

STATE OF TEXAS
COUNTIES OF POTTER
AND RANDALL
CITY OF AMARILLO

On the 11th day of August 2020, the Amarillo Hospital District Board of Managers met at 7:30 a.m. in regular session by video conference (in order to advance the public health goal of limiting face-to-face meetings also called “social distancing” to slow the spread of the Coronavirus (COVID-19)).

VOTING MEMBERS	PRESENT	NO. OF MEETINGS HELD SINCE APPOINTMENT	NO. OF MEETINGS ATTENDED SINCE APPOINTMENT
SAM LOVELADY, CHAIRMAN	Yes	25	21
DEAN FRIGO, INVESTMENT OFFICER	Yes	19	16
PATRICK WILLIAMS	Yes	7	7
RODNEY YOUNG	Yes	9	9
WESTON WRIGHT	Yes	3	3
WILLIAM BIGGS, MD	Yes	15	14
MARY BEARDEN	Yes	5	4

Also in attendance were the following:

LAURA STORRS, ASSISTANT CITY MANAGER
KELLY BEVIS, INVESTMENT COUNSELOR, WELLS FARGO ADVISORS
FRANCES HIBBS, CITY SECRETARY
MARCUS NORRIS, DEPUTY CITY ATTORNEY
BRYAN MCWILLIAMS, CITY ATTORNEY
JEN TURK, GALLAGHER
SAM HARTMAN, GALLAGHER
CASIE STOUGHTON, PUBLIC HEALTH DIRECTOR
SHANNON HERRICK, TEXAS TECH UNIVERSITY SCIENCES CENTER
DEPARTMENT OF PEDIATRICS
MEGAN WILLIAMS, TOBACCO FREE AMARILLO
DR. JORDAN, TEXAS TECH UNIVERSITY SCIENCES CENTER

Mr. Lovelady established a quorum, called the regular meeting to order at 7:30 a.m., and the following items of business were conducted:

PUBLIC ADDRESS: Mr. Lovelady inquired if there were any comments. There were none.

ITEM 1: Consider Minutes of the Amarillo Hospital District Board of Managers. Mr. Lovelady presented the minutes from the last Board of Managers meeting held on May 5, 2020. Dr. Biggs made a motion to approve the minutes as presented. Dr. Young seconded, and the motion carried unanimously.

ITEM 2: Presentation and Discussion of the Pension Fund Investment Performance. Kelly Bevis, Wells Fargo Advisors, presented the second quarter performance of the Northwest Texas

Hospital Employees Pension Fund Investment. She stated the report was very different than the first quarter which was one of the worst they had ever seen. The market took the idea of a vaccine and the NASDAQ was up 30.9% for the quarter and 12.7% for the year. She stated there was a big difference between growth and value. The whole market has been based on those type companies. Large growth has dominated the stock market. The fixed income interest rates continue to fall. The total Fund underperformed the Policy with 12.1% returns versus 12.8% returns for the quarter. The Fund performed better than the Policy for the 1 year and was slightly below the Policy for the 3-year, 5-year, and 10-year periods.

ITEM 3: Presentation and Discussion of the AHD Corpus Investment Performance. Ms. Bevis, Wells Fargo Advisors, presented the District's Corpus Investment Performance which had a return of 0.7% for this quarter and YTD 3.4%. ANB was at 4.4% while Herring Bank was at 2.2% for the YTD. This shows how strong the treasury market has been. She also reminded the District that they are moving the funds from Herring Bank due to underperformance. Half the funds will go to Happy State Bank and the other half to another money manager. The total Fund matched the Policy for the quarter and underperformed the Policy for the 1-year, 3-year, 5-year, and 10-year periods.

ITEM 4: Discussion and Consider Amarillo Hospital District Money Manager Services Request for Proposal Responses. Mr. Frigo stated the Finance Committee has decided to go with Ms. Bevis' recommendation of Sage Money Managers out of Austin. Sage has reduced their fees, are considered an active manager, and will provide more diversification in the portfolio. Ms. Storrs stated it has been recommended that the remaining amount from Herring Bank be moved to the investment consultant Sage Money Managers. Mr. Lovelady inquired about the dollar amount. Ms. Bevis stated it was approximately \$38 million. Mr. Lovelady motioned to accept the recommendation from the Finance Committee. The motion passed unanimously by a 7:0 vote.

ITEM 5: Consider Resolution for City of Amarillo Staff to Instruct Money Managers on behalf of the District. Ms. Storrs stated they have been working over the last quarter to transition the formal documentation needed for the Assistant City Manager/CFO and Finance Director of the City of Amarillo to instruct the money managers and allow for investment transaction changes. The City of Amarillo is the fiscal agent and the resolution formalizes the relationship between the District and the physical agent. Motion was made by Dr. Young and seconded by Mr. Williams to approve this item. This item passed by a 7:0 vote.

ITEM 6: Presentation and Discussion of Actuarial Report on the Pension Plan. Jen Turk, Arthur J. Gallagher & Co., presented the actuarial valuation as October 1, 2019 for the Retirement Plan for Employees of Northwest Texas Healthcare System. She presented the actuarial valuation process. She stated there has not been a lot of movement. They are slowly inching the population down. There are a number of people over the age of 65 still working. Sam Hartman, Arthur J. Gallagher & Co., stated the Plan is frozen and close to being fully funded. Mr. Lovelady questioned when to de-risk the portfolio. Mr. Hartman stated the timing to de-risk the portfolio is tough with the timing of the market. Ms. Storrs stated the need to move forward with the \$2 million funding this year and look at lowering the rate assumption. After October 1, 2020, they will work with the actuaries and bring back a recommendation to the Board in February to see where they are and how much of a contribution is needed. The Board could then decide to either take away more risk or fund what is needed to complete the pension funding. There are several different approaches moving forward this fiscal year when looking at taking risk out of portfolio. The Board will review how this plan is progressing and take final steps in the

upcoming year. Mr. Wright stated the need to push forward with paying out lump sum distributions to applicable to retirees.

ITEM 7: Consider Resolution for Funding Recommendation on the Pension Plan. Ms. Storrs stated there is a large group of terminated vested employees that are on this Plan. The District is working with Gallagher to get them paid out. After contributions are made this year, and payouts are made to the vested employees, they will look at bringing back this item to the Board to see what might be needed for further contribution. Ms. Turk stated if they dial back the interest rate assumptions, it will not be overfunded. Ms. Storrs stated they will work closely with the actuaries to balance this Plan as it gets closer to being fully funded. The recommendation today is to take the assumed rate of return from 7.5% to 6.5%. Motion was made by Mr. Frigo to fund the \$2 million this year, seconded by Ms. Bearden to approve the Resolution on the funding recommendation for the Pension Plan, the motion carried unanimously by a 7:0 vote.

ITEM 8: Discuss and Consider Changes to the Pension Plan Investment Policy. Ms. Bevis stated an asset allocation study was conducted to meet a lowered 6.5% assumed rate of return. The Policy is therefore recommended to change the equity target from 60% to 54% and fixed income from 40% to 46%. Mr. Frigo stated the Finance Committee recommends the investment policy changes and the 6.5% assumption for interest earnings. Mr. Lovelady stated the Board accepts the recommendation of the Finance Committee to approve changes to the Pension Plan Investment Policy, the motion carried unanimously by a 7:0 vote.

ITEM 9: Discuss and Consider Changes to the Amarillo Hospital District Corpus Investment Policy. Mr. Frigo recommended two changes. The first changes the Scope. If there is a conflict between this Policy and the Public Funds Investment Act, then the statute will prevail and the Policy will be implemented according to the law. The second change omits the spending policy. Ms. Storrs explained that conservative cash flows indicate that the Corpus funds will be sufficient to cover estimated costs through the expiration of the indigent care contract in 2036. Then, there will be a need to levy a tax for the indigent care needs in the future. The spending policy had a different origin that no longer applies to the current state of the Corpus funds. Mr. Frigo stated there is anticipated to be \$21 million of Corpus funds at the end of the current indigent care contract to begin a new one. He further stated there will have been no hospital district tax from 1996 to 2036. Mr. Lovelady stated this item was previously approved by the Finance Committee. The Board recommended accepting this item. This item carried by a unanimous vote of 7:0.

ITEM 10: Review Quality and Access Indicators Report. Casie Stoughton stated the Indigent Care Board met last week. The measures have remained steady over time. The quality indicators take into account the standards that are measured against a national benchmark. She stated JO Wyatt is doing a fantastic job. Dr. Biggs stated the report was very good. There were some variations from previous years. There was a longer wait time this year due to staffing losses. They also learned that there has been a financial requirement asset level change from Medicaid and have made adjustments to the original contract. The quality measures presented a very good report card.

Mr. Williams left the meeting at this time.

ITEM 11: Presentation by Texas Tech University Health Sciences Center Department of Pediatrics. Dr. Shannon Herrick, Texas Tech University Sciences Center Department of Pediatrics reported that NTHW has provided notice they are ending the contract 09/30/2020. Beginning on October 1, 2007, AHD supported Pediatric Subspecialties through NTHW with an

annual amount of \$1.2 million later increased to \$1.4 million in 2014. Deficits in funding are occurring nationwide. There are changes in specialty care. There are reductions in Medicaid reimbursement, hospital monetary support, and state and federal funding. There are other challenges in the ability to offer competitive salaries in small markets and the ability to provide on-call support when one provider is local. They are combating these challenges. They are currently collaborating with Cook Children's & Covenant Children's for collaborative recruiting and working on the vision for a West Texas Specialty Clinic. Dr. Biggs inquired about the funding being cut from NWTH. Ms. Herrick stated they were notified by letter. Ms. Storrs stated prior to around 2013 the District had direct contracts with the Pediatric Subspecialties and Tobacco Free Amarillo. Then there was a change in the arrangements and NWTH picked up that funding. The need was greater for the hospital to receive funding for intergovernmental transfers. Ms. Storrs stated she has built in line items for the next fiscal year budget for the District to pick up Pediatrics and Tobacco Free Amarillo. Dr. Biggs stated NWTH received some matching funds for awhile but they are no longer needed. Dr. Berk affirmed the importance of this Board. Having the support of AHD enables this incredible and complicated merger with the Children's hospitals in Amarillo. He appreciated having these specialists and the ability to move the money back to the School of Medicine. Mr. Norris stated this was a good opportunity to state the sole mission of the District is to provide for healthcare for the indigent population and when permissible to fund programs that benefit the general public. He stated this falls in line with an AG opinion that provides for benefits to the general public which help pay for those benefits. Dr. Jordan appreciated the support for this critical service and thanked Dr. Herrick for her dedication.

ITEM 12: Presentation of 2020 Tobacco Free Amarillo. Megan Williams, Tobacco Free Amarillo Director, provided an update to the Board and stated the AHD investment has kept more than 17,000 Amarillo youth from becoming adult smokers. Smoking rates have decreased over the 19 years. She further stated kids who vape are seven times more likely to become regular tobacco users with six months of starting to vape.

ITEM 13: Consider Amarillo Hospital District Budget. Ms. Storrs presented the AHD fiscal year 2020/21 Budget and stated it has been recommended for approval by the Finance Committee. She stated the District is estimated to begin the upcoming year with \$165.7 million. Mr. Frigo stated Tobacco Free Amarillo is receiving \$500,000 from NWTH and the District is budgeting \$350,000 which aligns with the annual amount of tobacco settlement proceeds the District receives. Ms. Storrs covered that total revenues are budgeted at \$4.2 million and total expenditures are budgeted at \$13.3 million leaving available funds of \$156.6 million. As mentioned before, Ms. Storrs stated that the Corpus funds are anticipated to last through the end of the indigent care contract in 2036.

Ms. Storrs stated the LPPF budget has a maximum assessment up to 6% for the hospitals. If not spent, the funds will be rolled over to the next year. There would be no budget amendment needed in the future by budgeting at the maximum rate. The funds are being spent and are not sitting in the bank as long and therefore not earning as much interest. Mr. Norris stated the LPPF uses, according to state statute, are for intergovernmental transfers, for costs associated with indigent care, and for administrative expenses. Motion was passed to approve the AHD 2020/2021 budget as approved by the Finance Committee. This item was approved by a 5:0:1 vote with Dr. Young abstaining from voting due to being employed by Texas Tech.

ITEM 14: Consider Addendum for the Tech University Health Science Center Psychiatry Residency Program. Dr. Jordan stated Dr. Amy Stark offers Psychiatry addiction services. She has also been involved with the Coming Home project. Ms. Storrs stated this addendum extends the contract for one year. Motion was made by Mr. Frigo, seconded by Mr. Wright to approve the addendum to the Texas Tech University Health Science Center Psychiatry Residency Program, the motion carried unanimously by a 6:0 vote.

ITEM 15: Discuss and Consider Lease Payment Arrangement with Familia Dental Clinic. Mr. Frigo stated Familia Dental Clinic got behind on their rent because of the pandemic. They are asking if they can make up their payments in September and October. Ms. Storrs said this arrangement authorizes the four months rental be repaid half in September and the remaining half in October. There is a lease agreement in place. Mr. Norris stated this would allow them to get caught up on their existing lease. This item was previously approved by the Finance Committee. This motion was approved by the Board with a 6:0 vote.

ITEM 16: Consider Potter County Sheriff Sale Property. Ms. Storrs stated this item releases any tax liens on the property but brings the property back on the tax roll going forward. This will allow the ability to assess tax on the property and is approved by all taxing entities. Motion was made by Mr. Young, seconded by Mr. Wright to approve the Potter County Sheriff Sale property, the motion carried unanimously by a 6:0 vote.

ITEM 17: Presentation and Consideration of Award of Contract. Ms. Storrs stated this item awards the contract to Randall County to collect taxes. Randall County has updated some of their wording in the existing contract and the contract will be in place indefinitely if the District needs to levy a tax in the future. Motion was made by Ms. Bearden; seconded Mr. Biggs to approve this contract. Motion was carried by a 6:0 vote.

ITEM 18: Presentation of Quarterly Financial Statements. Laura Storrs, Assistant City Manager, presented the District's Quarterly Financial Statements at June 30, 2020. Ms. Storrs reviewed the Balance Sheet, Income Statement, and Budget versus Actual Reports.

ITEM 19: Presentation of Quarterly Investment Report from Investment Officer. Mr. Frigo presented the District's Quarterly Investment Report and reviewed the investment portfolio and stated it was in compliance with both the District's Investment Policy and the Policy Funds Investment Act.

ITEM 20: Presentation of Public Health Efforts related to COVID-19. Ms. Stoughton provided an overview of the Coronavirus. She stated they started investigating in January and February the spread of Coronavirus. On March 27, 2020, the Public Health Department opened a drive thru testing site and tested just under 6,800 individuals. In July, the testing site was moved to a City owned building in downtown at 9th & Lincoln. There have been 5,300 positive patients and they have completed contact tracing and investigations with 90 staff members. The normal staff is about 38.

ITEM 21: Executive Session. Mr. Norris announced at 10:24 a.m. that the Amarillo Hospital District Board of Managers would convene into Executive Session, under Section 551.071 – Confer with attorney on a matter in which the Open Meetings Act conflicts with the Attorney's confidentiality with client on contracts between AHD and NPTH concerning the 1996 Indigent Care Agreement. At 11:21 a.m. the Board of Managers completed its Executive Session.

Mr. Lovelady adjourned the meeting.

ATTEST:

Frances Heller


Samuel B. Lovelady