

**AMARILLO HOSPITAL DISTRICT
FINANCE COMMITTEE MEETING
AMARILLO CITY HALL
ROOM 306
NOVEMBER 3, 2008
5:00 P.M.**

Members

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

Present

Yes
Yes
Yes

Also Present

Mr. Dean Frigo	Finance Director, City of Amarillo
Mr. Marcus Norris	City Attorney, City of Amarillo
Ms. Andrea Rains	Recording Secretary, City of Amarillo
Mr. Matt Richardson	Director of Public Health, City of Amarillo
Mr. Kyle Sanders	Chief Operational Officer, Northwest Texas Healthcare System
Mr. Roy Browning	Investment Consultant, Wachovia Securities
Mr. Matt Ramsey	Investment Officer, Amarillo National Bank

ITEM 1. Mr. Bryan called the meeting to order at 5:00 pm, and welcomed everyone in attendance.

ITEM 2. Mr. Bryan presented the minutes of the last finance committee meeting held October 20, 2008. There were no questions or comments. Motion to approve the minutes as presented was made by Mr. Graham, seconded by Ms. Barnes, and carried unanimously.

ITEM 3. Presentation and Discussion of the Pension Fund Investment Performance. Mr. Browning presented the Investment Performance Review of the Pension Fund at September 30, 2008 and reviewed the capital markets for the third quarter. He reported the total market value of the Fund was \$16.3 million with approximately 54% invested in stocks, 41% in bonds and 5% in cash and equivalents. Reviewing time weighted returns for the latest quarter; Mr. Browning reported returns of -5.51% of the Fund versus -4.32% of the Policy. Also for the latest quarter, he reported equity returns of -9.85% versus -8.37%, fixed income returns of 0.16% versus 1.79%, and cash and equivalent returns of 0.46% versus 0.43%. For the latest year, he reported that the Fund had returns of -10.46% versus the Policy of -10.91%. Mr. Browning noted that for the latest 3, 5, and 10 years, and since inception, the Fund had better returns than the Policy and was more competitive. On a risk/return basis, he stated that the Fund is taking slightly more risk than the index and receiving a slightly less return. The Sharpe Ratio for the 3-year period, Mr. Browning reported, was -0.11 of the Fund versus -0.24 of the Policy. He further reported 0.22 versus 0.18 for the latest 5-years, and 0.19 versus 0.13 for the latest 10-years. Mr. Browning reviewed that the Sharpe Ratio is a relative number that determines how much return is received per unit of risk taken. He reported that the Fund was in the 57th percentile for the latest quarter, 28th for the latest 9 months, 48th for the latest year and in the 24th percentile for the latest 3-years.

ITEM 4. Presentation and Discussion of the AHD Corpus Investment Performance. Mr. Browning presented the Investment Performance Review of the AHD Corpus Fund. The total market value of the Fund at September 30, 2008, Mr. Browning reported, was \$207.9 million. He reviewed that 94.46% was invested in fixed income and 5.54% was invested in cash and equivalents. Mr. Browning stated that for the latest quarter, the Fund had returns of 0.63% versus that of the Policy of 1.49%; 2.27% versus 3.57% for the latest fiscal year to date, 5.31% versus 7.04% for the latest year, and 5.01% versus 5.36% for the latest 3-years. He noted that the Fund was ahead of the Policy in returns for the latest 5-year period and since inception. On a risk-adjusted basis, Mr. Browning reported that the Fund is receiving a slightly greater return than the Policy for much less volatility. He reviewed the Sharpe Ratio of 0.50 versus 0.51 for the latest 3-years, 0.46 versus 0.33 for the latest 5-years, 0.93 versus 0.72 for the latest 9-years and 0.70 versus 0.55 since inception. Reviewing individual money managers, Mr. Browning announced that Amarillo National Bank (ANB) had a total market value of approximately \$132 million with almost 96.5% invested in fixed income and 3.5% in cash and equivalents. He reported that for the latest quarter, the Fund outperformed the market index in fixed income returns: 0.32%

versus -1.19%. He further reported that the Fund received greater returns in all time periods since inception in this specific index. Mr. Browning noted that ANB ranked in the 61st percentile for the latest quarter, 55th for the latest nine months, 50th for the latest year and ranked in the top quartile for the latest 3, 5, and 10 years and since inception time periods. Reviewing the Portfolio Composition for Herring Bank I, Mr. Browning reported that the total market value of the Fund was \$39.5 with 90% invested in fixed income and 10% in cash and equivalents. He stated that Herring's fixed income returns for the quarter were 1.30% and 3.16% for the latest nine months; further stating that Herring had excellent return numbers for all time periods since inception. Mr. Browning reviewed that Herring was in the 32nd percentile for the latest quarter, 29th for the latest nine months, 39th for the latest year, 13th for the latest 3-years, 21st for the latest 5-years and ranked in the 6th percentile since inception. He reported that on a risk/return basis, Herring had greater returns than that of the Policy and is taking more risk. Mr. Browning noted that the Herring Bank II Fund had numbers that were much like Herring I. Overall, Mr. Browning stated that both fixed income managers are doing a very good job. Mr. Ramsey noted that all distributions for the Hospital District come from ANB's Portfolio.

ITEM 5. Consider a Resolution for the AHD to fund a Medicaid Upper Payment Limit. Mr. Frigo stated that this resolution would authorize funding of the Medicaid upper payment limit in the total amount of \$6,893,026. Of that amount, he reported, \$1,366,081 has been budgeted by the AHD to fund pediatric support services, the dental clinic, and the tobacco initiative, which are all now contracted through Northwest Texas Hospital. Mr. Frigo reported that the District would make two payments totaling \$227,681 in November, which would be the payments for October and November, and then ten monthly installments of \$113,840 beginning in December 2008. He reported that at September 30, 2008, the District had approximately prepaid \$11.3 million, extending the agreement out to August 2010. He reviewed that the amount of \$5,526,945 in item 1.b. would suspend the indigent care agreement out to August 8, 2011. Mr. Frigo noted that the amount is amortized at approximately \$500 thousand monthly. He reviewed that the UPL payment schedule was calculated at a discount rate of 10% and reported that gross payments would total \$6,941,540, however with the prepayment discount, the District would pay \$5,526,944.95. Mr. Norris stated that this resolution is the same basic arrangement that has been previously approved by the AHD Board of Managers to prepay the Healthcare Services Agreement in exchange for a discount; that the terms of this document, other than the dates and numbers, are the same. He noted that as written, there is no special collateral or collateral specific to this resolution. The District would rely upon the same initial securities from the sale of the hospital in 1996. Mr. Sanders reviewed that Item #5 is the District's resolution to approve the funding of the Medicaid program, Item #6 is an amendment that extends the suspension agreement and Item #7 is a resolution to extend the Healthcare Services Agreement. Mr. Bryan stated that he felt the Committee would need to convene into Executive Session to obtain legal advice regarding the contracts. Mr. Norris announced that the AHD Finance Committee would convene into Executive Session, under Section 551.071 of the Texas Open meetings Law, at 5:09 pm. At 5:21 pm, Mr. Norris announced that the AHD Finance Committee had completed its Executive Session. Mr. Graham moved to recommend approval of Items 5, 6, and 7 to the full Board. Ms. Barnes seconded the motion and it carried unanimously.

ITEM 6. Consider a Resolution for the AHD to enter an Amendment to the Suspension Agreement. This item was approved as a part of Item 5, where Mr. Graham motioned for approval, Ms. Barnes seconded, and the motion carried unanimously.

ITEM 7. Consider a Resolution for the AHD to enter an Amendment to the Healthcare Services Agreement. This item was approved in Item 5, where Mr. Graham motioned for approval, Ms. Barnes seconded, and the motion carried unanimously.

ITEM 8. Consider Division Orders from Laredo Petroleum Inc. Mr. Bryan reviewed that the division orders were in regard to a small interest in a producing property in Hutchinson County that was probably willed or perhaps acquired through a judgment some time ago. Mr. Norris reported that the interest produces a modest amount of income for the District, roughly \$6 thousand annually. Mr. Bryan stated that he would like more time to review the orders, that the Committee could tentatively approve the orders and still be able to revoke them at any time. Motion to recommend approval of the division orders to the full Board, subject to further review that may cause the Board to later revoke, was made by Mr. Bryan, seconded by Mr. Graham and unanimously carried.

ITEM 9. Consider Proposal for Actuary Services. Mr. Frigo presented a proposal from Mr. John M. Crider, Jr. for performing the October 1, 2008 valuation of the Retirement Plan for Employees of Northwest Texas Healthcare System as well as other services that the Plan will need over the next four years. He stated that Mr. Crider has been performing actuary services for the Pension Plan since 1996. Mr. Frigo reported that Mr. Crider works well with the auditors and Northwest Texas Hospital and stated that the increase in Mr. Crider's proposal was modest compared to what the Plan has been charged in the past. Mr. Graham motioned to recommend to the full Board that it approve Mr. Crider's proposal pending clarification of charges on item number three: Working with the Fund's attorney on revisions to the plan document and other issues. Ms. Barnes seconded the motion and it carried unanimously.

ITEM 10. Consider Sheriff Sale Property. Mr. Norris stated that the sheriff sale property from Potter County was a correction deed and reviewed that the State allows for private sale of foreclosed property that does not sale at the auction on the courthouse steps, but then that private sale must be approved by each taxing entity. He noted that even though the District does not currently assess a tax, it is still a taxing entity and the District's consent is required. Mr. Norris reviewed that there was a mistake made to the tax deed of the property sold in May of 2000, described as: 0.7385 acre tract of land out of Section 155, Block 2, AB&M, located on SE 9th, and confirmed that this was just a simple correction, that there were no contingent issues. Mr. Graham motioned to recommend approval to the full Board of the corrected tax deed. Ms. Barnes seconded the motion and it carried unanimously.

ITEM 11. Consider Investment Policy. Mr. Frigo stated that the Board is required to review its Investment Policy annually per the Texas Public Funds Investment Act. He noted that this Investment Policy covers the Corpus, not the Pension Plan. Mr. Frigo reviewed that the investment objectives are to preserve capital, provide liquidity, and to maximize earnings within the constraints of preserving capital and providing liquidity. He announced that staff's only recommendation this year was to modify section IV.C.3. regarding securities lending. Mr. Frigo reported that the recommended change was to replace "The term of the securities lending from one year or less" with "The term of the contract is for one year, but can be renewed annually for an additional one-year term by mutual consent of the District and Frost. The maximum term for securities on loan may not exceed 90 days, or the expiration date of the contract." Mr. Graham motioned to recommend to the full Board that it approve the recommended changes to the Investment Policy. The motion was seconded by Ms. Barnes and carried unanimously.

ITEM 12. Presentation of Quarterly Financial Statements. Mr. Frigo presented the quarterly financial statements at September 30, 2008, representing the Amarillo Hospital District's fiscal year-end. He stated that the Fund had almost \$16 million in cash and cash equivalents and \$194 million in investments. He noted \$8.2 million in securities lending with a liability of the same amount. Mr. Frigo reviewed that the \$11.3 million in prepaid expenses was the amount prepaid to the indigent care contract. He reported that the \$2.3 million pension asset is listed an asset because the pension plan is frozen and being funded faster than 30 years. Mr. Frigo stated that the total Fund balance at September 30, 2008 was \$225.5 million. Reviewing the income statement, Mr. Frigo reported \$11.1 million in realized income, \$79 thousand in unrealized income, \$824.5 thousand in Poison Control Grant Funds - with an operating expense to Texas Tech of the same amount, \$767 thousand in tobacco settlement proceeds and \$10 thousand in miscellaneous income. He noted total revenue in the amount of \$12.8 million versus total expenses of \$11.6 million for an operating income of approximately \$1.2 million. Including the net pension asset, Mr. Frigo reported net income of \$1.9 million. He reviewed operating expenses and stated that the largest operating expense was the indigent care contract of \$6.3 million, followed by \$1.9 million to the pension plan. Reviewing budget versus actual for the Operating Fund, Mr. Frigo reported the District budgeted \$10.8 million in revenue and received a little over \$11 million, noting that this was approximately 102% of budget. He reviewed that Public Health was under budget, budgeting \$767,312 and spending \$690,382. For the Tobacco Fund in budget versus actual, Mr. Frigo reported investment revenue was 110% of budget and miscellaneous income, or the tobacco proceeds, budgeted \$669,880 and received \$767,341. He noted that all other numbers in the Tobacco Fund were met for the year.

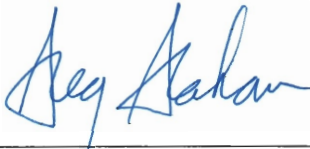
ITEM 13. Quarterly Investment Report from Investment Officer. Mr. Graham reported that the Amarillo Hospital Investment Portfolio was in compliance with the AHD Investment Policy and stated that he would present the full Investment Report at September 30, 2008 at the next morning's AHD Board of Managers

ITEM 14. Public Comments. There were no public comments at this time.

ITEM 15. Adjournment. There, being no further business, Mr. Bryan adjourned the meeting at 6:17 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