

**AMARILLO HOSPITAL DISTRICT  
MEETING OF BOARD OF MANAGERS  
AMARILLO CITY HALL  
CITY COMMISSION CHAMBERS  
MINUTES  
APRIL 24, 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	No
Mr. Rodney Ruthart	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	Director of Public Health, City of Amarillo
Ms. Andrea Rains	Recording Secretary, City of Amarillo
Ms. Roy Browning	Investment Consultant, Wells Fargo Advisors
Mr. Matt Ramsey	Investment Manager, Amarillo National Bank
Mr. Cory Joiner	CPA, Connor, McMillon, Mitchell, & Shennum, PLLC

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

**ITEM 2:** Approval of Minutes from March 20, 2012. Mr. Graham presented the minutes from the last Amarillo Hospital District Board of Managers meeting held on March 20, 2012. With no questions or comments, Ms. Hughes motioned to approve the minutes as written. Mr. Ruthart seconded the motion and it unanimously carried.

**ITEM 3:** Presentation and Discussion of the Pension Fund Investment Performance. Mr. Browning presented the Pension Fund's Investment Performance Review at March 31<sup>st</sup>, 2012. After reviewing the capital markets for the quarter, he reported a total Fund balance of \$18,163,410. Mr. Browning stated that for the latest quarter, the Fund had returns of 8.1% versus that of the Policy of 7.7%. Further-out returns, he reported, were 4.4% versus 7.9% for the latest year, 14.2% versus 16.5% for the latest 3-years, 3.6% versus 3.9% for the latest 5-years, 4.5% versus 4.8% for the latest 10-years, and 5.4% versus 5.6% since inception. Mr. Browning stated that for the entire time period, the Fund is taking less risk, is less volatile, and getting about the same return per unit of risk as that of the market. The Sharpe Ratio of the Fund was 1.46 versus 1.70 of the Policy for the latest 3-year period, 0.22 versus 0.24 for the latest 5-year period and 0.31 versus 0.34 for the latest 10-year period, he reviewed. In summary, Mr. Browning stated that 2011 was a difficult year; however, the Fund's Portfolio is stronger and positioned well going forward.

**ITEM 4:** Presentation and Discussion of the AHD Corpus Investment Performance. Mr. Browning presented the Investment Performance Review for the Corpus Fund of the Amarillo Hospital District at March 31<sup>st</sup>, 2012. He reported that for the latest quarter, the Total Fund (excluding Tobacco) had returns of 0.0% versus the Policy of -0.3%. He further reported that for the same time period, Herring Bank had returns of -0.2% and Amarillo National Bank had 0.2%. Mr. Browning reviewed the Fund had returns of 5.7% versus the Policy of 6.5% for the latest year, 4.0% versus 3.8% for the latest 3-years, 5.0% versus 5.6% for the latest 5-years, 5.0% versus 5.1% for the latest 10-years, and 5.2% versus 5.2% since inception. He reported that, since inception, the Fund is taking much less risk and getting more return than that of the Policy. Reviewing the Sharpe Ratio of the Total Fund, Mr. Browning explained that the Fund is ahead of the Policy in the 3, 5, and 10-year periods at 1.62 versus 1.30, 1.37 versus 1.29, and 1.18 versus 0.93 respectively. He stated that both managers from Herring and Amarillo National Bank have

worked well together and are doing a good job; both having nice returns on a risk-adjusted and absolute basis.

**ITEM 5:** Consider Pension Plan Investment Policy. Mr. Browning explained that at the request of the Finance Committee, Mr. Ramsey and Mr. Frigo, the Investment Policy had been adjusted in order to be more accommodative of Mr. Ramsey's needs on the fixed income side of the Policy to include some asset classes that might broaden Mr. Ramsey's approach, should he choose to use them. He clarified that the overall Policy remains the same at 60% in equities and 40% in fixed income. Mr. Graham noted that REITs (Real Estate Investment Trusts) had also been added to the Policy as an allowable investment. Mr. Ramsey explained that the benchmark had been adjusted on the fixed income side, noting that approximately 10 to 15% of the Portfolio is paid out annually in pension payments. Mr. Graham stated that both investment managers were in agreement to the proposed changes and that the Finance Committee had reviewed and recommended approval of the changes to the full Board. Motion to approve the changes to the Pension Plan Investment Policy as presented was made by Ms. Barnes, seconded by Mr. Ruthart and unanimously carried.

**ITEM 6:** Consider Indigent Care Agreement and Healthcare Services Agreement. Review and Consider Resolutions Regarding Suspension Agreement and Amendment to Healthcare Services Agreement. This item was discussed and approved along with Item 7 below.

**ITEM 7:** Review and Consider Resolution Regarding Upper Payment Limit Program. Mr. Norris reviewed that at the time of the sale of the hospital in 1996, the District entered into a contract with Universal Health Services (UHS) to provide indigent healthcare. He explained that the Board is constitutionally and statutorily obligated to provide indigent healthcare and pays UHS about \$7 million annually to provide those services. Mr. Norris further explained that several years ago, Northwest Texas Hospital and the Amarillo Hospital District discovered a way to maximize the money being spent on indigent care through the Upper Payment Limit (UPL) program; where instead of sending the money directly to the Hospital, the District sends the money to the State of Texas where it is matched and then returned back at a greater sum. He added that the UPL benefitted everyone, as the District receives an 8% discount by paying in advance towards the District's indigent care obligation. Mr. Norris reviewed that for this process to be set up legally; the Indigent Care Agreement that was entered in 1996 had to be suspended to restructure the flow of those dollars. In place of the Indigent Care Agreement, he further reviewed, is the Health Services Agreement, which assures the same level of services as the Indigent Care Agreement. Mr. Norris explained that Item 6 contained four documents: 1) the resolution to execute the 2012 Suspension Agreement, which suspends the Indigent Care Agreement, 2) the actual Suspension Agreement, authorizing the suspension of the agreement, 3) the resolution to amend the Health Services Agreement, and 4) the actual amendment to the Health Services Agreement. Item 7, he further explained, is the resolution to authorize funding the Medicaid Program in the amount of \$1.3 million, which would prepay the District's indigent care obligation through May 8, 2015. Mr. Graham stated that these agreements are consistent with what the District has been doing in the past, where the District is getting a discount on its obligation to UHS and UHS is getting an opportunity to maximize their federal funds. Ms. Dove motioned to approve the resolutions and agreements presented in both Item 6 and Item 7. Ms. Barnes seconded the motion and it carried unanimously.

**ITEM 8:** Consider Sale of UHS Property. Mr. Norris reviewed that UHS has requested a partial release of lien on property in order for UHS to sale the old ambulance station at 4101 Mockingbird. He explained that NWTX has an opportunity to sale the property and that a copy of real estate contract had been provided to the Board. Mr. Norris stated that the contract appears to be in due order and the net effect to the District is that it would be losing a small piece of collateral that secures the performance of the Health Services Agreement. He reminded that the District has released similar liens in the past for smaller parcels. Mr. Graham reported that the Finance Committee had discussed and recommended approval to the full Board of this item. Motion was made by Ms. Hughes to approve the release of lien and the sale of the property on Mockingbird. Mr. Ruthart seconded the motion and it unanimously carried.

**ITEM 9:** Presentation of Report from Medicaid Waiver 1115 Consultant. Mr. Richardson addressed the Board and reported that the consultant contracted by the District, to help guide the District through the Medicaid Waiver, was meeting with the State regarding the Waiver and unable to report to the Board at this time. Mr. Richardson updated the Board that the District had co-hosted a regional healthcare partnership organizational meeting with the City of Amarillo on Monday, April 23<sup>rd</sup>, 2012. He added that Board members Mr. Speed and Mr. Stafford had both attended the meeting. Mr. Richardson reviewed that the meeting was for Region 16 to meet and formalize the Waiver process. He reported that Region 16 agreed to merge regions 16 and 12 (Lubbock) into one "super region" and designated Jeff Turner, Moore County Hospital District as the Region's anchor hospital. Mr. Richardson further reported that an ad-hoc committee had also been established at the meeting that would meet to discuss and choose projects that must be submitted to the State by August 31<sup>st</sup>, 2012.

**ITEM 10:** Consider Approval of Scope of Work and Fee Schedule from Medicaid Waiver 1115 Consultant. Mr. Richardson explained that he had spoke with the District's consultant, Brandon Durbin of Discovery Healthcare Consulting Group, the day before and stated that the consultant had anticipated 5 to 10 hours at the beginning of the Waiver project, and that he anticipated more work for the District when it came to the uncompensated care, pooling, and the intergovernmental transfers from the District, should the District chose to participate, along with District projects. Mr. Frigo stated that he had requested the fee schedule from the consultant and that so far, the consultant had documented approximately 10 hours. He explained that the District would try to add the consultant fees as a DSRIP (Delivery System Reform Incentive Pool) project and that hopefully, the consultant would be funded along with some of the other community projects of the District through the Waiver. Mr. Frigo stated that he felt the District is asking the consultant to make a scope of work and fee estimate when it is not clear yet what exactly the District will be doing. He affirmed that staff will continue to monitor the consultant fees; and that so far, no bill had been received. Mr. Speed motioned for Mr. Frigo to pursue the consultant fees as a DSRIP project for the District. Mr. Ruthart seconded the motion and it carried unanimously.

**ITEM 11:** Consider Agreement and Approve the Formation of the Panhandle Health Region and administrative matters related to it. Mr. Norris explained that an Interlocal Agreement, in reference to the 1115 Medicaid Waiver, had been collaboratively drafted by representatives of the same group of about 25 different entities that had met the day before at the regional healthcare partnership organizational meeting. He further explained that late last week, one of the major entities in the partnership wanted to re-write the agreement per their legal representation. Therefore, he stated, the original agreement was pulled from the Board's agenda packet and would be reworked in order to satisfy everyone involved. Mr. Norris asked the Board that in lieu of considering approval of the specific agreement, the Board authorize the Chairman to execute all necessary documents that do not financially obligate the Hospital District beyond its approved budget so that the District may go ahead and promptly execute the formation of the Panhandle Health Region once everyone is in accordance with the wording of the document. Mr. Norris added that had the original Interlocal Agreement been presented before the Board, the Board would have also been approving the District's participation in the regional effort and therefore, should also be included as part of today's motion. Mr. Speed motioned to authorize approval of the Panhandle Regional Healthcare Partnership for the purposes of ongoing negotiations with the State and Federal Government and to authorize the Chairman of the Board to work with the City's Legal Department and sign necessary documentation without financial obligation beyond the District's current budget. Ms. Hughes seconded the motion and it carried unanimously.

**ITEM 12:** Presentation and Discussion of AHD Audit. Mr. Joiner introduced himself to the Board and presented the Annual Financial Report of the Amarillo Hospital District at September 30, 2011. He stated that the audit produced a clean, unqualified opinion.

**ITEM 13:** Presentation and Discussion of Nwth Pension Plan Audit. Mr. Joiner presented the Annual Financial Report at September 30, 2011 for the Retirement Plan for Employees of Northwest Texas Healthcare System. He reported that there were no significant changes, issues or problems and stated that that it was a clean audit.

**ITEM 14:** Presentation and Discussion of Agreed Upon Procedures Audit on the Tobacco Settlement Cost Report. Mr. Joiner presented the Independent Accountant's Report on Applying Agreed-Upon Procedures. He noted that this report is prepared in relation to the 2012 Tobacco Settlement Cost Report and produced no findings on any procedures. Mr. Joiner added that his firm had reviewed a sample of 50 individuals that had been denied services and determined that reasons for those denials were proper.

**ITEM 15:** Presentation of 2012 Tobacco Settlement Cost Report. Mr. Frigo presented the 2012 Tobacco Settlement Cost Report for the Amarillo District and reported total allowable expenditures of \$14,816,359. Of this amount, he explained that \$631,379 were expenditures reported by Potter County and \$14,184,980 were expenditures reported by the District. He reminded the Board that the law allows for the Hospital District to reprice in-patient and out-patient services received by indigent patients using Medicaid rates and report a higher figure on the cost report than what was actually paid by the District to UHS. Mr. Frigo pointed to a list of political subdivisions that received a payment in the 2012 distribution and reported that the Amarillo Hospital District had received a disbursement of \$291,253.83. He noted that this report is due by March 31<sup>st</sup> each year and payment is typically received in April.

**ITEM 16:** Consider Approval of Potter County Sheriff Sale Properties. Mr. Frigo explained that the Potter County Sheriff Sale is a two-step process where properties delinquent in taxes are first attempted to be sold on the courthouse steps for the amount of taxes due. Properties that are not sold at the courthouse are then struck off to the Potter County Tax Assessor-Collector, whom attempts to sale the properties through sealed bids. Mr. Frigo stated that when the highest bid is less than the taxes owed on the property, each governing body must agree on the sales price. He explained that staff had verified each winning bidder had no outstanding dues to the City and recommended the sales. Mr. Graham reported that the Finance committee had also reviewed and recommended the sale of the properties. Motion to approve the Potter County Sheriff Sale properties was made by Mr. Ruthart, seconded by Ms. Dove and unanimously carried.

**ITEM 17:** Consider Approval of Investment Training with the University of North Texas. Mr. Frigo explained that per the Texas Public Funds Investment Act, investment officers must receive ten hours of investment training every two years. He added that the Act also states the training must be attained through an independent source. Mr. Frigo reported that he and the Finance Director for the City of Amarillo had received training in February of the current year from the University of North Texas. He further reported that the University of North Texas provides investment training each year in Amarillo at a reasonable fee. Mr. Graham noted that the training had been discussed and recommended by the Finance Committee. Ms. Barnes motioned to approve the investment training administered by the University of North Texas. Ms. Hughes seconded the motion and it carried unanimously.

**ITEM 18:** Presentation of Quarterly Financial Statements. Mr. Frigo presented the Amarillo Hospital District's Quarterly Financial Statements at March 31, 2012. Reviewing the Balance Sheet for the General Fund, he reported total assets of \$227,540,142. Of that amount, he noted approximately \$205.3 million in cash and investments and about \$1.3 million in accrued interest on investments. Mr. Frigo reviewed that fixed assets of \$91,216 was the dental clinic building that the District is currently leasing; and explained that the net pension asset of \$5,595,340 is reported as an asset because the District is funding its pension plan at a faster rate than required. Mr. Frigo reported that at March 31<sup>st</sup>, 2012, the Fund had a total balance of \$227,136,982. He reviewed the income statement of the General Fund and stated total revenue of about \$2.3 million versus total expenses of approximately \$5.8 million, for an operating loss of about \$3.5 million. From the Budget versus Actual Report of the Operating Fund, Mr. Frigo reported that the Fund had budgeted for realized investment income of \$6,412,500 and had received an actual amount of \$4,889,028. He pointed out that this amount was 76.24% realized and ahead for the first half of the fiscal year. Mr. Frigo reviewed that the Fund's operating expenses were all on target, noting that the Retirement Trust had been paid at 100% in the amount of \$2 million. Reviewing the Budget versus Actual Report of the Tobacco Fund, he stated that the Fund had budgeted \$245,250 in miscellaneous income, and will receive about \$290 thousand from the State in Tobacco Settlement Funds. Mr. Frigo further reviewed that professional services were budgeted at \$245,250 with an actual expense of \$122,625 at March 31<sup>st</sup>. He noted that the District uses the funds in the Tobacco Fund to support Tobacco Free Amarillo.

**ITEM 19:** Quarterly Investment Report from Investment Officer. Mr. Graham reported that for the quarter ending March 31, 2012, 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 83.07% of the total Portfolio, which is below the 95% Agency limit. Mortgage backed securities, he stated, represent 7.43% of the total Portfolio, which is below the 30% limit, and obligations of state or local governments represent 8.85% of the total Portfolio, which is below the 10% limit. He reported that treasuries and full faith and credit obligations comprise 1.05% of the total Portfolio and cash balances, including Money Market funds, comprise about 7.03%. Investments with maturities greater than 10 years represent 31.25% 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 101.35% of the book value, with a market value of \$205,326,767 and a book value of \$202,588,525. 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 March 31, 2012 were \$4,889,028.

**ITEM 20:** Committee Reports. There were no committee reports to present.

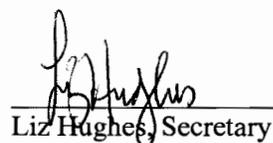
**ITEM 21:** Public Comments. There were no comments at this meeting.

**ITEM 22:** Adjournment. There, being no further business, the meeting adjourned at 8:47 a.m. This meeting was recorded and all comments are on file in the City Finance Department.



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Greg Graham/Chairman

ATTEST:



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Liz Hughes, Secretary