpus Investment Performance. Mr. Browning reviewed the Executive Summary of the Amarillo Hospital District Fund for the periods ending September 30, 2008 and reported that total assets of the total Portfolio were \$207,905,988. He stated that for the last quarter, the Portfolio had returns of 0.63% versus the market index of 1.49% and 5.31% versus 7.04% for the last 12 months. For the last 3 years, Mr. Browning reported returns of 5.01% versus 5.36% and stated that the Portfolio had greater returns than the market index for the last 5 years and since inception. Amarillo National Bank (ANB), Mr. Browning stated, held total assets of \$131,969,726 and had returns of 0.32% for the latest quarter. He reviewed ANB's returns of 5.06% for the last 12 months, 4.92% for the last 3 years, and 4.14% for the last 5 years. He noted that ANB was in the 17th percentile for the last 3 and 5 year time periods. Mr. Browning reported that Herring Bank I held \$39,564,652 in total assets and had returns of 1.24% for the latest quarter. He further reported returns of 5.55% for the last 12 months, 5.14% for the last 3 years, and 3.94% for the last 5 years. He noted that Herring Bank I ranked in the 32nd, 39th, 13th and 21st percentiles for the latest quarter, 12 months, 3 years and 5 years respectively. Herring Bank II, Mr. Browning stated, held total assets of \$36,371,610 and had returns of 1.13% for the last quarter, 5.90% for the last 12 months, and 5.19% for the last 3 years, ranking in the 12th percentile for the last 3 years. He noted that the Tobacco Settlement Fund is doing well; virtually all invested in short-term money market funds. On a risk-adjusted basis, Mr. Browning reported that the total Fund is taking a lot less risk than that of the market and achieving a slightly greater return. Amarillo National Bank, he stated, on a risk-adjusted basis, is receiving a greater return than the market and taking less risk and that Herring Bank is taking a much greater risk than the market index and receiving an outstanding return. In summary, he stated that both money managers are doing a great job; the Amarillo Hospital District Fund is doing very well and is in great shape.

ITEM 6: Appointment of Board Officers. Mr. Bryan announced that the Secretary position of the Hospital District was now vacant with the expiration of Ms. Dodson's term. Ms. Murielle Barnes volunteered to fill the Secretary position on the Amarillo Hospital District's Board of Managers. Mr. Bryan motioned to appoint Ms. Barnes as Secretary. Mr. Graham seconded the motion and it carried unanimously.

ITEM 7: Consider a Resolution for the AHD to fund a Medicaid Upper Payment Limit. Mr. Frigo reported that this resolution would authorize a total amount of \$6,893,026 to fund the Medicaid Upper Payment Limit. He reviewed that of that amount, the District has budgeted \$1,366,081 to fund pediatric and dental services, and Tobacco Free Amarillo, which are now being contracted through Northwest Texas Hospital. Mr. Frigo stated that two payments would be made in November totaling \$227,681, followed by monthly installments of \$113,840 beginning December 1, 2008. He further stated that a payment of \$5,526,945 would be made in December 2008 to fund the Medicaid program. Currently, Mr. Frigo reviewed; the District has prepaid approximately \$11.3 million to the Indigent Care Contract. He noted that if the Board approves this resolution, the District will have prepaid \$16,869,701 and funded the contract through August 8, 2011. Mr. Frigo reported that the UPL payment schedule was calculated at a 10% discount and that gross payments would total \$6,941,540, however; the District would pay \$5,526,944.95 with the prepayment discount. Dr. Proffer questioned if the District would be at risk recouping the prepaid funds if something were to happen to Northwest Texas Hospital. Mr. Norris replied that there would be a risk; that the security would be receiving the building and land back – the same security that has been in place since the sale of the hospital in 1996. He reviewed that staff had hired attorneys and been in protracted discussions with the Hospital and their attorneys to seek other forms of collateral specifically for this program and have run into federal regulations regarding provider reimbursements. Mr. Norris stated that staff's recommendation is to suggest that the Board look at this as simply an unsecured transaction and commit no further than comfortable. He further stated that if the Board approves the next three items on the agenda, it would be continuing a program of which prior Board's have initiated. He reviewed that the UPL is a fundamentally good program, getting matching Federal funds and for the District to be able to obtain the discount rate on its obligation to UHS. Mr.

Norris stated that except for the changes in dates and dollar amounts, this is the exact same program; that all documents are in order. Mr. Frigo stated that the District's economic benefit is the discount. Mr. Sanders stated that the economic value to the Hospital District is the million plus saved; that the District's returns have been at or slightly above the 5% range. He reviewed that from a financial standpoint, the UPL agreement is a good investment to the District because the 10% discount would double the returns. Mr. Sanders stated that the UPL allows UHS to take advantage of Federal matching funds; helping to recoup some of the costs UHS has in covering the program. Mr. Frigo stated that long-term, the District's investments have been about 5%; that this would be a good way to lock in a 10% return as long as the Board is comfortable with the risk. Mr. Sanders stated that UHS is committed to working on additional collateral; that the Federal Government has a lot of rules and regulations that have made it clear that when funds go out, they are to come back to the provider of those healthcare services. He further stated that in UHS's opinion, collateral set up directly on this money is a direct violation of those rules. Mr. Sanders reported that the attorney hired by the District believes that there may be some ways to provide for the collateral and that over the next few months, will be exploring ways that will allow UHS to take advantage of the full amount of money that the Federal Government has available while making sure that the District's position is secured. Mr. Frigo stated that approximately \$530 thousand is amortized monthly, earning that amount on the contract. He further stated that UHS's financial statements have been reviewed and there are analysis reports that recommend the company; that all indications are that UHS is a good, solid company. Mr. Graham stated that Items 7, 8, and 9 had all been reviewed and recommended by the AHD Finance Committee. Motion to approve Items 7, 8, and 9 was made by Dr. Proffer, seconded by Mr. Graham and carried unanimously.

ITEM 8: Consider a Resolution for the AHD to enter an Amendment to the Suspension Agreement. This was approved above in Item 7, where Dr. Proffer motioned for approval, Mr. Graham seconded, and the motion carried unanimously.

ITEM 9: Consider a Resolution for the AHD to enter an Amendment to the Healthcare Services Agreement. This was approved above in Item 7, where Dr. Proffer motioned for approval, Mr. Graham seconded, and the motion carried unanimously.

ITEM 10: Public Health Department Report. Mr. Richardson introduced himself to the new Board members and discussed the relationship between the Department of Public Health and the Amarillo Hospital District. He reviewed programs and services provided by the Public Health Department including: Communicable and Infectious Disease Investigations and Reporting, HIV/STD Services, Immunization Coordination/Care Van/Friday clinics, Public Health Preparedness, Refugee Health Screening, Tuberculosis Screening and Control, Health Education/Health Promotion Activities, and AHD Quality Assurance Liaison. Mr. Richardson updated the Board on the new building construction of the Department of Public Health. He presented a timeline and stated that the tentative bid date was in late November 2008 with tentative groundbreaking in January 2009 and an estimated completion date in October 2009. He further reported that the building would be 11,635 square feet and cost an estimated \$2,700,000. To date, Mr. Richardson stated that \$2,400,000 had been acquired to construct the new building.

ITEM 11: Consider Proposal for Actuary Services. Mr. Frigo reviewed that the District maintains a Pension Plan for former employees of the Amarillo Hospital District and continues to make annual contributions to the Plan; and that Amarillo National Bank, who administers the Plan for the District, makes monthly benefit payments. He reported that an actuarial study is a requirement of a Pension Plan and this proposal for actuary services comes from John M. Crider, whom the District has been using for the study since 1996. Mr. Frigo reviewed that Mr. Crider calculates the amount the District contributes to the Pension Plan annually and figures benefit calculations as well. He stated that Mr. Crider's proposal is for \$13,790, a slight increase over the current amount, and that staff is recommending the proposal. Mr. Bryan pointed out that a typographical error had been found during the finance committee meeting in item #3 of the proposal and that further clarification from Mr. Crider would be requested pending approval.

Mr. Graham motioned for approval of Mr. Crider's proposal for actuary services. Ms. Barnes seconded the motion and it carried unanimously.

ITEM 12: Presentation of Quarterly Financial Statements. Mr. Frigo presented the quarterly financial statements for the Amarillo Hospital District at September 30, 2008 and noted this was the District's fiscal year-end. Reviewing the balance sheet assets, he reported the Fund had total investments of approximately \$210 million and \$8.2 million in securities lending collateral with an equal amount listed as a liability for when the securities are returned. He reviewed that prepaid expenses in the amount of \$11.3 million was the amount prepaid to UHS towards the indigent care agreement. Mr. Frigo reported a net pension asset in the amount of approximately \$2.3 million noting that the pension plan is frozen and building an asset because the Plan is being funded faster than required. He noted fixed assets in the amount of \$119,897 for the inactive dental clinic building. Mr. Frigo stated the District had a good year with a total fund balance of \$225.5 million at year-end. He reviewed total revenue in the amount of \$12.8 million versus total expenses of \$11.6 million for an operating income amount of \$1.2 million. Mr. Frigo reported that indigent care is the District's largest expense in the amount of \$6.3 million, followed by the pension plan funding number of \$1.9 million and pediatric support services in the amount of \$1.1 million. He noted expenses of \$690,382 for Public Health and stated that Public Health is mostly grant funded and usually under budget. Mr. Frigo reported net income in the amount of \$1.9 million including the net pension asset. In reviewing the budget versus actual report of the Operating Fund, Mr. Frigo noted that the District budgeted \$10.8 million and received slightly over \$11 million in investment income for the year. He stated that this was almost 102% of budget. Mr. Frigo reported that both the Indigent Care and Retirement Trust expenses were at 100% of budget. He pointed out that Public Health was under budget, having budgeted \$767 thousand and spending an actual \$690 thousand. Mr. Frigo reported that the Tobacco Funds exceeded the budget in revenue noting investment income of \$122 thousand versus a budget amount of \$111 thousand and miscellaneous income, which is the tobacco distribution, of \$767 thousand versus a budget amount of approximately \$670 thousand. He reviewed that the Tobacco Funds are used to fund the dental clinic, pediatric support services, and the tobacco initiative. Mr. Frigo reported that the Poison Control Grant had budgeted revenue receipts of approximately \$851 thousand versus an actual amount received of \$824 thousand.

ITEM 13: Consider Sheriff Sale Property. Mr. Norris stated that state law provides that when foreclosed property does not sale at the Sheriff's Sale, the sheriff may offer the property for private sale. He reviewed that once a private sale is arranged, all taxing entities must approve the terms of the private sale. Mr. Norris reported that this property (described 0.7385 acre tract of land out of Section 155, Block 2, AB&M, located on SE 9th), had been previously approved for private sale by the AHD Board of Directors and has now come back as a corrected deed prepared by Potter County. Correction deeds, he reviewed, are not meant to change the terms of the transaction but to correct topographical errors such as a property description or spelling. Mr. Graham moved to accept the correction deed, Dr. Proffer seconded, and the motion carried unanimously.

ITEM 14: Consider Division Orders from Laredo Petroleum Inc. Mr. Norris reviewed that division orders in oil and gas determine who gets paid, what percentage they are paid, and where the check is sent. He noted that the Board had been given two division orders, one being a division order and the other being a revised division order. He stated that staff is recommending approval at this time, that Laredo is making payments to the District in the approximate amount of \$500.00 monthly. Mr. Norris stated that in the last finance committee meeting, the orders had been discussed and some follow-up would be made on the orders regarding a well that had been drilled in the wrong place. He further stated that due diligence was needed to verify that the District is receiving what it is supposed to; that there is no institutional knowledge of this transaction because City staff did not get involved with the Hospital District's business until 1996. He reviewed that early in the District's history, this royalty interest was given to the District and had been with the District as far back as at least 1962, noting that the District was created in 1955. Mr. Norris stated that division orders may be revoked or amended at any time and if it is found that some type of adjustment is needed, the orders will be brought back to the Board. Motion was made by Mr. Graham, seconded by Ms. Hughes, and carried unanimously to approve both division orders as presented.

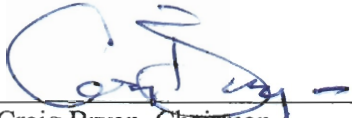
ITEM 15: Consider Investment Policy. Mr. Frigo announced that under the Texas Public Funds Investment Act, the Board is required to review the Investment Policy annually. He noted that the Act pertains to the Corpus Plan, not the Pension Plan. Mr. Frigo reviewed that state law specifies the investment objectives are to preserve capital, provide liquidity, and maximize returns within the constraints of preserving capital and providing liquidity. He reported that only one change was recommended on page 6 of the Investment Policy, section IV.C.3, regarding securities lending. Mr. Frigo reported that the change was to limit the term of the lending to no more than 90 days and the contract for no more than one year. Under the law, he stated, the money manager must comply with the state law and with the Districts' internal investment policy. Mr. Graham moved to adopt the Investment Policy with the recommended changes. Dr. Proffer seconded the motion and it unanimously carried.

ITEM 16: Quarterly Investment Report from Investment Officer. Mr. Graham reported that for the quarter ending September 30, 2008, the Investment Portfolio was in compliance with the Amarillo Hospital District Investment Policy as amended on January 30, 2007 and the Public Funds Investment Act. He reviewed that agency securities, including mortgage-backed securities, represent 82.53% of the total Portfolio, which is below the 85% Agency limit. Mortgage backed securities, he stated, represent 13.96% of the total Portfolio, which is below the 30% limit, and obligations of state or local governments represent 4.59% of the total Portfolio, which is below the 10% limit. He reported that treasuries and full faith and credit obligations comprise 5.39% of the total Portfolio and cash balances, including Money Market funds, comprise about 7.49%. Investments with maturities greater than 10 years represent 34.46% of the total Portfolio, which is under the 50% restriction in the Policy. Mr. Graham reported that there are no securities with a maturity of greater than 30 years. He stated that the market value of the Portfolio is 100.11% of the book value, with a market value of \$210,092,963 and a book value of \$209,858,054. Mr. Graham reviewed that in the current year, the AHD Budget called for \$10,911,046 in realized investment income and the current investment earnings through September 30, 2008 were \$11,125,100.

ITEM 17: Committee Reports. There were no committee reports at this time.

ITEM 18: Public Comments. Mr. Sanders introduced Mr. Brian Gibbs as the new Administrative Director of the J.O. Wyatt Clinic. Mr. Gibbs stated that he had been at the Clinic for three weeks. Mr. Norris reminded the new Board members that they had 90 days within taking office to complete the Texas Open Meetings Act training.

ITEM 19: Adjournment. There, being no further business, the meeting adjourned at 8:55 am. This meeting was recorded and all comments are on file in the City Finance Department.


Craig Bryan, Chairman


Murielle Barnes, Secretary