

**AMARILLO HOSPITAL DISTRICT
REGULAR MEETING OF BOARD OF MANAGERS
AMARILLO CITY HALL
CITY COMMISSION CHAMBERS
MINUTES
April 29, 2008
7:30 A.M.**

<u>Members</u>	<u>Present</u>
Mr. Craig Bryan, Chairman	Yes
Mr. Alphonso Vaughn	No
Mr. John Ben Blanchard	No
Mr. Greg Graham	Yes
Ms. Becky Dodson, Secretary	Yes
Dr. Paul Proffer	Yes
Mr. Andrew Obermueller	No

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	Wachovia Securities
Mr. John Crider	Consulting Actuary
Mr. Matt Ramsey	Amarillo National Bank
Mr. Herman Shirly	Herring Bank
Mr. Andy Ray	Clifton Gunderson, LLP
Mr. Jerry McMillon	Clifton Gunderson, LLP
Mr. Kyle Sanders	Chief Operational Officer, Northwest Texas Healthcare System

ITEM 1: Mr. Bryan called the meeting to order at 7:34 am at City Hall and welcomed those in attendance.

ITEM 2: Approval of Minutes from January 29, 2008. Mr. Bryan presented the minutes from the last meeting held January 29, 2008. There were no questions or comments. Approval of the minutes as written was motioned by Ms. Dodson, seconded by Mr. Graham and carried unanimously.

ITEM 3: Presentation and Discussion of the Pension Fund Investment Performance. Mr. Browning reported that the total market value of the Fund at March 31, 2008 was \$16.7 million. He further reported that approximately 61% of the Fund's investments were invested in stocks, 35% in fixed income, and 4% in cash and equivalents. Mr. Browning reviewed time-weighted returns, and stated that for the latest quarter, the Portfolio had a return of -3.80% versus that of the Policy of -4.14%, and 0.28% versus 1.38% for the latest year. In equities, he reviewed that for the latest quarter, the Portfolio received a return of -7.80% versus -9.45% of the market and -4.58% versus -5.08% for the latest year. Mr. Browning reported that the Portfolio had returns in fixed income of 2.12% versus the Policy of 4.12% for the latest quarter, and 7.83% versus 11.23% for the latest year. He noted that the numbers for the latest quarter, in relative terms, were terrific. On a risk-adjusted basis, Mr. Browning reported that the Fund is taking about the same amount of risk as the market and getting a slightly less return. Using the Sharpe Ratio of three years, Mr. Browning stated that the Fund received 0.41 units of return, per unit of risk taken, versus the market index of 0.36. He reviewed the Sharpe Ratio of the five-year period: 0.90 versus 0.95, and the ten year period: 0.18 versus 0.22. Mr. Browning reported that the Total Fund was in the 29th percentile for the latest quarter, 59th percentile for the latest year, and in the 30th percentile with a rate of return of 6.26% for the latest three years. In equities, he stated that the Fund was in the 25th percentile for the fiscal

year to date. In summary, Mr. Browning stated the Fund had a very rough quarter but performed better than most; that overall the money managers did an excellent job.

ITEM 4: Presentation and Discussion of the AHD Corpus Investment Performance. Mr. Browning reported that the total assets of the Fund at March 31, 2008 were \$214.5 million. For the latest quarter, he reviewed the Portfolio had returns of 2.48% versus that of the market of 3.81% and ranked in the 53rd percentile. Mr. Browning further reviewed that for the last twelve months, the Fund had returns of 8.93% versus 10.72% and was in the 31st percentile, 5.75% versus 6.17% in the 23rd percentile for the last three years, 4.35% versus 4.48% in the 21st percentile for the last five years, and 5.63% versus 5.59% in the 18th percentile since inception. He reported that Amarillo National Bank had returns of 2.88% versus 3.01% and ranked in the 46th percentile for the last quarter, 9.9% versus 8.90% and in the 27th percentile for the last 12 months and 5.97% versus 5.67% in the 21st percentile for the last three years. For the last quarter, Mr. Browning reviewed that Herring National Bank had returns of 2.09% versus that of the market of 3.01% and 7.55% versus 8.90% for the last twelve months. He noted that for the last five years, Herring had returns of 4.55% versus 4.36% and ranked in the 20th percentile. Mr. Browning stated that the money managers are doing a good job. Mr. Herman Shirly stated that he had always pushed for mortgage-backed securities because the spread was higher than treasury and would hold their value. He said that he felt that being invested in mortgage-backed securities would pay off in the long term, that Herring's returns would increase as the market improves. Mr. Browning stated that he agreed with Mr. Shirly and felt that the Fund was well positioned.

ITEM 5: Discussion of Actuarial Report on the Pension Plan. Mr. Crider presented the October 1, 2007 Valuation Report for the Retirement Plan for the Employees of Northwest Texas Healthcare System. He reported the minimum recommended contribution amount of \$1,362,131 and the maximum recommended amount of \$2,086,412. He stated that, historically, the District has always funded the twenty-year number for the upcoming 2008-2009 budget, which in the current valuation, is \$1,978,698. Mr. Crider reviewed that the District had budgeted \$1,915,336 for the 2007-2008 budget year and stated that the figure would be close enough to satisfy the contribution requirements. The change in this valuation, he reported, was lowering the assumed retirement age from 57 to 56. Mr. Crider reviewed that last year, the District lowered the assumed retirement age from 58 to 57 and noted that lowering the assumed retirement age raises the contribution rate amount, but also makes the Plan stronger and is closer to what the Plan is actually experiencing. In reviewing the market rates of return as measured in connection with the valuation, he reported that the market value of the Plan had improved over the last five years both on an absolute basis and in relation to the index. Mr. Crider stated that the Plan's market value rate of return at September 30, 2007 was 12.8% and had a rate of return of 8.7% for the last five years. He reviewed that the Plan is not valued on the market because it would produce a very volatile set of contributions; further reviewing that gains beyond what the Plan expect are smoothed into the assets over a 5-year period and losses are smoothed in over five years similarly. In reviewing the rates of return that plans experienced on the smoothed market value, Mr. Crider stated that at September 30, 2007, the Nwth Pension Plan had an actuarial value of 8.5%. He reminded the Board that the valuation is based on an assumption of 8% and stated that he does not recommend changing the assumed rate of return at this time. Mr. Crider stated that the Board has diligently avoided allowing the Plan to become under-funded and going into the future, the Board will need to make sure the Plan does not become over-funded. He reviewed that high rates of return, or retirements beginning at a later age, could possibly cause the Plan to have more money than what is called for at a given time. He explained that once money is put into the Plan, it cannot be taken out. In closing, Mr. Crider stated that he is really satisfied with the way the Board has responded in meeting the problems created by the downturn of the market along with the problems that occurred when the Plan started receiving a large number of early retirements by making contribution recommendations and allowing him to adjust assumptions as needed. He stated that it is a privilege, and is very thankful, to get to work on a Plan that is measured so carefully.

ITEM 6: Consider Funding Recommendation on the Pension Plan. Mr. Bryan reviewed that the Finance Committee of the Amarillo Hospital District had met the day prior to this meeting and discussed the pension plan actuarial valuation in depth with Mr. Crider. He reported that the Committee recommended

to the full Board that it fund the Plan as budgeted. Mr. Graham moved to fund the pension plan as budgeted in the amount of \$1,915,336. Ms. Dodson seconded the motion and it carried unanimously.

ITEM 7: Consider Request from Nelda Vernon Watkins regarding the Wanda Reed Fund. Since Ms. Watkins was not present at the meeting, Mr. Norris explained that Ms. Watkins had contacted Mr. Frigo regarding the Wanda Reed Fund. He stated that Ms. Watkins identified herself to Mr. Frigo as a daughter of Wanda Reed and informed him that the Wanda Reed Fund was established for nursing scholarships, however, she is now requesting that the money be used for cardiac care. The Wanda Reed Fund, Mr. Norris reviewed, is 1 of 11 Donor Restricted Funds held by the Amarillo Hospital District and reported that no disbursements have been made from any of the restricted funds since 1996, the sale of the hospital. He reported that since the sale of the hospital, the City staff has assisted the District with record keeping and is currently unable to locate any records regarding the dedicated funds. Mr. Norris announced that the City staff had begun a lengthy research process in an attempt to locate documentation that created the funds. He reported that the Law states when an entity is the holder of trust monies, there is a fiduciary responsibility not only to use it the way the donor intended, but also to the intended beneficiary. Mr. Norris stated that he needed to visit more with Ms. Watkins regarding her legal authority and, in the absence of Ms. Watkins, requested that the Board table this item. Mr. Bryan concurred with Mr. Norris and stated that the Board would table this item to give the City staff more time to gather proper documentation.

ITEM 8: Presentation and Discussion of AHD Audit. Mr. Ray presented the Annual Financial Report and the Single Audit Reports for the Amarillo Hospital District at September 30, 2007. He stated that the Annual Financial Report presented an unqualified, or clean, opinion. Mr. Ray reported that the Single Audit Reports, which relates to the Poison Control Grant, had no findings or questions and presented a clean report.

ITEM 9: Presentation and Discussion of Nwth Pension Plan Audit. Mr. Ray presented the Annual Financial Report of the Retirement Plan for the Employees of Northwest Texas Healthcare System at September 30, 2007. He announced that the audit produced a clean opinion.

ITEM 10: Presentation and Discussion of Agreed Upon Procedures Audit on the Tobacco Settlement Cost Report. Mr. McMillon presented the Independent Accountant's Report on Applying Agreed-Upon Procedures. This report, he explained, is applied annually to the expenditures report that is submitted to the State relating to the Tobacco Settlement Cost Report. Mr. McMillon stated that the report serves two purposes: 1) to verify re-pricing of indigent care services provided at Northwest Texas Hospital and 2) to serve as due diligence for the District. He explained that within the audit, a sample of 50 individuals had been selected that were denied indigent care and determined that the reasons they were denied were proper with no exceptions. Mr. McMillon reported that there were no issues or findings in the audit.

ITEM 11: Presentation of 2008 Tobacco Settlement Cost Report. Mr. Frigo presented the Tobacco Settlement Cost Report for 2008. He reminded the Board that the Amarillo Hospital District files a joint report with Potter County annually. For 2008, Mr. Frigo reported that the District reported total costs in the amount of \$17,669,267 and of that amount, Potter County reported \$440,634 and the Amarillo Hospital District reported \$17,228,633. He reviewed that the District, by law, is allowed to report a higher figure on the cost report than the actual amount that was paid to UHS by re-pricing services provided by Nwth to indigents using Medicaid rates. Mr. Frigo reported that the Amarillo Hospital District received tobacco settlement proceeds in the amount of \$786,965.94 and of that amount, Potter County received \$19,625.26 and the District received \$767,340.68. He reviewed that the District budgeted approximately \$650 thousand from the tobacco settlement.

ITEM 12: Discussion on New Health Department Facility. Mr. Richardson updated the Board on the new Department of Public Health Facility. He reminded the Board that the new building would be located three sites north, at Amarillo Boulevard and Martin Road. He reviewed that, per the floor plan, the new building is just under 12 thousand square feet. Mr. Richardson stated that the site plan is in the

works, and the latest versions of the floor plans are being costed out. Preliminary elevations, he stated, would be dependent on the cost of the floor plans. He reminded the Board that the preliminary construction cost estimates for the facility were approximately between \$2.1 and \$2.25 million; that the official cost estimate had yet to be received. Current commitments towards construction of the new facility, Mr. Richardson reviewed, were \$1 million from the City of Amarillo Certificates of Obligation, approximately \$600 thousand from the Amarillo Health Facilities Corporation, and a pending grant application to the Community Development Block Grant Board in the amount of \$250 thousand. He stated that conversations were ongoing with Northwest Texas Hospital regarding a potential buy-out of space, currently being leased by the Public Health Department, at the Wyatt Clinic. Ms. Dodson questioned the timeline for the new facility. Mr. Richardson replied that the cost estimates were expected in approximately 7 to 10 days, the bid process would take approximately 1 month, and construction would begin around the summer of 2008. He estimated that construction of the facility would take approximately 10 months, and anticipated completion in late spring or early summer of 2009.

ITEM 13: Presentation and Discussion of Emergency Room Services. Mr. Sanders addressed the Board regarding the discussion and information being released about the move of the emergency room department physicians from Northwest Texas Hospital (NWTN) to Baptist St. Anthony's Hospital (BSA). He stated that effective the end of May 2008, the current emergency room physicians group at NWTN would be moving to BSA. He reported that NWTN has contracted with EmCare, and stated that through Universal Healthcare Services (UHS), NWTN has established a great relationship with EmCare. He noted that EmCare serves many of UHS facilities around the country. He expressed that the change is not something wanted or desired, but because NWTN is making a change and moving on with a new group, NWTN is taking the opportunity to make some positive improvements in the care that is delivered. Currently, Mr. Sanders reported, NWTN has approximately 48 hours per day of coverage with emergency room physicians and with EmCare, NWTN will have over 60 hours per day of coverage that would include nurse practitioners and mid-level providers. He stated that NWTN would have a more sophisticated triage process and that everyday, 24 hours a day and seven days a week, the emergency room at NWTN would have coverage of 1 to 2 Emergency Board Certified Physicians. Mr. Sanders announced that NWTN is excited about the opportunity and already in discussions related to how NWTN is going to be able, thru the additional coverage and new procedures, to increase throughput and see patients faster. He reported that NWTN is fully staffed through May 2008, and noted that the change is expected June 1, 2008.

ITEM 14: Review and Consider the District's Bylaws. Mr. Frigo stated that the District's Bylaws require an annual review. He reported that City staff did not recommend any changes this year. Mr. Bryan stated that he did not know of any changes needed or required. Mr. Graham moved to approve and adopt the Amarillo Hospital's District Bylaws as-is, seconded by Dr. Proffer and carried unanimously.

ITEM 15: Consider Approval of the Potter County Sheriff Sale Property. Mr. Frigo stated that the property located at 507 N. Monroe Street had been presented at the Potter County Sheriff Sale. He reviewed that the property did not sale and was sent to the Potter County Tax Collector to be disposed. Mr. Frigo reported that the Tax Collector had received an offer, through private sale, to purchase the lot in the amount of \$500.00. He announced that the individual making the offer is a taxpayer in good standing and that City staff is recommending the Amarillo Hospital District approve the sale. He noted that the City Commission had already approved the sale. Mr. Frigo reviewed that Potter County's goal is to get property into the possession of citizens who will pay the taxes. He reported that when property is sold for less than what is owed in taxes, each taxing entity must approve the sale. Ms. Dodson motioned to accept the offer made to the Potter County Tax Collector. Mr. Graham seconded the motion and it carried unanimously.

ITEM 16: Consider Approval of Investment Training with the University of North Texas. Mr. Frigo reported that he and Mr. Graham attended investment training presented by the University of North Texas. He stated that the University holds the training in Amarillo once a year and reviewed that the law requires the governing body to approve the training and that the training must be offered by an

independent source. Motion to approve the investment training attended by Mr. Frigo and Mr. Graham by the University of North Texas was made by Dr. Proffer, seconded by Ms. Dodson and carried unanimously.

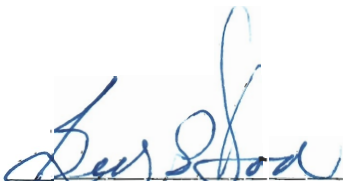
ITEM 17: Presentation of Quarterly Financial Statements. Mr. Frigo presented the Quarterly Financial Statements at March 31, 2008 and noted that the report represented half of the District's fiscal year. He reported that the total balance of the Fund at March 31, 2008 was approximately \$230 million. Mr. Frigo stated that the Fund had an operating income of \$7.1 million at the end of six months, and reviewed total revenue in the amount of \$11.9 million versus \$4.7 million in total expenses. He noted \$51 thousand in donor-restricted funds. In reviewing budget versus actual, Mr. Frigo reported realized investment income budgeted at \$10.8 million versus \$6.3 million actual, or 58% of budget for the first six months of the fiscal year. The Tobacco Fund, Mr. Frigo reported, has currently paid approximately \$142 thousand to the Dental Clinic, \$558 thousand to Pediatric Support Services and \$112 thousand to the Tobacco Initiative. He reviewed that the Fund received settlement proceeds of approximately \$760 thousand and noted that the proceeds alone could not sustain the Fund's total expenses.

ITEM 18: Quarterly Investment Report from Investment Officer. Mr. Graham reported that for the quarter ending March 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 80.16% of the total Portfolio, which is below the 85% Agency limit. Mortgage backed securities, he stated, represent 13.90% of the total Portfolio, which is below the 30% limit, and obligations of state or local governments represent 7.74% of the total Portfolio, which is below the 10% limit. He reported that treasuries and full faith and credit obligations comprise 5.52% of the total Portfolio and cash balances, including Money Market funds, comprise about 6.58%. Investments with maturities greater than 10 years represent 41.82% 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 102.55% of the book value, with a market value of \$216,016,041 and a book value of \$210,653,195. 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 March 31, 2008 were \$6,371,511.

ITEM 19: Committee Reports. Mr. Bryan stated that the Finance Committee had met the day before, April 28th, and that everything discussed in depth during the meeting had been presented at the present meeting. There were no other committee reports.

ITEM 20: Public Comments. Ms. Dodson stated that, speaking as an individual and being a member of the Board of Directors for the Amarillo Hospital District, she felt that the Board is responsible for AHD monies and learned while serving on the Board that it is difficult to grow funds with the current economics. Ms. Dodson noted that the District's largest expense is Indigent Care and stated she felt strongly that a smoking ordinance in Amarillo would reduce medical care costs, which would also benefit the Board. She stated that she felt responsible as an individual, and as a Board member, to endorse the ordinance for the healthcare of the citizens of Amarillo and commended the hospitals for the steps they have taken to become smoke-free.

ITEM 21: Adjournment. There, being no further business, the meeting adjourned at 8:40 am. This meeting was recorded and all comments are on file in the City Finance Department.


Becky Dodson, Secretary


Craig Bryan, Chairman