

**AMARILLO HOSPITAL DISTRICT
REGULAR MEETING OF BOARD OF MANAGERS
DEPARTMENT OF PUBLIC HEALTH BUILDING
1000 MARTIN ROAD, AMARILLO, TEXAS 79107
MINUTES
APRIL 27, 2010 - 7:30 A.M.**

<u>Members</u>	<u>Present</u>
Mr. Craig Bryan, Chairman	Yes
Mr. Greg Graham	Yes
Dr. Paul Proffer	Yes
Ms. Liz Hughes	Yes
Ms. Nancy Kritser	Yes
Ms. Murielle Barnes	Yes
Ms. Claudette Dove	Yes

Also Present

Mr. Dean Frigo	Assistant City Manager for Financial Services, City of Amarillo
Mr. Marcus Norris	City Attorney, City of Amarillo
Mr. Matt Richardson	Public Health Director, City of Amarillo
Ms. Andrea Rains	Recording Secretary, City of Amarillo
Mr. Roy Browning	Investment Consultant, Wachovia Securities
Mr. John M. Crider	Consulting Actuary
Ms. Cindi Eagle	CPA, Connor, McMillon, Mitchell, Shennum, PLLC
Ms. Janie Arnold	CPA, Connor, McMillon, Mitchell, Shennum, PLLC
Ms. Charlyn Snow	Director of Human Resources, Northwest Texas Healthcare System
Mr. Kyle Sanders	Chief Executive Officer, Northwest Texas Healthcare System
Ms. Sharon Oxendale	Chief Operating Officer, Northwest Texas Healthcare System

ITEM 1: Presentation of Service Award. Mr. Bryan presented Alphonso Vaughn with a plaque for his service and dedication on the Board of Managers of the Amarillo Hospital District from January 2006 to January 2010.

EXECUTIVE SESSION: Mr. Norris announced that the AHD Board of Managers would convene into Executive Session, under Section 551.071 of the Texas Open meetings Law, at 7:30 am. At 7:41 am, Mr. Norris announced that the AHD Board of Managers had completed its Executive Session.

ITEM 2: Mr. Bryan established a quorum, welcomed everyone in attendance, and called the meeting to order at 7:30 am in the conference room of the new Department of Public Health building. He introduced Ms. Claudette Dove as the District's newest Board member.

ITEM 3: Mr. Bryan presented the minutes from the last Board of Directors meeting held January 12, 2010. Ms. Barnes pointed out a typo in Item 8; the word "nothing" to read as "noting." Motion to approve the minutes as amended was made by Ms. Barnes, seconded by Mr. Graham and carried unanimously.

ITEM 4: Board Appointment. Mr. Bryan reported that Dr. Proffer would fill the vacant Chairman position on the Indigent Care and Funding Priorities Committee and that Ms. Dove had agreed to serve on as a member of the Committee. He further reported that he, as the District's Chairman, had been nominated by the City Commission to serve as the District's representative on the E.C.A.B. (Emergency Care Advisory Board).

ITEM 5: Presentation and Discussion of the Pension Fund Investment Performance. Mr. Browning reviewed the Capital Markets for the period ending March 31, 2010. He reported that the Fund had returns of 3.5% versus that of the market of 3.9% for the quarter, and 27.6% versus 31.3% for the year. He noted that the Fund's returns were better across the board for the 3, 5, and 10-year periods and terrific even longer term. Reviewing the 5-year Calendar Return Summary, Mr. Browning stated that the total

Fund had a rate of return of -18.8% in 2008, 6.1% in 2007, and 13.2% in 2006. He reported that on a risk-adjusted basis for the latest 3 and 5-year periods, the Fund is adding more value to its portfolio and taking less risk and ranked in the 80th, 50th, 64th, and 94th percentiles for latest 1, 3, 5, and 7-year periods respectively. Discussing the Sharpe Ratio, Mr. Browning reviewed that the total Fund had a sharpe ratio of -0.08 versus the total Policy of -0.10 for the latest 3-year period, 0.15 versus 0.07 for the latest 5-year period and 0.17 versus 0.03 for the latest 10-year period. In closing, Mr. Browning stated that against risk-adjusted returns and the market index, the Fund is doing well.

ITEM 6: Presentation and Discussion of the AHD Corpus Investment Performance. Mr. Browning presented the Investment Performance Review of the AHD Corpus at March 31, 2010 and reported that total assets of the total Portfolio were \$205,225,345. He reviewed Fund returns of 2.0% versus the market index of 1.1% for the latest quarter, 3.1% versus 1.2% for the last year, 5.4% versus 5.9% for the last 3-years, 4.9% versus 5.1% for the last 5-years and 5.8% versus 5.7% for the last 10-years. Reviewing returns of the Investment Managers, Mr. Browning reported that Amarillo National Bank held \$127,228,006 of the Fund's assets and received returns of 2.5%, 3.0%, 5.5%, 4.9% and 5.8% for the last quarter, year, 3-year, 5-year and 10-year time periods, respectively. He announced that the Herring I and Herring II accounts have been combined into one account and received returns of 1.3% for the latest quarter and 3.1% for the latest year. Mr. Browning reported that the Tobacco Settlement Fund outperformed the Citigroup Treasury in all time periods. He reviewed that the Sharpe Ratio of the Fund was 1.19 versus 1.11 of the Policy for the 3-year period, 0.82 versus 0.72 for the 5-year period, and 1.09 versus 0.84 for the 10-year period. Regarding risk-adjusted returns, Mr. Browning stated that the Fund's performance was terrific and noted that in sum, the Fund is doing really well.

ITEM 7: Discussion of Actuarial Report on the Pension Plan. Mr. Crider presented the Actuarial Valuation of the Retirement Plan for Employees of Northwest Texas Healthcare System as of October 1, 2009 and thanked the Board for the opportunity to prepare the report. He explained that the results of the report had been discussed in detail and recommended by the Finance Committee. The twenty-year funding number from October 1, 1998, he reviewed, is intended to fully-fund the unfunded actuarial accrued liability by the time the District's contract with UHS expires. He noted that the twenty-year funding contribution number is historically used by the District for purposes of budgeting for the next fiscal year. Mr. Crider explained that contribution requirements are projected to increase next year because the Plan has not been able to achieve the 8% assumed rate of return. He noted that the market is rebounding considerably and 8% is a widely-used rate of return that he will continue to use in his valuations. An encouraging point, Mr. Crider announced, was that retirements had begin to occur at a later age than they have over the last 5 to 10 years and that if the trend continues, contribution requirements should start to decrease. Mr. Crider explained that although underfunding and overfunding the Plan are both risks, the District should closely monitor its contributions so not to overfund the Plan because once money is put into the Fund; it cannot be taken back out. Issues to keep watching, he reported, were 1) the Plan's rate of return, 2) participants who have left the hospital without applying for benefits and 3) the Plan must be submitted to the IRS for a new determination letter by January 31, 2011. Mr. Crider stated that he is working with attorneys from Fulbright & Jaworski, whom are also aware of the due date, and explained that although the Plan is very limited in the changes it can make, any simplification would be very beneficial.

ITEM 8: Consider Funding Recommendation on the Pension Plan. Mr. Graham explained that the Finance Committee had met the day before this meeting and discussed the funding recommendation on the pension plan and reported that the Committee had motioned to recommend to the full Board that funding be continued based upon the budgeted twenty-year amount. Mr. Graham seconded the Finance Committee's recommendation to authorize the budgeted contribution amount of \$2,103,169 to the Plan and the motion unanimously carried.

ITEM 9: Presentation and Discussion of the AHD Audit. Ms. Eagle presented the Annual Financial Report and the Single Audit Reports for the Amarillo Hospital District at September 30, 2009. She reported that the Annual Financial Report presented a clean opinion. Ms. Eagle further reported that the Single Audit Reports, which relates to the Poison Control Grant, also presented a clean report with no findings.

ITEM 10: Presentation and Discussion of the NWTB Pension Plan Audit. Ms. Eagle presented the Annual Financial Report of the Retirement Plan for the Employees of Northwest Texas Healthcare System at September 30, 2009. She announced that the audit produced a clean opinion.

ITEM 11: Presentation and Discussion of Agreed Upon Procedures Audit on the Tobacco Settlement Cost Report. Ms. Eagle presented the Independent Accountant's Report on Applying Agreed-Upon Procedures. She reviewed that this report relates to the Tobacco Settlement Cost Report and serves as the District's due diligence. Ms. Eagle explained that as a part of the audit, a sample of 50 individuals had been randomly selected who were denied indigent care and found that the reasons for denial were proper with no exceptions. She reported that the audit produced a clean opinion with no findings.

ITEM 12: Presentation of 2010 Tobacco Settlement Cost Report. Mr. Frigo presented the 2010 Tobacco Settlement Cost Report. He reviewed that the Amarillo Hospital District files a joint report annually with Potter County. Mr. Frigo reported that this year, Potter County's portion of the cost report was \$504,921 and the Amarillo Hospital District's costs were \$19,557,854 for a total allowable expenditure amount of \$20,062,775. He noted that the District is able to re-price services provided by NWTB for indigent care using the Medicaid rates and report a higher figure on the report than the amount actually paid to UHS. Mr. Frigo reported that the Amarillo Hospital District received tobacco settlement proceeds of approximately \$356 thousand; and of that amount, Potter County will receive about \$9 thousand and the District will receive \$347 thousand. He reminded the Board that the District had received around \$940 thousand last year and was advised by the State to budget half that amount for this year, and pointed out that the amount actually received this year was considerably less than half the amount received last year. Mr. Bryan clarified that the amount the District received was less than the amount budgeted. Mr. Frigo thanked Mr. Kyle Sanders for his help on the report.

ITEM 13: Consider Pension Plan Amendment for American Medical Response (AMR) Employees. Ms. Snow stated that this Tenth Amendment would allow for Northwest Texas Healthcare System (NWTB) employees, who became American Medical Response (AMR) employees on January 17th, 2010, to continue crediting their service towards their retirement plan with NWTB. Mr. Graham motioned to adopt the Tenth Amendment as presented. Ms. Barnes seconded the motion and it carried unanimously.

ITEM 14: Consider Pension Plan Amendment Removing Ability for Service Accrual with Masterplan effective June 1st, 2010. Ms. Snow explained that this Eleventh Amendment was much like the Tenth Amendment above in that it would continue to credit service towards their retirement plan with NWTB to those employees of General Electric who become employees of Masterplan, Inc., effective June 1st, 2010. Motion was made by Mr. Graham, seconded by Ms. Barnes, and unanimously carried to adopt the Eleventh Amendment as presented.

ITEM 15: Review and Consider the District's Bylaws. Mr. Bryan reported that the District's Bylaws have been reviewed by staff and stated that no changes or recommendations had been submitted this year.

ITEM 16: Consider Approval of Potter County Sheriff Sale Properties. Mr. Bryan reported that the Potter County Sheriff Sale properties submitted for approval had been struck off for delinquent taxes and because they were not bought off the courthouse steps, they were put up for bid and awarded to the highest bidder. He noted that the bids are less than the taxes due therefore; each governing body must approve the sales. Mr. Graham reported that this item had been discussed and recommended by the Finance Committee. Ms. Kritser seconded the Finance Committee's recommendation for approval of the Potter County Sheriff Sale properties and the motion carried unanimously.

ITEM 17: Consider Approval of Investment Training with the University of North Texas. Mr. Bryan reported that Mr. Graham had attended ten hours of investment training sponsored by the Center for Public Management and the GFOAT in Austin, Texas on April 13th and 14th, 2010. Mr. Frigo reviewed that the law states the training must be received by an independent source and requires the governing body to approve the training. Motion to approve the investment training attended by Mr. Graham and to reimburse him for travel expenses incurred with the training was made by Dr. Proffer, seconded by Ms. Hughes and carried unanimously.

ITEM 18: Presentation of Quarterly Financial Statements. Mr. Frigo presented the District's quarterly financial statements at March 31, 2010 and reviewed the General Fund's balance sheet. He reported that current assets included approximately \$205,506 in cash and investments, \$1,711,888 in accrued interest on investments and \$18,274,379 in prepaid expenses. He stated that the \$9,765,000 in investment securities lending collateral is reported as both an asset and a liability for when the collateral is returned. Mr. Frigo noted that the \$3,216,662 net pension asset is recorded as an asset because the District is funding the Plan at a faster rate than required by law. Under liabilities, he reported \$86,268 in self-insurance costs and \$284,919 in prior workers' compensation claims. Mr. Frigo stated that the Fund had a strong balance sheet with a total Fund balance of \$228,384,250. Reviewing the Fund's Income Statement, Mr. Frigo reported total expenses of \$4,347,383 over total revenue of \$2,724,297. He stated that the Fund's largest expense was Indigent Care at \$2,994,358 followed by Professional Services at \$856,845 and Public Health at \$354,786. Mr. Frigo reminded the Board that Public Health utilizes grant income first. From the Budget versus Actual report, he reviewed that realized investment income was budgeted at \$8,975,000 versus an actual amount received of \$4,285,731, or approximately 48% realized. He explained that the \$250 thousand amount budgeted under Community Healthcare Projects was the commitment the District made to expansion project of the Pediatrics Department at TTUHSC; to which Dr. Benjamin announced that construction was currently underway. Total expenses, Mr. Frigo reviewed, were budgeted at \$9,440,337 versus an actual amount realized of \$3,491,610. He stated that cash from operations was an actual \$798,733 compared to a budgeted -\$449,997. Reviewing the budget versus actual report of the Tobacco Fund, Mr. Frigo reported that miscellaneous income had a budget number of \$470,499 but would actually receive \$347,652 as presented in the Tobacco Cost Report above. He stated that Professional Services, which is the District's contracts for Pediatric and Dental services, and Tobacco Free Amarillo; was right at 50% realized or \$1,639,210 budgeted versus \$819,605 actual.

ITEM 19: Quarterly Investment Report from Investment Officer. Mr. Graham reported that for the quarter ending March 31, 2010, the Investment Portfolio was in compliance with the Amarillo Hospital District Investment Policy as amended on January 12, 2010 and the Public Funds Investment Act. He reviewed that agency securities, including mortgage-backed securities, represent 83.01% of the total Portfolio, which is below the 95% Agency limit. Mortgage backed securities, he stated, represent 12.65% of the total Portfolio, which is below the 30% limit, and obligations of state or local governments represent 6.09% of the total Portfolio, which is below the 10% limit. He reported that treasuries and full faith and credit obligations comprise 3.67% of the total Portfolio and cash balances, including Money Market funds, comprise about 7.23%. Investments with maturities greater than 10 years represent 17.36% 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 100.97% of the book value, with a market value of \$205,504,091 and a book value of \$203,534,570. Mr. Graham reviewed that in the current year, the AHD Budget called for \$9,006,000 in realized investment income and the current investment earnings through March 31, 2010 were \$4,287,421.

ITEM 20: Committee Reports. There were no Committee Reports to present at this time.

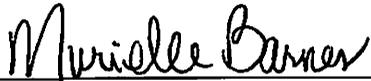
ITEM 21: Public Comments. Mr. Kyle Sanders introduced Northwest Texas Hospital's new Chief Operating Officer, Ms. Sharon Oxendale.

ITEM 22: Department of Public Health Update and Tour. Mr. Richardson thanked the Board for their support of the new Public Health Department facility and their \$250 thousand commitment towards the construction of the building. He reviewed that the completion of the new building creates a type of "medical hub" on the northwest side of Amarillo with the Public Health Department being next to RHN (Regence Health Network) and Northwest's Women's and Children's Center. Mr. Richardson concluded the meeting with a tour of the new Department of Public Health.

ITEM 23: Adjournment. There, being no further business, the meeting adjourned at 9:20 am. This meeting was recorded and all comments are on file in the City Finance Department.



Craig Bryan, Chairman



Murielle Barnes, Secretary