

STATE OF TEXAS  
COUNTIES OF POTTER  
AND RANDALL  
CITY OF AMARILLO

On the 24th day of October 2019, the Amarillo Hospital District Finance Committee met at 4:00 p.m. in regular session in Room 306, located on the third floor of City Hall at 601 South Buchanan Street, Amarillo, Texas.

| VOTING MEMBERS   | PRESENT | NO. OF MEETINGS HELD SINCE APPOINTMENT | NO. OF MEETINGS ATTENDED SINCE APPOINTMENT |
|------------------|---------|--|--|
| PATRICK WILLIAMS | No      | 3                                      | 2  |
| SAM LOVELADY     | Yes     | 17                                     | 14   |
| DEAN FRIGO       | Yes     | 13                                     | 12   |

Also in attendance were the following:

MICHELLE BONNER, DEPUTY CITY MANAGER, CITY OF AMARILLO  
FRANCES HIBBS, RECORDING SECRETARY, CITY OF AMARILLO  
MARCUS W. NORRIS, CITY OF AMARILLO, DEPUTY CITY ATTORNEY  
LAURA STORRS, DIRECTOR OF FINANCE  
KELLY BEVIS, WELLS FARGO FINANCIAL ADVISOR (by telephone)

Mr. Lovelady established a quorum, called the meeting to order at 4:00 p.m., and the following items of business were conducted:

**Item taken out of order:**

Public Address. There were no public comments.

**ITEM 1:** Consider Minutes of the Amarillo Hospital District Board of Managers. Mr. Lovelady presented the minutes from the last Finance Committee meeting held on July 22, 2019. Mr. Frigo made a motion to approve the minutes as presented. Mr. Lovelady seconded the motion and it carried unanimously.

**ITEM 2:** Discuss and Consider Approval of Payment Associated with the Indigent Care Agreement. Ms. Bonner presented this item. Ms. Bonner stated she and Ms. Storrs met with Northwest Texas Hospital representatives regarding the resumption of CPI associated with the extension of the Indigent Care Agreement. She stated that she would also like the District’ auditors to look at the calculation. Ms. Bonner recommended that this item be brought back to the next Finance Committee meeting. This item was tabled until the next scheduled Finance Committee Meeting.

**ITEM 3:** Presentation and Discussion of the Pension Fund Investment Performance. Ms. Bevis participated by telephone. She presented the Capital Markets Review and reviewed the Pension Fund’s Investment Performance for the quarter ending September 30, 2019. Ms. Bevis stated that it was a good quarter and year-to-date period for the pension plan performance. Returns are

higher than the market and much of this performance came from the bond allocation. She further stated overall there were good returns.

**Item take out of order:**

**ITEM 4:** Presentation and Discussion of the AHD Corpus Investment Performance. Ms. Bevis presented the Amarillo Hospital District Agency Fund for the quarter ending September 30, 2019. She stated that the portfolio lagged the market with a return of 1.0% compared to 1.3% and that Amarillo National Bank (ANB) portion was 1.2% the Herring Bank portion at 0.7%. IN reviewing the other time periods she noted that ANB had outperformed Herring in all time periods, with the total portfolio even with the market for the 10 year and inception time periods. Mr. Lovelady stated that both portfolios are within the guidelines with the Investment Policy. Ms. Bevis stated Herring Bank has been more conservative and that Herring Bank had a lot more invested in money market compared to ANB. Mr. Lovelady inquired if there was a dramatic difference between the two managers. He inquired if Ms. Bevis had any advice moving forward. Ms. Bevis replied it was worth a conversation concerning the underperformance. Tim O'Neil, Herring Bank, stated they are cautiously trading and that Herring is investing maturing bonds into cash and the income return is doing quite well. He stated he believed the interest rates are as low as they are going to see them. He further stated the interest rates will go up and the price of bonds will go down. Mr. Lovelady inquired if these positions take advantage of higher rates. Ms. Bevis stated that is why the managers work well together with two different positions. Mr. Lovelady inquired if Ms. Bevis was comfortable with moving forward. Matt Ramsey, Amarillo National Bank (ANB) noted that the portfolios are not complimenting one another, Herring with a net short duration, would mean that ANB effectively has a long duration, when the ANB portion is simply neutral to the benchmark.

Mr. Lovelady inquired if this Board wanted all the managers to be targeting that benchmark. Ms. Bevis stated she would like to hear the position of Herring Bank and why they have chosen to take this position. Mr. O'Neil stated their position is the same as the profile of the benchmark on ANB and that Herring is hedge against it increasing interest rates. Ms. Bonner expressed concern that in looking at the returns and the inception time period that the returns of the two portfolios are significantly different as compared to each other and the benchmark Ms. Bevis stated it was worth reevaluating. Mr. Frigo inquired if there was a peer review on how our managers compare. Ms. Bevis stated she would have it available for Tuesday's meeting.

**ITEM 5:** Discuss and Consider Changes to the Pension Plan Investment Policy. Ms. Bonner presented this item. She stated that she had discussed the interest rate assumption with the Fund's actuary and that the recommendation is to go from a 7.5% rate to 6.5%. And, that the budgeted \$2 million funding level would accommodate this change with a target of fully funding the plan in 2021. She recommended that since the actuarial valuation is not finalized, that the Committee review these changes at their next meeting. Ms. Bevis reviewed the Asset Allocation Update. She reviewed the current allocation as compared to other allocation strategies. Ms. Bevis recommended strategy B with a higher amount in cash to accommodate the actual practice and she recommended changing the benchmark to Russel 3000 which would be more in line with the recommended allocation. Mr. Ramsey stated that the bank recommends the S&P 5000 for the large cap; Russell Mid Cap for the mid-cap; Russell 2000 for the small cap; and the Barclays Aggregate for the bonds. Mr. Lovelady asked Ms. Bevis to rerun the portfolios with 5% in cash. Ms. Bonner stated she would bring the allocation back to the next Finance Committee meeting including recommended changes to the Investment Policy.

**ITEM 6:** Consider Provider Support Agreement for the Texas Tech University Health Sciences Center Psychiatry Program. Ms. Bonner presented this item. She stated that the original contract

was for a 12-month period ending in August of 2019. And that this contract is for a 13-month period to align the contract terms with the District's fiscal year. She stated that the amounts in this agreement is consistent with the 2019/2020 approved budget. Mr. Lovelady inquired about the progress and staffing. Courtney Bashaw, with TTU, stated Dr. Stark was doing fabulous. Motion was made by Mr. Frigo to approve the Support Agreement for Texas Tech University's Health Science Center Psychiatry Program, approved by Mr. Lovelady. Motion carried by a 2:0 vote

**ITEM 7:** Discuss and Consider Funding Recommendations on the Pension Plan. Ms. Bonner asked that time would be taken up at the next meeting after the Committee had reviewed the actuarial valuation and funding recommendation with the actuary.

There being no further business, Mr. Lovelady made a motion to adjourn the meeting and the meeting adjourned. This meeting was recorded and all comments are on file with the City Secretary.

  
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Samuel B. Lovelady  
Chairman Board of Managers

ATTEST:   
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Dean Frigo