

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 6:00 p.m. on the 22nd day of November 2016, at the Winnie Community Hospital (“Hospital”)-Conference Room, Broadway, Winnie Texas (a copy of said Notice being placed amongst the files of the District).

Prior to calling roll, Administrator Norris gave incoming director, Anthony Stramecki the Oath of Office and Statement of Officer. (*See Exhibits “A-1” and “A-2”*). Thereafter, the roll was called of the members of the Board, to wit:

Ed Murrell, Chair
Jeff Rollo, Vice-Chair
Raul Espinoza, Secretary
Sharon Burgess, Director
Anthony Stramecki, Director

All said Board members were present. In addition, to the above named Board members, also present at the meeting were: Former Board Member and President of the Board, Mr. Elroy Henry; Sherrie Norris, District Administrator; Hubert Oxford, IV, General Counsel; David Sticker, District CPA; Mr. Mo Danishmund, Riceland Hospital Chief Financial Officer; and Chris Portner, General Counsel for Riceland Hospital; as well as citizens listed on **Exhibit “B”**.

At approximately 6:02 p.m., a quorum was established and Former Chairman Henry called on the Board to Agenda Item No. 4, to discuss and take action, if necessary, on electing officers. After a brief discussion, Director Burgess made a motion to nominate Director Edward Murrell to the position of Chairman of the Board. This motion was seconded by Director Rollo with the unanimous consent of all Board members. Next, Director Burgess made a motion to

nominate Director Rollo to the position of Vice-Chairman. This motion was seconded by Director Espinoza with the unanimous consent of all Board members. Lastly, Director Burgess made a motion to nominate Director Raul Espinoza to be the District's Secretary. This motion was seconded by Director Rollo with the unanimous consent of all Board members.

Thereafter, Chairman Murrell called introductions that were followed by a brief moment of silence, the Pledge of Allegiance, and then a request for public comment. There being no public comment, Chairman Murrell asked the Board to address Agenda Item No. 5, to consider and take action on reviewing and approving the minutes from the following meeting:

- October 19, 2016 Regular Meeting;
- October 28, 2016 Special Meeting; and
- November 14, 2016 Special Meeting

After a review of the minutes, Director Espinoza made a motion to approve the minutes for October 19, 2016 Regular Meeting; October 28, 2016 Special Meeting; and November 14, 2016 Special Meeting. This motion was seconded by Director Rollo, with the unanimous consent of all Board members present.

Thereafter, the Board was asked was asked to address Agenda Item No. 6, to review and approve financials report; payment of invoices, and amend budget, if necessary. According to Mrs. Norris, the District had a net cash position of \$2,692,556.62 in its various accounts after paying \$4,993,805.67 in expenses during the month including the payment \$25,859.77 in expenses as part of this agenda item; \$16,992.36 in ACH withdraws; and \$4,950,953.54 in nursing home expenses. Included in this net cash position were: 1) \$1,119,289.23 in the District's Operating Account; 2) \$815,076.14 in the Interbank Account; 3) \$104,181.22 in a Prosperity CD; and 4) \$654,010.03 in its TexStar Account. (*See Exhibit "C"*). At the Conclusion of the Report, Director Espinoza made a motion to approve the payment of bills and the financial statements presented by Mrs. Norris and the District's CPA, David Sticker. (*See*

Exhibit “C”). This motion was seconded by Director Rollo, with the unanimous consent of all Board members present.

After Administrator Norris’s discussion of the District’s finances, the District’s CPA was called on by Chairman Murrell to present Budget Amendment No. 2. According to Mr. Sticker, he met with the Finance Committee before the meeting and reviewed the proposed budget that he, along with Administrator Norris and Attorney Oxford, worked extensively. Mr. Sticker explained the changes to the budget were extensive because there had a to be a number of adjustments made to the 2014, 2015, and the prior 2016 budgets in order for all three year’s budgets to be based on the accrual method of accounting and to comply with governmental accounting standards. The reason the 2014 and 2015 budgets needed to be adjusted is so that the Board would know the amount of the fund balances from one year to the next in order to properly assess the fund balance for 2016. In addition, Mr. Sticker explained the time spent organizing the Quickbook accounting system so that it mirrored the line item names from the previous year and the time spent reconciling Nursing Home Program income and expenses to the proper year accrued.

A copy of the 2016 Budget and Budget Amendment No. 2 as well as the adjustments to the 2014 and 2015 Budgets that were recommended by Mr. Sticker can be found in **Exhibits “D-1”, “D-2”, and “D-3”**. In summary, Mr. Sticker reported that the District’s fund balance for 2016 was \$3,875,416.00. In regard to revenue, Mr. Sticker recommended increasing Nursing Home MPAP funds to \$21,500,000.00 from \$13,702,000.00 in order to account for MPAP funds received, or scheduled to be received, for the months in 2016. Included in this figure is the District’s share of the \$3,200,000.00 anticipated to be paid to the District in February 2017 as a reconciliation payment for Eligibility Period 2. In addition, Mr. Sticker recommended the

removal of \$14,440,000.00 in short term loan proceeds as revenue. Therefore, after the Fund Balance is accounted for and the changes to revenue are taken into consideration, the budget for Total Funds available in 2016 is \$26,265,716.00. As for the expenses, there were numerous recommended changes. The highlights of the recommended changes to the expenses in Budget Amendment 2 are as follows:

Line Item	Budget	Amendment 2	Notes
601 IC-Pmt to Hosp-Equip.	\$1,750,000.00	\$0.00	Decreased to \$0.00 but for 2017, need to take into consideration the recent request by Hospital.
603 IC-Pharmaceutical Costs	\$20,000.00	\$45,000.00	Increase to rounded amount closest to actual amount spent.
630 NH Program – Mgt Fees	\$5,250,000.00	\$7,370,000.00	Of the \$3,200,000.00 expected in February for the Eligibility Period 2, reconciliation, .56121 is going to be paid to the Managers or \$1,795,872.00 or \$149,656.00 per month. Therefore, this budget item should be increased by \$1,197,248.00 to account for the manager's share of the \$3,200,000.00 reconciliation payment to be received in February 2017 for Eligibility Period 2. Likewise, if we do this, shouldn't we increase 2015 Managers payments by \$598,624.00?
631 NH Program IGT	\$0.00	\$9,975,000.00	Add line item and increase to actual amount spent. David, this needs to account for the \$500,693.70 we recently had to IGT for Eligibility Period 2. Also, please note, a portion of this \$500,963.70 needs to be assigned to 2015. Moreover, before we assign the IGT to 2015 and 2016, please recall that the District's share of responsibility for this IGT is actually \$219,700.92 or .43879. The end cost for this extra IGT to the District in 2016 should be \$146,467.28. In 2015, we should attribute \$73,233.64.
634 NH Program-Legal Fees	\$100,000.00	\$50,000.00	Decrease to \$50,000.00 because Genesis reimbursement for legal fees incurred in 2016.
635 NH Program-LTC Fees	\$3,362,643.00	\$2,236,000.00	Decrease to rounded amount closest to actual amount spent.
637 NH Program-Interest Expense	\$1,794,516.00	\$1,545,000.00	Decrease to rounded amount closest to actual amount spent.
800 Contingency	\$200,000.00	\$0.00	

902 – Pmts. of Short Term Loans	\$14,440,000.00	\$0.00	This should be \$0.00 because the loans are not for long term financing.
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In total, Mr. Sticker reported a change in expenses from \$27,861,354.00 to \$22,541,500.00. Lastly, Mr. Sticker explained that if the Board adopts the amendments set forth in **Exhibit “D-3”**, the District will be expected to have a surplus of \$3,724,610.00 for 2016. Afterwards, Mr. Sticker answered questions from Board members and after the questions were answered, Director Rollo made a motion to approve the recommended Budget Amendment No. 2. This Motion was seconded by Director Espinoza, with the unanimous consent of all Board members.

Next, Chairman Murrell moved to Agenda Item No. 7, Committee reports. After polling the various Committee chairpersons, the only Committee Chairman to have a report was Hospital Liaison, Director Espinosa. Director Espinoza informed the Board that there had been extensive flooding in the hospital during a recent heavy rain and he had been working with the hospital staff to find a solution because it is believed that the recent flooding has been caused by the new roof that is angled unlike the prior flat roof. In response, Mr. Danishmund informed the Board that the hospital found a drain pipe that had been crushed which was causing part of the problems but they were also studying other drainage solutions including the installation of gutters and adding additional drain pumps in the courtyard.

Turning to staff reports, Agenda Item No. 8, Chairman Murrell called on Administrator Norris to give her Administrator’s report. Mrs. Norris informed that Board that she was still receiving MPAP funds for the 3rd Quarter of Eligibility Period 2 and was informed by the LTC Group that Amerigroup that their payment would not be made until December 2016. Once the Amerigroup payments are made, the District would be ready to distribute the funds to the Managers.

In addition, because the Indigent care director was out on maternity leave, Administrator Norris gave the Indigent Care Report. Mrs. Norris announced that the District had forty-eight (48) indigent clients in the month of October 2017. (See **Exhibit “E”**). She also reported that the District’s incurred \$21,314.94 indigent care expenses in October of which \$13,049.69 is the amount that would be billed at the Medicare rate and the District actually paid \$5,106.96 in prescription drug care costs.

Otherwise, neither Attorney Oxford nor the District’s CPA had anything further to report but Attorney Oxford did present the Board with an e-mail and Executive Summary by the LTC Group an executive summary. (See **Exhibit “F”**). According David Smith’s e-mail, October 2016 District’s census is down by four residents to 1126. Additionally, the e-mail reported that the overall staffing is currently good among the facilities; but Monument Hill still needing several full time Certified Nursing Assistants, and Highland Park, Rose Haven, and Spring Branch have all hired new administrators within the last few months. In regard to compliance there were a relatively low number of reportable incidents, and none that were substantiated upon state investigation

At the conclusion of Committee Reports and Staff reports, Chairman Murrell requested Administrator Norris to discuss Agenda Item No. 9, to discuss and take action, if necessary; on the status of the Election for 2016. No action was taken on this matter and staff was advised that the Agenda Item needs to be taken off the agenda.

Turning to Agenda Item No. 10 to discuss and take action, if necessary, on renewing the Depository Account Agreement with Prosperity Bank Administrator Norris advised the Board that she received correspondence from Prosperity Bank to renew the District’s terms at the bank.

(See **Exhibit “G”**). After a brief discussion concerning the terms and the District’s options, Director Espinoza made a motion to authorize the execution of the agreement with Prosperity Bank for the upcoming year. This motion was seconded by Director Burgess, with the unanimous consent of all the Board members.

President Murrell then moved to Agenda Item No. 11, to discuss and take action, if necessary, on authorizing staff to post notice of the Public Hearing to be held on December 21, 2016 to discuss the District’s 2017 Budget. Attorney Oxford explained that Section 286.125 of the Texas Health and Safety Code required the District to post notice ten (10) days prior to the public hearing on the next year’s budget. Attorney Oxford presented a draft notice but needed the Board to confirm a date and time. Since it was close to the holidays, Director Espinoza made a motion to have the public hearing on December 15, 2016 at 5:00 p.m. and authorized Attorney Oxford to work with the Hometown Press to public notice timely. This motion was seconded by Director Burgess with the unanimous consent of all the Directors.

to discuss and take action

Attorney Oxford was called on to address Agenda Item No. 12, to discuss and take action, if necessary, on authorizing collection lawsuit against Gulf Coast Hospice of Houston on behalf of the Nursing Facility Highland Park. Attorney Oxford presented the Board with a draft petition prepared by lawyer for Caring Healthcare to be filed against Gulf Coast Hospice to collect funds owed to the Highland Park nursing facility. (See **Exhibit “H”**) Attorney Oxford explained that since the District was the owner of the Highland Park facility, the District’s name would be on the petition and he wanted Board approval for the lawsuit to be filed. The amount owed is approximately \$32,000.00. Director Espinoza had a number of questions and concerns but after an explanation by Attorney Oxford, Director Rollo made a motion to give authority to

file the lawsuit. This motion was seconded by Director Burgess and passed with the consent of all Board members except for Director Espinoza who voted against the motion.

Lastly, Chairman Murrell asked the Board to discuss and take action on Agenda Item No. 13, on establishing a date for an Appreciation Dinner for staff and Mr. Elroy Henry. The Board members were all in favor of the idea but requested that a date be set following the Christmas holidays. Therefore, no action was taken on this agenda item but it was agreed to be discussed at the December 2016 Regular Meeting.

There being no other business, Chairman Murrell advised the Board that the next Regularly Scheduled Board meeting would be immediately following the Public Hearing set for 5:00 p.m. on December 15, 2016. At 7:30 p.m., a motion was then made by Director Espinoza to adjourn the meeting. This motion was seconded by Director Burgess, with the unanimous consent of all Board members.


~~Elroy Henry, Chairman~~
Edward Murrell,


Jeff Rollo, Vice-Chairman