

**AMARILLO HOSPITAL DISTRICT  
MEETING OF BOARD OF MANAGERS  
AMARILLO CITY HALL  
CITY COMMISSION CHAMBERS  
MINUTES  
JANUARY 31, 2012  
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
Ms. Claudette Dove	Yes
Mr. Chuck Speed	Yes
Mr. Bob Stafford, MD	Yes
Mr. Rodney Ruthart	Yes

Also Present

Mr. Dean Frigo	Assistant City Manager for Financial Services, City of Amarillo
Ms. Andrea Rains	Recording Secretary, City of Amarillo
Mr. Marcus Norris	City Attorney, City of Amarillo
Ms. Kelly A. Bevis	Investment Consultant, Wells Fargo Advisors
Mr. Matt Ramsey	Investment Manager, Amarillo National Bank

**ITEM 1:** Mr. Graham established a quorum and called the meeting to order at 7:30 am. He welcomed everyone in attendance.

**ITEM 2:** Presentations. Mr. Graham presented a plaque in appreciation of Nancy Kritser's service to the Amarillo Hospital District's Board of Managers from August 2008 to October 2011.

**ITEM 3:** Approval of Minutes from October 11, 2011. Mr. Graham presented the minutes from the meeting held October 11<sup>th</sup>, 2011. With no questions or comments, motion was made by Ms. Hughes, seconded by Mr. Speed, and unanimously carried to approve the minutes as written.

**ITEM 4:** Presentation and Discussion of the Pension Fund Investment Performance. Ms. Bevis presented the Capital Markets Review for the period ending December 31, 2011. From the Fund's Composite Review, she reported that the Fund had returns of 5.8% versus that of the market of 7.4% for the latest quarter. She further reported returns of -0.3% versus 3.9% for the latest 1-year period, 9.3% versus 11.1% for the latest 3-year period, 2.4% versus 2.6% for the latest 5-year period, 3.8% versus 4.1% for the latest 10-year period and 4.9% versus 5.2% since inception. Ms. Bevis reviewed risk/return summary statistics and stated that for the latest 3-year period, the Fund is taking less risk than the market and getting less return, and had a Sharpe Ratio of 0.84 versus the total Policy of 0.96. For the latest 5-year period, she reported that the Fund is taking less risk and getting less return, and had a Sharpe Ratio of 0.09 versus 0.11 of the total Policy. Ms. Bevis further reported that for the 10-year period, the Fund was taking less risk and receiving about the same amount of return and had a Sharpe Ratio of 0.23 versus the total Policy of 0.25.

**ITEM 5:** Presentation and Discussion of the AHD Corpus Investment Performance. Ms. Bevis presented the Investment Performance Review for the Corpus Fund of the Amarillo Hospital District at December 31, 2011. She reviewed returns of the Fund versus that of the Market of 0.8% versus 0.8% for the latest quarter, 6.0% versus 6.8% for the latest year, 4.2% versus 3.9% for the latest 3-years, 5.4% versus 6.0% for the latest 5-years, 5.0% versus 5.1% for the latest 10-years and 5.3% versus 5.3% since inception. Ms. Bevis reported from the 3-year risk/return statistics that the Fund was taking less risk and getting higher return than that of the market and had a Sharpe Ratio of 1.61

versus 1.24. From the 5-year and 10-year risk/return statics, she stated that the Fund was taking less risk than the market and receiving slightly less return, and had a Sharpe Ratio of 1.40 versus 1.33 and 1.11 versus 0.90 respectively. On a risk return basis, Ms. Bevis stated that Amarillo National had taken less risk and received a little more return than that of the market and had added value to the Portfolio since inception. Herring Bank, she further stated, had taken less risk and received about the same return. In closing Ms. Bevis stated that overall, the Fund had a very good performance and that both money managers are doing a good job for the Fund and on a risk return basis.

**ITEM 6:** Consider Indigent Care Agreement and Healthcare Services Agreement. Review and Consider Resolutions Regarding Suspension Agreement and Amendment to Healthcare Services Agreement. Mr. Norris stated that this would be the twelfth occurrence that Item 6 and Item 7 have come before the Board. He reminded the Board that it is the Hospital District's constitutional obligation to provide indigent health care and that currently, the District contracts for indigent care through Universal Healthcare Services (UHS) at a fixed payment of about \$1.7 million quarterly. Mr. Norris stated that through the documentation in Items 6 and 7, the Indigent Care Agreement is suspended and replaced with the Healthcare Services Agreement, and that funding is shifted to the Medicaid Upper Payment Limit (UPL), which is then matched by the State and returned to UHS. He noted that by participating in the UPL, the District would save 8% at a quarterly payment of \$1,363,045. Mr. Norris explained that upon approval of Item 6 and 7; the Indigent Care Agreement would be prepaid through February 8, 2015, and would expire in 2021. Mr. Graham added that the Finance Committee had met and discussed Items 6 and 7 and had recommended approval of both items. Motion to approve Item 6 and Item 7 as presented was made by Mr. Speed. Ms. Hughes seconded the motion and it carried unanimously.

**ITEM 7:** Review and Consider Resolution Regarding Upper Payment Limit Program. This item was discussed and approved with Item 6 above.

**ITEM 8:** Consider Landlord Waiver for Familia Dental LLC. Mr. Norris reviewed that the Amarillo Hospital District's dental clinic building was presently being leased by Familia Dental, LLC. Familia Dental, he informed, was seeking a loan from Wells Fargo Bank. Mr. Norris explained that within the Landlord's Lien Waiver, Access Agreement and Consent submitted by Familia Dental, LLC; the Amarillo Hospital District would waive and release unto Wells Fargo Bank, any contractual landlord's lien against any personal property, excluding the three x-ray machines listed in "Schedule B" of the waiver. Mr. Norris confirmed that the x-ray machines would remain property of the Amarillo Hospital District and that staff had reviewed and recommended approval of the waiver. Mr. Frigo added that Familia Dental was current on rent. Ms. Barnes motioned for approval of the Landlord's Lien Waiver, Access Agreement and Consent as presented. The motion was seconded by Mr. Stafford and carried unanimously.

**ITEM 9:** Consider Pension Plan Investment Policy. Ms. Bevis presented an "Efficient Portfolios Comparison" that demonstrated the possibility of creating a more efficient Portfolio, expecting the same 8% return and assuming less risk, by adding additional allocations to the Portfolio such as Emerging Market Equity, REIT Equity, and High Yield Fixed Income. Mr. Ramsey stated that he had discussed and confirmed with the Finance Committee that Amarillo National Bank had the ability to include the additional allocations. He expressed his concerns regarding benchmark risks and cash flow levels. The Board requested that staff bring Portfolio allocation options to the next Board meeting. No action was taken on this item at this meeting.

**ITEM 10:** Consider Corpus Investment Policy. Mr. Graham explained that the District is required to review its Investment Policy annually to remain in compliance with the Texas Public Funds Investment Act. Mr. Frigo reviewed that there were housekeeping changes as well as language changes required by law and recommended by staff. He stated that CDARS (Certificate of Deposit Account Registry Service) had been included as an allowable investment. Mr. Frigo added that

ratings on the Fund's mutual funds will now be monitored on a monthly basis with a detailed review of the mutual fund's holding being prepared quarterly by Ms. Kelly Bevis of Wells Fargo Advisors. He noted that Bank of America and Frost National Bank had both been added to the list of approved investment managers. Mr. Frigo explained that the Policy also included necessary language changes made in the latest legislative session. Mr. Graham stated that the Finance Committee had reviewed and recommended the presented changes to the Investment Policy. Motion was made by Ms. Barnes, seconded by Mr. Stafford, and carried unanimously to approve the amendments to the Investment Policy as presented.

**ITEM 11:** Review and Consider the District's Bylaws. Mr. Frigo reminded the Board that although there were no recommended changes by staff, the District must review its Bylaws annually. Motion was made by Mr. Stafford, seconded by Mr. Speed and unanimously carried to approve the District's Bylaws as presented with no changes or amendments.

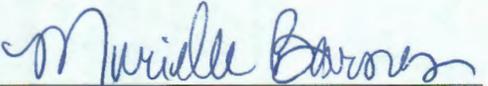
**ITEM 12:** Presentation of Quarterly Financial Statements. Mr. Frigo presented the Quarterly Financial Statements for the Amarillo Hospital District at December 31, 2011. Of the General Fund's current assets, he reviewed \$9.9 million in cash and equivalents, \$196,765,014 in investments, \$1,380,552 in accrued interest, and \$15,250,697 in total prepayments on the Indigent Care Contract. Mr. Frigo noted other assets of \$93,264 for the dental clinic, and approximately \$5.6 million for the net pension asset. Workers' compensation claims, he further noted, were reported as a current liability under current estimated self-insurance costs in the amount of \$48,596. The total Fund balance at December 31<sup>st</sup>, 2011 was approximately \$229 million, Mr. Frigo reported. From the Income Statement for the General Fund, Mr. Frigo reviewed total revenue of approximately \$1.8 million versus total expenses of about \$3.9 million for an operating income loss of \$2,086,792; to which he noted was roughly the same amount as the pension contribution for 2012, paid by the District in October 2011. He noted a Fund balance from the Donor Restricted Funds of \$52,726 and reminded the Board that these monies were for various funds, set aside for specific purposes. Mr. Frigo reviewed the Corpus' Budget versus Actual Report and explained that the District had budgeted \$6,412,500 in realized investment income and had received an actual \$2,303,083; which was 36% realized or 11% ahead of budget for the quarter. He reviewed from operating expenses that the Indigent Care Contract was realized at 25.49% with a budgeted amount of \$5,286,869 and having paid an actual amount of \$1,347,625. Professional Services, he further reviewed, was realized at 25.10% and the Retirement Trust was realized at 100%. In closing, Mr. Frigo stated that given the outcome of this past quarter, he is optimistic that the District will have a good year.

**ITEM 13:** Quarterly Investment Report from Investment Officer. Mr. Graham reported that for the quarter ending December 31, 2011, the Investment Portfolio was in compliance with the Amarillo Hospital District Investment Policy as amended on January 12, 2010 and reviewed and approved on February 1, 2011 and the Public Funds Investment Act. Mr. Graham noted that the maturity dates of the District's investments will meet the anticipated cash flow needs of the District. He reviewed that agency securities, including mortgage-backed securities, represent 83.27% of the total Portfolio, which is below the 95% Agency limit. Mortgage backed securities, he stated, represent 9.18% of the total Portfolio, which is below the 30% limit, and obligations of state or local governments represent 8.50% of the total Portfolio, which is below the 10% limit. He reported that treasuries and full faith and credit obligations comprise 3.35% of the total Portfolio and cash balances, including Money Market funds, comprise about 4.89%. Investments with maturities greater than 10 years represent 33.96% 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 102.40% of the book value, with a market value of \$206,626,098 and a book value of \$201,774,475. Mr. Graham reviewed that in the current year, the AHD Budget called for \$6,412,500 in realized investment income and the current investment earnings through December 31, 2011 were \$2,303,083.

**ITEM 14:** Committee Reports. There were no committee reports to present at this time.

**ITEM 15:** Public Comments. There were no comments from the public.

**ITEM 16:** Adjournment. There, being no further business, the meeting adjourned at 8:16 a.m. This meeting was recorded and all comments are on file in the City Finance Department.

  
~~Greg Graham, Chairman~~  
Murielle Barnes, Vice-Chairman

ATTEST:

  
Liz Hughes, Secretary