

**AMARILLO HOSPITAL DISTRICT
MEETING OF BOARD OF MANAGERS
AMARILLO CITY HALL
CITY COMMISSION CHAMBERS
MINUTES
APRIL 26, 2011
7:30 A.M.**

<u>Members</u>	<u>Present</u>
Mr. Greg Graham, Chairman	Yes
Ms. Murielle Barnes, Vice-Chair	Yes
Ms. Liz Hughes, Secretary	Yes
Dr. Paul Proffer	Yes
Ms. Nancy Kritser	Yes
Ms. Claudette Dove	Yes
Mr. Chuck Speed	Yes

Also Present

Mr. Dean Frigo	Assistant City Manager for Financial Services, City of Amarillo
Mr. Marcus Norris	City Attorney, City of Amarillo
Ms. Andrea Rains	Recording Secretary, City of Amarillo
Mr. Roy Browning, Jr.	Investment Consultant, Wachovia Securities
Mr. John M. Crider, Jr.	Consulting Actuary
Mr. Jerry McMillon	CPA, Connor, McMillon, Mitchell, Shennum, PLLC
Ms. Janie Arnold	CPA, Connor, McMillon, Mitchell, Shennum, PLLC

ITEM 1: Mr. Graham established a quorum and called the meeting to order at 7:35 am, welcoming everyone in attendance.

ITEM 2: Approval of Minutes from April 20, 2011. Mr. Graham presented the Minutes of the April 20, 2011 meeting. With no questions or comments, motion for approval was made by Ms. Barnes, seconded by Ms. Hughes, and unanimously carried.

ITEM 3: Presentation and Discussion of the Pension Fund Investment Performance. Mr. Browning presented the Investment Performance Review for the Amarillo Hospital District's Pension Fund and discussed the Capital Markets Summary at March 31, 2011. He reported that the total market value of the Fund was \$16,108,977 and reviewed that the Fund had returns of 3.3% versus that of the market of 3.7% for the latest quarter. Mr. Browning further reviewed returns of 10.0% versus 9.7% for Fiscal Year to Date, 11.2% versus 11.6% for the latest 1-year period, and stated that the Fund was ahead of the market for the 3, 5, 10-year, and since inception periods with returns of 4.5%, 4.7%, 4.6% and 5.5% respectively. He reported that the Fund's rate of return for all time periods was doing good; and that on a risk adjusted basis, the Fund is taking less risk and getting more return than the market index. Mr. Browning explained that the Fund had a Sharpe Ratio of 0.33 versus the total Policy of 0.25 for the latest 3-year period, 0.27 versus 0.21 for the latest 5-year period and 0.31 versus 0.27 for the latest 10-year period. He reported that on a risk-adjusted basis, the Fund is in excellent shape across all time periods. In closing, Mr. Browning stated that the Fund is doing fine and suggested that the Board may want to discuss investing in additional asset classes.

ITEM 4: Presentation and Discussion of the AHD Corpus Investment Performance. Mr. Browning presented the District's Corpus Investment Performance Review at March 31, 2011. For the last quarter, he reported that the Fund outperformed the market index with a return of 0.3% versus 0.0%. He further reported Fund versus the market index returns of 3.2% versus 3.7% for the last twelve months, 3.6% versus 3.6% for the last three years, 5.1% versus 5.4% for the last five years, and 4.9% versus 4.9% for the last ten years. Mr. Browning reviewed that both Amarillo National Bank and Herring Bank had a return of 0.3% for the last quarter; and that Amarillo National had better returns than the market for the last twelve months, three years, and five years. For the last ten years, he noted that both banks had returns

of 4.9%. He reported that although the Tobacco Fund's returns were low for the latest quarter, twelve-month, and three-year periods at 0.0%, 0.2%, and 0.7% respectively, the Fund had better returns than the market index for all time periods. On a risk-adjusted basis, Mr. Browning stated that the Fund is going great, taking less risk and getting a greater return than that of the market. Reviewing the Shape Ratio, he reported that the Fund had a ratio of 1.00 versus the total Policy of 0.86 for the latest 3-year period, 1.10 versus 1.02 for the latest 5-year period, and 0.99 versus 0.77 for the latest 10-year period. Mr. Browning reported that overall, the Fund had a good quarter and is doing fine on an absolute and risk-adjusted basis.

ITEM 5: Consider Resolution to Nominate a Member to the Tobacco Settlement Investment Advisory Committee. Mr. Graham reviewed that the Finance Committee had met and recommended that Roy Browning, Jr., the District's Investment Consultant, be nominated to the Tobacco Settlement Investment Advisory Committee. Motion to adopt the resolution nominating Mr. Roy Browning, Jr. to the Tobacco Settlement Advisory Committee was made by Mr. Speed, seconded by Ms. Kritser, and carried unanimously.

ITEM 6: Consider Pension Plan Investment Policy. The Board tabled this item in order to give the District's Finance Committee time to meet with Mr. Browning for a recommendation to the Full Board.

ITEM 7: Discussion of Actuarial Report on the Pension Plan. Mr. Crider presented the Retirement Plan for Employees of Northwest Texas Healthcare System at October 1, 2010 and stated that the report had been fully presented and discussed in detail with the Finance Committee the afternoon before. He reported that the twenty-year funding amount the District had budgeted for the current year falls within the recommended range and noted that the results of the report could also be used for budgeting in the upcoming year. In closing, Mr. Crider stated that the Board should take pride in the way they manage the Plan.

ITEM 8: Consider Funding Recommendation on the Pension Plan. Mr. Graham reviewed that the Finance Committee had discussed the pension plan actuarial valuation in depth with Mr. Crider in a meeting held the previous afternoon. He reported that funding the budgeted twenty-year number from the valuation came as a recommendation from the Finance Committee. Mr. Frigo added that the District historically budgets the twenty-year number in order to have the Plan funded as much as possible before the contract expires with UHS and would budget the \$2,382,712 number from the valuation as of October 1, 2010 in the upcoming 2011-12 budget. Ms. Barnes motioned to fund the Plan as currently budgeted in the amount of \$2,231,091. Ms. Hughes seconded the motion and it unanimously carried.

ITEM 9: Presentation and Discussion of AHD Audit. Mr. Jerry McMillon introduced himself and Ms. Janie Arnold to the Board. He reported that overall, the District's audits went very well. He reported that the Annual Financial Report of the Amarillo Hospital District at September 30, 2010 produced a clean and unqualified opinion.

ITEM 10: Presentation and Discussion of NPTH Pension Plan Audit. Mr. McMillon presented the District's Pension Plan Audit at September 30, 2010 and announced that it had presented a clean opinion.

ITEM 11: 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 on the Tobacco Settlement Cost Report. He reviewed that verification of the re-priced amounts within the Tobacco Settlement Cost Report and due diligence of the District are the main purposes of this audit, noting that penalties from the State are significant if errors are made within the Tobacco Settlement Cost Report. Mr. McMillon reported that a sample of 50 individuals who had been denied indigent care services were selected in the audit and it was found that the reasons for denial were accurate with no exceptions. He stated that overall, this was a good report and there were no issues or findings in the audit.

ITEM 12: Presentation of 2011 Tobacco Settlement Cost Report. Mr. Frigo presented the District's Tobacco Settlement Cost Report for 2011. He explained that each year, the Amarillo Hospital District files a joint report with Potter County to the State. Mr. Frigo stated that the District reported total costs in

the amount of \$12,951,460 for 2011 and of that amount, Potter County reported \$547,719 and the Amarillo Hospital District reported \$12,403,741. He reviewed that by law, the District 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 NPTH to indigents using Medicaid rates. Mr. Frigo reported that the District budgeted \$350 thousand from the tobacco settlement this year and received \$250,323.57. He noted that Potter County would receive \$10,586.22 of the total amount.

ITEM 13: Consider Partial Release of Collateral. Mr. Norris reviewed that upon the sale of the hospital in 1996, obligations of Northwest Texas Hospital were secured by the District with a lien on the hospital's property. He further reviewed that this partial release of collateral pertained to a parking lot adjacent to the hospital and used by a children's rehabilitation center known as the "Turn Center". The Turn Center, Mr. Norris explained, requested conveyance of the parking lot deed from Northwest Texas Hospital. He further explained that in the past, there had been debate about which entity was responsible for the maintenance of the parking lot. Therefore, he stated, staff would advise and encourage transfer of ownership to the Turn Center. Mr. Norris reminded the Board that in the past, the District has released similar partial collateral which does not release UHS of any obligations secured in the contract. Mr. Graham stated that the Finance Committee had reviewed and recommended the partial release of covenants and restrictions and recommended it to the full Board. Motion to approve the partial release of collateral was made by Mr. Speed. Ms. Hughes seconded the motion and it unanimously carried.

ITEM 14: Consider Approval of Potter County Sheriff Sale Properties. Mr. Norris explained to the Board that when property taxes become delinquent, the Potter County Tax Collector tries to sell the property on the steps of the courthouse for the taxes due in what is known as the Sheriff's Sale. He further explained that if the property does not sell at the Sheriff's Sale, the collector then attempts to sell the property by sealed bid. Mr. Norris stated that since the properties are sold for less than the taxes due, each taxing entity must agree to the sales price. He added that although the District no longer levies a tax, it still collects delinquent taxes and that by approving these sales; the District will give Potter County authority to sell the properties and distribute the proceeds to each taxing entity. Ms. Hughes made the motion to approve the Potter County Sheriff Sale Properties, Ms. Kritser seconded, and the motion carried unanimously.

ITEM 15: Consider Approval of Investment Training with the University of North Texas. Mr. Frigo explained that per the Public Funds Investment Act, Investment Officers must obtain ten hours of investment training every two years from an independent source and requires that the training be approved by the governing body. He reported that he and the City's Finance Director had attended investment training from the University of North Texas this year. Ms. Dove motioned for approval of the investment training administered by the University of North Texas. Ms. Kritser seconded the motion and it unanimously carried.

ITEM 16: Presentation of Quarterly Financial Statements. Mr. Frigo presented the District's quarterly financial statements at March 31st, 2011. Reviewing the General Fund's balance sheet; he reported that at halfway through the year, the District held current assets of approximately \$205 million in cash and investments and about \$1.4 million in accrued interest on investments. He pointed out prepaid expenses of \$15,263,452; which is the amount of advanced payments to UHS for the Indigent Care Contract and that after last week's special meeting, this amount was now about \$16.6 million. In other assets, Mr. Frigo reviewed Fixed Assets, or the dental clinic building, of \$99,410 and a Net Pension Asset of \$4,284,585; because the District is funding the Plan faster than a thirty-year schedule. He noted liabilities of \$65,163 in current estimated self-insurance costs and \$284,919 in long term estimated self-insurance costs; noting that both numbers represented workers' compensation claims and that those claims retain lifetime medical treatment. Mr. Frigo reported a total Fund balance of \$225,611,441 and stated that overall; the Fund is in relatively good shape. Reviewing the Income Statement, he reviewed total revenue of a negative \$2,112,291 versus total expenses of \$4,271,431. He reported from revenue: delinquent tax income of \$6,239; realized investment income of \$2,949,167 and an unrealized income loss of \$5,082,336. Indigent Care, he stated, was the District's largest expense of \$2,763,473; followed by \$781,714 for Professional Services and \$387,158 for Public Health. Mr. Frigo reviewed an Operating Loss of \$6,383,722 and explained that without the unrealized loss number; the District would be at an

operating loss of approximately \$1.3 million for the quarter. Reviewing the Budget Versus Actual Report for the Operating Fund, Mr. Frigo pointed out that the Fund is behind in total revenue for the quarter at an actual \$2,967,897 received versus a budgeted \$9,177,478 or 32.34% realized. He reviewed that the Indigent Care Contract was right on track at a realized 50.14% and Public Health was at 44.32% realized. Mr. Frigo pointed out that the budgeted amount of \$2,231,091 under the Retirement Trust would be paid this month. He reviewed from the Tobacco Fund's Budget Versus Actual Report and reported a budgeted total revenue amount of \$352,275 and reminded the Board that only \$250 thousand was received from the tobacco settlement proceeds. He also reported that the actual amount of \$737,166 under Professional Services was used to fund pediatric services and Tobacco Free Amarillo. Mr. Frigo stated that he predicted a difficult upcoming budget year.

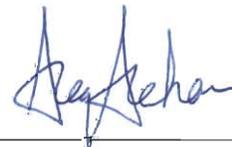
ITEM 17: Quarterly Investment Report from Investment Officer. Mr. Graham reported that for the quarter ending March 31, 2011, the Investment Portfolio was in compliance with the Amarillo Hospital District Investment Policy as amended on January 12, 2010 and the Public Funds Investment Act. He reviewed that agency securities, including mortgage-backed securities, represent 85.31% of the total Portfolio, which is below the 95% Agency limit. Mortgage backed securities, he stated, represent 11.10% of the total Portfolio, which is below the 30% limit, and obligations of state or local governments represent 5.55% of the total Portfolio, which is below the 10% limit. He reported that treasuries and full faith and credit obligations comprise 6.75% of the total Portfolio and cash balances, including Money Market funds, comprise about 2.39%. Investments with maturities greater than 10 years represent 30.90% 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 100.12% of the book value, with a market value of \$205,236,850 and a book value of \$204,984,291. Mr. Graham reviewed that in the current year, the AHD Budget called for \$9,169,275 in realized investment income and the current investment earnings through March 31, 2011 were \$2,949,167.

ITEM 18: Legislative Briefing. The City Attorney had no developments to report.

ITEM 19: Committee Reports. There were no committee reports to present at this time.

ITEM 20: Public Comments. There were no public comments at this meeting.

ITEM 21: Adjournment. There, being no further business, the meeting adjourned at 8:25 a.m. This meeting was recorded and all comments are on file in the City Finance Department.



Greg Graham, Chairman

ATTEST:



Liz Hughes, Secretary