

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE WINNIE-STOWELL HOSPITAL DISTRICT

The meeting of the Board of Directors of the Winnie-Stowell Hospital District ("District") was noticed and filed pursuant to the Texas Open Meetings Act a full 72 hours prior to the opening of said meeting for 6:38 p.m. on the 22nd day of July 2015, at the Winnie Community Hospital ("Hospital")-Conference Room, Broadway, Winnie Texas (a copy of said Notice being placed amongst the files of the District).

The roll was called of the members of the Board, to wit:

Elroy Henry, Chair
Jeff Rollo, Vice-Chair
Ed Murrell, Secretary
Sharron Burgess, Director
Raul Espinosa, Director

All said Board members were present. In addition, to the above named Board members, also present at the meeting was: Sherrie Norris, District Administrator; Hubert Oxford, IV, District Attorney; James Gibson, EISD; Gloria Romier; Lisa Ponce; Deputy Michael Croyle, Chambers County Sherriff's Office; Dan Yancey; Mo Danishmund; Saad Javed; Mary Ellen Robertson, CPA; and Danny Thompson, with the Thompson Outpatient Clinic, and other interested citizens listed on **Exhibit "A"**. David Smith with LTC Group was also present via telephone conference.

At approximately 6:35 p.m., a quorum was established and Chairman Henry made introductions that were followed by a request for public comment. Danny Thompson, P.A. with the Thompson Outpatient Clinic, was the only person requesting to give public comment. According to Mr. Thompson, he has questions regarding the number of Indigent patients enrolled by the District to the Indigent Program in the past four years and asked the District to re-review the numbers submitted to the Winnie Community Hospital.

Following the Public Comment, Chairman Henry asked the Board to consider and take action on Agenda Item No. 3, to review and approve the Consent Agenda, which included approving the minutes for:

- July 15, 2015 Regular Meeting; and
- August 06, 2015 Special Meeting.

In addition, Chairman Henry asked the Board to consider as part of the consent agenda, the approval of the financial reports and payment of invoices attached hereto as **Exhibit "B"**. In regard to the financial reports summary, Administrator Norris presented the Board with bills payable and balances for the various District accounts. According to Ms. Norris, the District had \$525,708.55 in its Operations Account and \$40,817.62 in sales tax revenue expected from the Texas Comptroller for Public Accounts. Otherwise, Mrs. Norris reported that expenses for the previous month amounted were 20,201.33, which would leave a balance of \$546,324.84 in the Operations account after the sales tax revenue deposited and expenses were paid. In addition, there was \$103,725.52 in a CD at Prosperity Bank; \$152,435.57 in the District's TexStar account; plus \$100.00 in the District's Interbank. Following a review of the minutes and the financial statements, Director Murrell made a motion to approve the consent agenda. This motion was seconded by Director Espinoza with the unanimous consent of all Board members present.

Chairman Henry then called on the Committee Chairman to give committee reports. The reports by each Committee Chair are as follows:

- **Building Committee:** Chairman Espinoza reported that the Building Committee met with James Gibson, President, of the East Chambers School District Board ("School District") to discuss the potential acquisition, by the School District, of the District's property located on Highway 124. Mr. Gibson reported that the School District is interested in purchasing the property and/or building attached to the property but expressed that the acquisition, depending on the price, would need to be financed by the District. In the alternative, Mr. Gibson suggested a partnership with the School District

in order to help the school District with a Special Service Department for Special Education and children with Special needs, which is funded through Medicare and Medicaid.

- **Finance Committee:** Chairman Murrell advised that the Finance Committee met prior to the Board meeting to discuss amending the budget and this will be discussed in Agenda Item No. 6.
- **Indigent Healthcare Committee:** Chairwoman Burgess reported that the Personnel Committee needed to meet to interview replacements for the Indigent Care Director's job.
- **Personnel Committee:** Chairwoman Burgess reported the Committee was setting up interviews for Indigent Care Director's position on Wednesday, July 24, 2015.
- **Hospital Liaison:** Dir. Espinoza initiated a dialogue on the status of the Hospital improvements and requested an update from the Hospital personnel. However, there was confusion on the nature of the report to be given by the Hospital and the disclosure of information in a public meeting. Therefore, Director Espinoza and representatives from the Hospital requested that he be given some time to consider the information to be presented and then be allowed to address the Hospital report whenever Agenda Item No. 7 was discussed.

Following the Committee reports, Chairman Henry asked the Board to return to Agenda Item No. 5 to discuss the reports by the District's Administrator and the District's Attorney.

- a. **District Administrator:** Sherrie Norris did not have a report.
- b. **District General Counsel:** Attorney Oxford briefly advised the Board of some potential issues he anticipated between this meeting and the next Board including the request by the Nursing Home Managers with loans guaranteed by HUD to place Block Agreements on the District's accounts for the six nursing homes at issue and the fact that these accounts already had block agreements on them by the lender of the nursing home operations loans. In addition, Attorney Oxford advised the Board on the status of its Interlocal Agreement and the Agency. According to Attorney Oxford, the Agency is making good progress in 1) establishing mechanisms to recapture and reconcile additional IGT funds; 2) distribute Minimum Payment Amount Program proceeds; and 3) to negotiate with Managed Care Organizations a way to obtain funds from the Program earlier than six months as presently scheduled.
- c. **District Accountant/CPA:** The District's CPA, Mary Ellen Robertson presented the Board with its financials for the month of June 30, 2015. (See Exhibit "B"). According to Mrs. Robertson the budget needed to be amended to account for some adjustments but otherwise, the District was in sound financial shape and in

compliance with its policy to have reserves in excess of \$500,000.00. Otherwise, she reserved the rest of her report for Agenda Item No. 6.

- d. **District Nursing Home Consultants:** David Smith, with LTC participated in the meeting by way of a conference call and reported to the Board he has been trying to arrange a meeting with the District's managers of its nursing facilities to implement a quality matrix for the quality incentive fee that would provide substantive improvements to the health care needs of the residents of the District's facilities. Attorney Oxford explained to Mr. Smith that the quality incentive proposals needed to be more substantive than staying in compliance with the state and federal

Upon conclusion of Mr. Smith's report, Chairman Henry then asked Board to turn its attention to Agenda Item No. 6, to discuss and take action, if necessary on amending the Budget for 2015. In so doing, Chairman Henry called on Director Edward Murrell and Mary Ellen Robertson to review the proposed budget amendments discussed at the Finance Committee meeting that was held immediately before the regular Board meeting. The amendments recommended by the Finance Committee were as follows:

Income: The Committee suggested raising income from 56,330,925.00 to \$56,345,682.00 to account for \$14,757.00 in funds tobacco funds.

Expenses: On the expense side, the Board recommended a number of changes. Some highlights of substantial changes are as follows:

1. In order to keep better track of expenses incurred for legal fees resulting from the ownership of the nursing homes, it was recommended to split the legal fees into two categories, Nursing Home and a General Legal Fee line item. Additionally, the Committee recommended a budget of \$100,000.00 for both line items bringing the budget for legal fees to \$200,000.00.
2. The Committee also recommended dropping the budget for the Indigent Care Director to \$36,500.00 or by \$11,500.00 because of the fact that the District is temporarily without a Director.
3. Lastly, the Committee recommended adding a line item named "Purchase of Land and Building" and budgeted \$11,500.00 for this line item. The Committee discussed the need for funding of the line item to pay for the cost of utilities, mowing, and other generalized expenses that are expected to accrue resulting from the District's ownership of the property and building located on Highway 124.

4. In total, the District reported to the Board that the net increase in expenses was \$198,345.00.

Following the Committee Report, a motion was made to accept the Committee's recommended budget amendments set forth in **Exhibit "C"** by Director Burgess. This motion was seconded by Director Rollo, with the unanimous consent of all Board members present.

Turning to Agenda Item No. 7, Chairman Henry returned to Hospital personnel and a status report by the Winnie Community Hospital on projects funded by the District. A conversation then ensued between Attorney Hubert Oxford, Mary Ellen Robertson, and Hospital representatives on the District's expectations and what had previously been discussed in regard to the reporting needs of District. Attorney Oxford reminded the group that this was discussed at the June 26, 2015 Special Meeting and it was reported in the minutes that:

Following the presentation, the Board and hospital staff engaged in a lengthy discussion about the need to establish accounting standards for the funds donated by the District to the Hospital for these projects. Attorney Oxford reported that he had discussed the matter with the District's auditor, Tommy Davis, and was informally advised he did not think the funds would be audited in the 2015 audit since the funds were for "indigent care" pursuant to the Indigent Care Agreement ("Agreement") with the Hospital. However, he did recommend the District exercise its safeguards in section 2(b) of the Agreement to make sure the funds were spent according to the District's wishes. In addition, it was discussed with the District's CPA, Mary Ellen Robertson, that the District should begin receiving monthly or quarterly reports on the status of the projects and to visually inspect the Hospital to make sure the projects were moving forward as reported. All parties agreed to continue moving forward in an open and transparent manner.

Moreover, it was discussed that at this same Special Meeting, the parties to the Indigent Care Agreement needed to amend the Agreement to account for spending any excess funds donated by the District. Attorney Oxford advised that he presented the Amended Agreement to

the Hospital but understood that there may no longer be any excess funds because the cost of the Operating Room was more than expected.

Thereafter, the Hospital personnel attending the meeting and the Board, through its counsel and CPA, once again discussed the needed information and the fact that this information is public information subject to open records requests. Specifically, the Board requested regularly scheduled reports on a monthly, or quarterly, basis that have been verified by a District representative to account for a number of things, including, but not limited to: 1) the status of each product; 2) funds expended on each project; 3) percentage of completion; and 4) any issues that have occurred or foreseen. In response, the Hospital personnel agreed to review the information they were prepared to submit and then present the requested information at the next Regularly Scheduled meeting. No action was taken on this agenda item.

Next, Chairman Henry reviewed the agenda and advised the Board that Agenda Items Nos. 8 through 10 were going to be tabled as the status of they had previously been discussed in the Committee Reports or staff reports. These Agenda items were for the following:

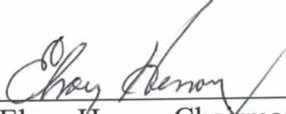
Agenda Item	Agenda Item Topic
8	Discuss and take action, on potential sale or lease of District's modular building and/or real property and improvements located on Highway 124.
9	Discuss and take action, if necessary, on authorizing the District's engineer to go out for bids to make repairs to modular building located on Highway 124 in order to be compliant with Texas Windstorm criteria for Chambers County, Texas.
10	Discuss and take action, if necessary, to continue participating in the Interlocal Cooperative Agreement with other non-state owned governmental entities to assist the District with in maximizing reimbursement; reduce certain cash flow and economic risks; and resolve certain inequities related to the Texas Nursing Facility Minimum Payment Amount Program.

A motion was then made Murrell to table Agenda Items Nos. 8, 9, and 10. This motion was seconded by Director Espinoza with the unanimous consent of all Board members present.

Following, Chairman Henry moved to Agenda Item No. 11, to discuss and take action on obtaining control of Indigent Care files from the Chambers County Indigent Care Department. He then asked Administrator Norris to address this matter. According to Administrator Norris, there has been some confusion regarding applications filed with the District to be submitted with the Chambers County Indigent Care Department and she felt it would be more efficient and accountable if the District took over the control of the Indigent files. In addition, she explained to the Board that she wanted to be cross-trained in the Indigent Program and this would be a good opportunity to understand the program and to meet the District's indigent clients. After receiving this explanation, a motion was made by Director Burgess to request the transfer of Indigent files from the Chambers County Indigent Care Department to the District. This motion was seconded by Director Murrell with the unanimous consent of all Board members.

As with Agenda Items Nos. 8-10, Chairman Henry requested that Agenda Item No. 12, to discuss and take action on replacing the Indigent Care Director, be tabled. A motion was then made by Director Burgess to table Agenda Item 12. This motion was seconded by Director Murrell, with unanimous consent of all Board members present.

In closing, the Board advised the next regularly scheduled meeting would be held on August 19, 2015 and then a motion was made by Director Espinoza and was seconded by Director Burgess, with the unanimous consent of all Board members to adjourn at 8:12 p.m.



Elroy Henry, Chairman



Jeff Rollo, Vice-Chairman