

**AMARILLO HOSPITAL DISTRICT  
REGULAR MEETING OF BOARD OF MANAGERS  
AMARILLO CITY HALL  
CITY COMMISSION CHAMBERS  
MINUTES  
FEBRUARY 12, 2009  
7:30 A.M.**

<u>Members</u>	<u>Present</u>
Mr. Craig Bryan, Chairman	Yes
Mr. Greg Graham	No
Mr. Alphonso Vaughn	Yes
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
Ms. Vicki Covey	Director of Community Services, City of Amarillo
Mr. Roy Browning	Investment Consultant, Wachovia Securities
Dr. Jeanie Jaramillo	Managing Director, Texas Panhandle Poison Center
Ms. Ronica Farrar	Community Outreach Specialist, Texas Panhandle Poison Center

**ITEM 1:** Mr. Bryan called the meeting to order at 7:30 am in the Commission Chambers of City Hall and welcomed everyone in attendance.

**ITEM 2:** Approval of Minutes from November 4, 2008. Mr. Bryan presented the minutes from the last meeting held November 4, 2008. There were no questions or comments. Approval of the minutes as written was motioned by Dr. Proffer, seconded by Ms. Kritser, and carried unanimously.

**ITEM 3:** Presentation and Discussion of the Pension Fund Investment Performance. Mr. Browning reviewed the Quarter Finals for the quarter ending December 31, 2008 and further reviewed Domestic Equity and the Fixed Income markets. Mr. Browning stated that the Pension Fund ended the year with a total market value of \$13,893,403 with 53.16% invested in equities, 34.34% invested in fixed income, and 12.50% in cash and equivalents. He reviewed that the Fund's Policy is 60% stocks and 40% bonds. Reviewing time-weighted returns, Mr. Browning reported the Fund had returns of -10.77% versus the Policy of -11.22% for the latest quarter, -18.79% versus -20.39% for the latest year, and -0.83% versus -1.93% for the latest year. He further reported returns of 1.15% versus 0.54% and 2.26% versus 2.06% for the latest 5-year and 10-year periods respectively. Mr. Browning stated that Sharpe Ratio for the 3-year period of the Fund was -0.51 versus -0.66 of the Policy. He reported that the Fund ranked in the 30<sup>th</sup> percentile for the latest quarter, 39<sup>th</sup> for the latest year and ranked in the 17<sup>th</sup> percentile for the latest 3-year period. In closing, Mr. Browning stated that during this difficult time period, Matt Ramsey of Amarillo National Bank has managed the Pension Fund well, whether on an absolute or risk-adjusted basis, or comparing him to other managers.

**ITEM 4:** Presentation and Discussion of the AHD Corpus Investment Performance. Mr. Browning reported that the total market value of the AHD Corpus at December 31, 2008 was \$210,100,846. He stated that approximately 91% was invested in fixed income and 9% in cash and equivalents. Mr. Browning reviewed time-weighted returns and reported fixed income returns of 4.17% of the Fund versus 4.84% of the Policy for the latest quarter. He further reported fixed income returns of 6.66% versus 5.08% for the latest year, and 6.30% versus 5.51% for the latest 3-years and noted that the Fund had greater fixed income returns than the Policy for the latest 5-year, 10-year and since inception periods. On a risk-adjusted basis, he stated that the Fund is receiving a greater return and taking less risk than that of

the market. Mr. Browning reported that Amarillo National Bank ended the year with \$131,813,751 in assets with 93.46% invested in fixed income and 6.54% invested in cash and equivalents. He reviewed that ANB had fixed income returns of 4.57% for the quarter, 6.67% for the latest year, and 6.35% for the latest 3-years. For the latest 5-year, 10-year, and since inception periods, Mr. Browning reported that ANB had better returns than the Policy. He stated that, on a Universe Comparison, ANB ranked in the 38<sup>th</sup> percentile for the latest quarter, 44<sup>th</sup> for the latest year, 27<sup>th</sup> for the latest 3-years, 25<sup>th</sup> for the latest 5-years, 26<sup>th</sup> for the latest 10-year period and was in the 19<sup>th</sup> percentile since inception. Herring Bank I, Mr. Browning reported, finished the quarter with \$40,689,894 in assets and had 82.78% invested in fixed income and 17.22% in cash and equivalents. He reviewed that Herring I had fixed income returns of 3.23% for the latest quarter, and 6.49% for the latest year. Mr. Browning stated that Herring I had excellent fixed income returns for all time periods. Herring Bank II, he reported, had a market value of \$37,597,203 for the quarter and was invested in 90.44% fixed income and 9.56% in cash and equivalents. He reviewed fixed income returns for Herring II of 3.67% for the quarter, 6.79% for the latest year, 6.36% for the latest 3-years, and 5.43% since inception. Mr. Browning noted that at the Finance Committee meeting held the day before, the Committee decided to combine both Herring I and Herring II accounts on October 1, 2009. Mr. Browning stated that the Tobacco Settlement Account had a market value of \$3,846,255 and was invested 100% in cash and equivalents. He noted that the investments were safe and liquid, reviewing returns of 0.58% versus 0.25% for the latest quarter.

**ITEM 5:** Presentation of Poison Center Program. Ms. Jaramillo presented a report of the Texas Panhandle Poison Center (TPPC) and introduced Ms. Ronica Farrar, Specialist in Community Outreach. She reported that the TPPC answered 27,726 in 2008 and that of those calls, 18,675 were generated by region, the top 71 counties of Texas. She reviewed call types and death cases, stating that there were 11 death cases reported to the TPPC in 2008. Ms. Jaramillo explained that the TPPC is primarily funded through the DSHS (Department of State Health Services), and also receiving funding through HRSA (Health Resources Services Administration), RADARS (a Research-based account), and PHEP (Public Health Emergency Preparedness Grant). She noted that in FY 2008, the TPPC saved a total of \$4,140,932 in 911 service/emergency room visit/private physician visit-related expenses. Ms. Jaramillo reviewed the TPPC's research and scholarship, public and professional education, achievements, and challenges.

**ITEM 6:** Presentation and Discussion of Transfer to the Poison Center Grant to Texas Tech. Ms. Jaramillo explained that DSHS has implemented Legislative Initiative that would remove the Hospital District and Northwest Texas Hospital from the Texas Health and Safety Code and replace it with TTUHSC-SOP. She stated that the intent of this initiative is to promote a more direct relationship between DSHS/TTUHSC/TPPC. Mr. Frigo reported that City staff has been managing the Poison Grant and is happy to do so and would continue to do so because the Poison Center is a valuable asset to the community. He noted that under the proposed scenario, the District would no longer be responsible for auditing and oversight. Mr. Bryan stated that his concern was receiving assurance from Texas Tech that the TPPC would not be moved from Amarillo.

**ITEM 7:** Presentation and Consideration of Funding for New Building for the Department of Public Health. Ms. Covey reported that seven bids for the new building for the Public Health Department had been received and opened on February 3<sup>rd</sup>, 2009. She reviewed that the project had been awarded to the successful low bidder, Kelly Wood Company, in the total amount of \$2,008,835, including the alternate. The alternate, she stated, would substitute translucent sandwich panels in lieu of the storefront window and framing at the entry and clerestories. Ms. Covey noted that the panels will provide more energy efficiency for the heating and cooling system while providing interior natural lighting, that the energy efficiency will reduce operating costs. She reviewed that the estimate prepared in July 2008 was at \$208 a square foot and that this successful bid is \$173 per square foot. Ms. Covey reported total construction costs of \$2,284,235 versus funding sources of \$2,423,000, including the AHD budgeted amount of \$250,000, and stated that no additional funding would be required. She noted that the City Commission had already approved the bid; construction would take approximately six weeks to start and should be completed in 300 days.

**ITEM 8:** Consider Request for Proposal for Officers and Directors Insurance. Mr. Frigo presented a draft RFP (Request for Proposal) for Officers and Directors Insurance. He reviewed that currently, the Amarillo Hospital District carries a \$10 million limit with a \$22 thousand annual premium on Officers and Directors liability. This insurance, he explained, mainly protects the Board members in the event of a lawsuit, providing for a defense. Mr. Frigo stated that since this policy is under the \$25 thousand state bidding law, it does not require to be let out for bid. However, he further stated, it would provide local businesses the opportunity to submit a competitive proposal to the District. Mr. Frigo reported that the Finance Committee met the day before and recommended the RFP; requesting quotes for \$10 million and \$20 million coverage and adding requests for premiums of \$1 million and \$5 million coverage. Mr. Bryan moved to accept the RFP with the recommended changes of the Finance Committee, adding the requests for premium quotes for a \$1 million and \$5 million limit as an option for coverage. Mr. Vaughn seconded the motion and it carried unanimously.

**ITEM 9:** Presentation of Quarterly Financial Statements. Mr. Frigo presented the quarterly financial statements for the Amarillo Hospital District at December 31, 2008. He noted that the District is doing well in its first quarter considering the current economic circumstances. Reviewing the Fund's balance sheet, Mr. Frigo reported assets of approximately \$212 thousand in cash & cash equivalents and investments, \$1,761,399 in accrued interest, and \$6,640,500 in securities lending collateral with the same amount represented as a liability for when the securities are returned. He noted that the Prepaid Expenses amount of \$15,301,951 represented the Indigent Care Contract and is reported as an asset because the contract is prepaid through August 2011. Mr. Frigo reported that the total Fund balance was \$231,496,706. Reviewing revenue, he reported realized investment income of \$2,543,231 and unrealized investment income of \$5,496,938. He further reported total revenue of approximately \$8.2 million versus total expenses of approximately \$2.2 million. Mr. Frigo reviewed that of the Fund's expenses, the largest expense is the Indigent Care agreement of \$1,561,595, followed by \$372,124 in Professional Services; which is the amount paid to Northwest Texas Hospital contract to provide for pediatric, dental, and tobacco services. He reported a net income amount of \$5,960,752 and noted that if the \$5.5 million in unrealized investment were subtracted from this amount, the net amount would be approximately \$463 thousand. Reviewing budget versus actual of the Operating budget, Mr. Frigo reported a budgeted amount of \$10,687,000 versus the actual amount of \$2,523,944 or 24% in realized investment income. He further reported total expenses were budgeted at \$9,523,522 versus an actual \$1,749,318 and that actual cash from operations was \$781,513. Mr. Frigo reported a budgeted amount of \$85,000 versus actual \$19,287, or 22.69%, in realized investment income for the Tobacco Fund. He noted a budgeted amount of \$775,000 in miscellaneous income, stating that this was the amount expected from the tobacco settlement disbursement. Mr. Frigo reviewed the Tobacco Fund's expenses and stated that the District had budgeted \$1,366,081 versus an actual of \$341,521, or 25% in Professional Services. He reported that in the Poison Control Fund, the Fund had an actual revenue amount of \$150,230 with a corresponding expense amount; noting that the poison control funds are paid directly to Texas Tech.

**ITEM 10:** Quarterly Investment Report from Investment Officer. Mr. Bryan reported that for the quarter ending December 31, 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 81.57% of the total Portfolio, which is below the 85% Agency limit. Mortgage backed securities, he stated, represent 15.99% of the total Portfolio, which is below the 30% limit, and obligations of state or local governments represent 4.53% of the total Portfolio, which is below the 10% limit. He reported that treasuries and full faith and credit obligations comprise 2.72% of the total Portfolio and cash balances, including Money Market funds, comprise about 11.17%. Investments with maturities greater than 10 years represent 33.20% of the total Portfolio, which is under the 50% restriction in the Policy. Mr. Bryan reported that there are no securities with a maturity of greater than 30 years. He stated that the market value of the Portfolio is 102.78% of the book value, with a market value of \$212,204,260 and a book value of \$206,472,414. Mr. Bryan reviewed that in the current year, the AHD Budget called for \$10,772,000 in realized investment income and the current investment earnings through December 31, 2008 were \$2,543,231.

**ITEM 11:** Committee Reports. There were no committee reports.

**ITEM 12:** Public Comments. There were no public comments at this time.

**ITEM 13:** Adjournment. There, being no further business, the meeting adjourned at 8:30 am. This meeting was recorded and all comments are on file in the City Finance Department.

  
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Craig Bryan, Chairman

  
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Murielle Barnes, Secretary