

**AMARILLO HOSPITAL DISTRICT
MEETING OF BOARD OF MANAGERS
AMARILLO CITY HALL
CITY COMMISSION CHAMBERS
MINUTES
JULY 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
Ms. Nancy Kritser	Yes
Ms. Claudette Dove	Yes
Mr. Chuck Speed	Yes

Also Present

Mayor Paul Harpole	Mayor, City of Amarillo
Dr. Paul Proffer	Former Board Member of the Amarillo Hospital District
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. Matt Ramsey	Investment Officer, Portfolio Manager, Amarillo National Bank

ITEM 1: Mr. Graham established a quorum and called the meeting to order at 7:35 am.

ITEM 2: Approval of Minutes from April 26, 2011. Ms. Barnes motioned for approval of the minutes from the April 26th, 2011 meeting as presented. Ms. Kritser seconded the motion and it carried unanimously.

ITEM 3: Presentations. Mayor Harpole presented Dr. Paul Proffer a plaque on behalf of the Amarillo Hospital District Board of Managers and thanked him for his time and service to the Board.

ITEM 4: Election of Officers and Other Appointments. Mr. Graham explained that Dr. Proffer had been the District's TIRZ (Tax Increment Reinvestment Zone) representative and that with Dr. Proffer's resignation, the Board would need to elect another representative. Motion was made by Mr. Speed, seconded by Ms. Kritser, and unanimously carried to nominate Mr. Greg Graham as the District's TIRZ representative. Mr. Graham accepted the Board's nomination.

ITEM 5: Consider Indigent Care Agreement and Healthcare Services Agreement. Review and Consider Resolutions Regarding Suspension Agreement and Amendment to Healthcare Services Agreement. Mr. Norris explained that since Item 5 and 6 were related, he would review both items together. This item was discussed and motioned for approval below in Item 6.

ITEM 6: Review and consider Resolution Regarding Upper Payment Limit Program. Mr. Norris reviewed that previous Boards had agreed that participating in the Upper Payment Limit Program (UPL) through the State of Texas was a way for the District to better maximize available funds. He stated that with cooperation from Nwth, the District pays less than the annual \$7 million required by the Indigent Care Agreement established in 1996 at the time of the sale of the hospital. He reported that the District's quarterly payment to UHS should be \$1,735,385; however, by utilizing the UPL Program, the District will only pay \$1,360,956 and save approximately \$374 thousand. Mr. Norris explained there have been multiple extensions to the agreement in which the District suspends the Indigent Care Agreement; where instead of giving the money to Nwth directly, the District funds the UPL, where it is matched by the State and returned to Nwth. He stated that Nwth will continue to provide the high-level of indigent care at a savings to the District of 8%. Mr. Graham noted that the contracts were consistent with the

amount of exposure the District has had in the past to Nwth. Mr. Norris reviewed that the paperwork presented before the Board included an agreement to suspend the Indigent Care Agreement, a resolution to approve the suspension of the Indigent Care Agreement, the Health Services agreement; which substitutes the Indigent Care Agreement and includes the same duties and responsibilities as the Indigent Care Agreement, and a resolution approving the Health Services Agreement. Mr. Graham reported that both Item 5 and Item 6 had been reviewed and recommended for approval by the Finance Committee. Motion to approve Item 5 and Item 6 as presented was made by Ms. Dove, seconded by Mr. Speed, and unanimously carried.

ITEM 7: Presentation and Discussion of the Pension Fund Investment Performance. Mr. Browning presented the Pension Fund's Investment Performance Review at June 30, 2011. He reviewed returns of the Fund versus returns of the Policy for the 3-month, 6-month, 1-year, 3-year, and 5-year time periods of 0.5% versus 0.9%, 3.7% versus 4.6%, 18.1% versus 19.5%, 4.6% versus 4.8% and 5.0% versus 4.6% respectively. Mr. Browning pointed out in the Performance Summary that the rate of return for the total Fund and Total Policy were close for the 5 and 10-year periods and equal for the since inception period. He discussed the attribution effects relative to the total Fund Policy for the quarter ending June 30, 2011 and reviewed that the total Fund had a Sharpe ratio of 0.36 versus the total Policy of 0.35 for the latest 3-year period, 0.32 versus 0.26 for the latest 5-year period and 0.29 versus 0.26 for the latest 10-year period. He stated that overall, on a risk-adjusted basis; the Fund is still ahead of the market.

ITEM 8: Presentation and Discussion of the AHD Corpus Investment Performance. Mr. Browning reviewed the capital markets summary and presented the Investment Performance Review for the Amarillo Hospital District Agency Fund at June 30, 2011. He reviewed Portfolio returns for the last quarter of 2.0% versus that of the Market Index of 2.3%; 2.4% versus 2.7% for the last 12 months, 4.5% versus 5.0% for the last 3 years, 5.4% versus 5.9% for the last 5 years, and 5.1% versus 5.1% for the last 10 years. He further reviewed that Amarillo National Bank had returns of 2.1%, 2.6%, 4.8%, and 5.1% for the last quarter, 12-month, 3-year, and 10-year time periods respectively and that Herring National Bank had returns of 1.8%, 2.1%, 4.1% and 5.1% for the corresponding last quarter, 12-month, 3-year, and 10-year time periods. Historical Returns, Mr. Browning pointed out, were 1.96% for the Fund and 2.29% for the Policy ending the second quarter of 2011. He stated that there was no trend in the returns, that the Fund had the same number of under-performances as it had out-performances. Mr. Browning reported that the Fund was receiving a greater return for the amount of risk than that of the Policy.

ITEM 9: Consider Technology Grant Request for Amarillo Independent School District. Ms. Williams reported that Tobacco Free Amarillo had purchased approximately \$46 thousand in 120 netbooks for all 5th grade classrooms in the Amarillo Independent School District. She explained that Tobacco Free Amarillo wanted to ensure the District's awareness of the large purchase. Mr. Graham noted that Tobacco Free Amarillo had made the purchase in the current budget year and was not asking for additional funding.

ITEM 10: Consider Proposal from UHS for Pediatric and Dental Services and Tobacco Free Amarillo. Ms. Oxendale stated that both the Indigent Care and Funding Priorities Committee and the Finance Committee had reviewed and recommended UHS' proposal for Pediatric Services and Tobacco Free Amarillo. She reviewed that Texas Tech Pediatric Subspecialties requested a slight decrease of \$5,543 in funding levels and that Tobacco Free Amarillo requested no increase in current funding levels. She further reviewed that the total funding request for Pediatric Services was \$1,371,289 and Tobacco Free Amarillo was \$272,500 for a total provider contract amount of \$1,643,789. Ms. Oxendale reported that the proposed contract between the District and Nwth would be \$1,479,410; for a savings to the District of \$164,379. Mr. Graham clarified that there were no dental services included in the contract. Motion to approve the proposal between the Amarillo Hospital District and Northwest Texas Hospital was made by Ms. Barnes. Ms. Dove seconded the motion and it carried unanimously.

ITEM 11: Consider 2011-2012 AHD Budget. Mr. Frigo presented the proposed 2011-2012 fiscal year budget of the Amarillo Hospital District. He reported anticipated budgeted revenue of \$6,449,496 versus estimated total expenditures of \$10,081,770 at an expected loss of \$3,632,274. He further reported projected expenditures of Professional Services in the amount of \$1,328,215; the Indigent Care Contract

amount of \$5,286,869; the Pension Plan Contribution amount of \$2,382,712; and the Public Health Department Contract amount of \$929,557. Mr. Frigo reviewed a projected loss in available funds at the end of the year in the Tobacco Fund of \$768,129 that would have to be transferred to, and reduce the available funds of, the Operating Fund. Mr. Frigo explained that the Finance Committee had met and reviewed the proposed budget and expressed concerns regarding the usage of Corpus funds as an only way to balance the District's budget. Mr. Graham stated that the Committee had recommended approval of the proposed budget with a reduction to the Pension Plan contribution amount to reflect a total contribution amount of \$2 million. Mr. Frigo noted that the reduced contribution amount would be within the required funding level. Mr. Speed motioned to approve the District's 2011-2012 fiscal year budget as proposed with adjusting the Pension Plan contribution amount to reflect a contribution of \$2 million. The motion was seconded by Ms. Hughes and carried unanimously.

ITEM 12: Presentation of Quarterly Financial Statements. Mr. Frigo presented the District's Quarterly Financial Statements at June 30, 2011. He reviewed current assets of cash and cash equivalents at \$1,248,127; investments at \$203,712,067 and prepaid expenses at \$15,254,766. He pointed out that the prepaid expense was the Indigent Care Contract, which would be paid through August 2014 after today's meeting. Mr. Frigo noted a net pension asset amount of \$4,284,585 and a long-term liability amount of \$284,919. He explained that the long-term liability amount included medical workers' compensation, which is a lifetime benefit. Mr. Frigo reported a total Liabilities and Fund Balance at the end of the quarter of \$225,959,305. Reviewing the Income Statement of the General Fund, Mr. Frigo informed that the Fund had experienced realized investment income of \$4,619,778 and an unrealized loss of \$2,791,187. He reviewed Tobacco Settlement Proceeds of \$239,797 and miscellaneous income of \$22,242; which was mainly the lease of the dental clinic. Mr. Frigo stated that Indigent Care, at \$4,145,209 was the Fund's largest operating expense; followed by the Pension Plan Contribution, or Personal Services, at \$2,231,091; Professional Services, which was funding for Tobacco Free Amarillo and Texas Tech Specialized Pediatric Services, at \$1,172,229 and Public Health at \$653,640. Mr. Frigo reviewed total revenue of \$2,098,295 versus total expenses of \$8,570,685 for an Operating Loss of approximately \$6.5 million; or a loss of \$3.7 million without the unrealized investment loss. Reviewing the Budget versus Actual report of the Operating Fund, he explained that the Fund had received realized investment income of \$4,617,250 versus a budgeted amount of \$9,167,000. He noted that realized investment income was at 50.37% realized, which was about 25% behind for the quarter. Mr. Frigo reported that Indigent Care was at 75.21% and Public Health was at 74.82%. He stated that even though the Operating Fund is experiencing a revenue shortfall, expenses are in-line with the budget.

ITEM 13: Quarterly Investment Report from Investment Officer. Mr. Graham reported that for the quarter ending June 30, 2011, the Investment Portfolio was in compliance with the Amarillo Hospital District Investment Policy as amended on January 12, 2010 and reviewed by the Finance Committee on January 31, 2011 and the Public Funds Investment Act. He reviewed that agency securities, including mortgage-backed securities, represent 83.11% of the total Portfolio, which is below the 95% Agency limit. Mortgage backed securities, he stated, represent 10.25% of the total Portfolio, which is below the 30% limit, and obligations of state or local governments represent 6.90% of the total Portfolio, which is below the 10% limit. He reported that treasuries and full faith and credit obligations comprise 9.37% of the total Portfolio and cash balances, including Money Market funds, comprise about 0.62%. Investments with maturities greater than 10 years represent 30.85% 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 100.26% of the book value, with a market value of \$204,959,276 and a book value of \$202,415,568. 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 June 30, 2011 were \$4,619,778.

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

ITEM 15: Legislative Briefing. Mr. Norris explained that with the legislature no longer in session, there was nothing to report.

ITEM 16: Public Comments. Mr. Ramsey spoke regarding the market value versus invested capital for both the Pension Plan Fund and the Corpus Fund.

ITEM 18: Adjournment. There, being no further business, the meeting adjourned at 8:30 a.m. This meeting was recorded and all comments are on file in the City Finance Department.

Greg Graham, Chairman

ATTEST:

Liz Hughes, Secretary