

**AMARILLO HOSPITAL DISTRICT
FINANCE COMMITTEE MEETING
AMARILLO CITY HALL
ROOM 306
FEBRUARY 11, 2009
5:00 P.M.**

Members

Mr. Craig Bryan, Chairman
Mr. Greg Graham
Ms. Murielle Barnes

Present

Yes
Yes
Yes

Also Present

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| Mr. Dean Frigo | Finance Director, City of Amarillo |
| Ms. Andrea Rains | Recording Secretary, City of Amarillo |
| Ms. Vicki Covey | Community Services Director, City of Amarillo |
| Mr. Roy Browning | Investment Consultant, Wachovia Securities |
| Mr. Herman Shirley | Senior Vice President, Herring Bank |
| Mr. Joe Frank Wheeler | Trust Officer, Herring Bank |

ITEM 1. Mr. Bryan established a quorum and called the meeting to order at 5:06 pm.

ITEM 2. Mr. Bryan presented the minutes of the last finance committee meeting held November 3, 2008. There were no questions or comments. Mr. Graham moved to approve the minutes as written. Ms. Barnes seconded the motion and it carried unanimously.

ITEM 3. Presentation and Discussion of the Pension Fund Investment Performance. Mr. Browning presented the Investment Performance Review for the Pension Fund at December 31, 2008. He reported that the total market value of the Fund was \$13,893,403 and invested in 53.16% equities, 34.34% fixed income, and 12.50% cash and equivalents. For the latest quarter, Mr. Browning stated that the Fund had returns of -10.77% versus the market of -11.22% and -18.79% versus -20.39% for the latest year. He noted the Fund had better returns than the market for the 3, 5, and 10-year periods, and slightly behind for the since inception period: 3.80% versus 3.88%. Mr. Browning reported equity returns for the Fund of -21.75% versus the market of -21.94% for the latest quarter, and -35.60% versus -37.00% for the latest year. He reviewed the changes in asset composition of the Total Fund and noted that the Fund held 4.42% in cash and equivalents at March 31, 2008 and 12.50% in cash and equivalents at December 31, 2008. For the latest 3-year period, Mr. Browning stated that the Sharpe ratio of the Fund was -0.51 versus -0.66 of the Policy. He noted that the Fund was in the 30th percentile for the latest quarter, 39th for the latest year and 17th for the latest 3-year period.

ITEM 4. Presentation and Discussion of the AHD Corpus Investment Performance. Mr. Browning presented the Investment Performance Review for the AHD Corpus and reported that the total market value of the Fund at December 31, 2008 was \$210,100,846. He reviewed that the Portfolio held 90.85% in fixed income and 9.15% in cash and equivalents. In reviewing time-weighted returns, Mr. Browning reported that the Fund had returns of 3.88% versus the market of 6.38% for the latest quarter, 6.23% versus 10.17% for the latest year, and 6.12% versus 7.33% for the latest 3-year period. He noted that the Fund had returns of 4.68%, 5.58% and 5.58% for the latest 5 year, 10 year, and since inception periods respectively. Mr. Browning reviewed equity returns of 4.17% versus 4.84% for the latest quarter and 6.66% versus 5.08% for the latest year. Using the Universe Comparison, he reported that fixed income returns of the Fund ranked in the 40th percentile for the latest quarter, 23rd for the latest 3-year and 5-year periods. Mr. Browning noted fixed income returns for Amarillo National Bank were 4.57% for the latest quarter, 6.67% for the latest year, and 6.35% for the latest 3-year period. Herring Bank I, he reviewed, had fixed income returns of 3.23%, 6.49% and 6.11% for the latest quarter, 1-year, and 3-year periods respectively. He further reviewed that Herring Bank II had fixed income returns of 6.79% for the latest 1-year period, and 6.36% for the latest 3-year period. Mr. Browning questioned when the Board would consider merging the Herring I and Herring II accounts. The Committee agreed that it would be best to combine the two accounts with the beginning of the new fiscal year, October 1st, 2009. Mr. Shirley concurred with combining the two accounts and requested the Board place a future agenda item to

consider a change in the Investment Policy regarding the types of securities the District can invest in.

ITEM 5. Presentation and Consideration of Funding for New Building for the Department of Public Health. Ms. Covey reviewed that the City of Amarillo opened 7 bids for the new building of the Department of Public Health on February 3, 2009. She reported that Kelly Wood Company submitted the successful low bid in the amount of \$2,008,835.00, including the alternate. The successful bid, Ms. Covey reviewed, was bid at \$173 per square foot; noting that the construction estimate prepared in July 2008 was \$2,469,166, or \$208 per square foot. She noted that the alternate would substitute translucent sandwich panels in lieu of the storefront window, providing energy efficiency for the heating and cooling system and reducing operating costs; and would include framing at the entry and the clerestories. Ms. Covey reported that the construction cost, including land acquisition, architectural and engineering fees, construction, and the landscaping estimate totaled \$2,284,235.00. She reviewed that the sources of funding, including the Hospital District's approved contribution amount of \$250,000.00, totaled \$2,423,000.00. Ms. Covey noted that once the project is complete, any remaining funds would revert back to the Amarillo Hospital District.

ITEM 6. Consider Request for Proposal for Officers and Directors Insurance. By law, Mr. Frigo stated, since the current policy is under the \$25,000 state bidding law; the Request for Proposal (RFP) does not have to let. However, Mr. Frigo stated that there were several local insurance companies interested in the Amarillo Hospital District's business and this would give them the opportunity to submit a good proposal. He explained that within the RFP, markets are assigned in the first step and the proposal is submitted in the second step. Mr. Frigo reviewed that this policy protects the Board in the event of a lawsuit and would provide for defense costs. Mr. Graham motioned to recommend to the full Board the RFP for Officers and Directors Insurance with the inclusion of requests to furnish premium quotes for \$1 and \$5 million limits; both with \$50,000 deductibles. Ms. Barnes seconded the motion and it carried unanimously.

ITEM 7. Presentation of Quarterly Financial Statements. Mr. Frigo presented the quarterly financial statements for the period ending December 31, 2008. He reported a total Fund balance of \$231,496,706 and noted an asset in securities lending collateral of \$6,640,500 with a liability of the same amount for when the securities are returned. Mr. Frigo reviewed that the Indigent Care Contract is listed as an asset under prepaid expenses in the amount of \$15,301,951 because the contract is prepaid through August 2011. He noted that, overall the balance sheet is strong. Reviewing the income statement, Mr. Frigo reported total revenue of \$8,197,286 including realized investment income of \$2,543,231 and unrealized investment income of \$5,496,938 versus total expenses of \$2,236,534. He reviewed the largest expense being the Indigent Care Contract of \$1,561,595 followed by Professional Services of \$372,124; which he noted is the amount paid to NWTM for dental, pediatric, and Tobacco Free Amarillo services. Mr. Frigo reported a net income amount of \$5,960,752 but noted that if the unrealized gain were subtracted from this amount, it would leave a net income of approximately \$463 thousand. He reviewed budget versus actual for the Operating Fund and noted that realized investment income was 24% of budget, having budgeted \$10,687,000 versus an actual amount of \$2,523,944. The Indigent Care agreement, Mr. Frigo reported, was at an actual \$1,561,595 versus \$6,148,416 budgeted or at 25.40%. He reviewed Professional Services at \$30,603 versus \$82,936 budgeted or 36.90%, and Public Health at \$127,021 versus \$909,278 budgeted. Mr. Frigo stated that total expenses were an actual \$1,749,318 versus a budgeted amount of \$9,523,552. Reviewing budget versus actual for the Tobacco Fund, he reported a budgeted amount of \$85,000 versus an actual of \$19,287 or 22.69% in realized investment income. He noted a budgeted amount of \$775,00 in miscellaneous income, stating that this was the expected Tobacco Distribution. Expenses for the Tobacco Fund, Mr. Frigo reported, included a budgeted amount of \$1,020 versus an actual of \$297 for Fiduciary Fees and a budgeted amount of \$1,366,081 in Professional Services, which is the 1-year commitment with Northwest Texas Hospital for pediatric, dental, and Tobacco Free Amarillo services.

ITEM 8. Quarterly Investment Report from Investment Officer. Mr. Graham reported that the Amarillo Hospital District's Investment Portfolio was in compliance with the AHD Investment Policy and stated that the full Investment Report at December 31, 2008 would be presented at the next morning's AHD Board of Managers meeting.

ITEM 9. Public Comments. There were no public comments at this time.

ITEM 10. Adjournment. There, being no further business, Mr. Bryan adjourned the meeting at 6:25 p.m. This meeting has been recorded and all comments are on file in the City Finance Department.



Craig Bryan, Chairman



Greg Graham, Vice-Chairman