Tomball Hospital Authority
Board of Directors
January 23, 2019

Present:
Vicki Clark, Chairman
Jack Smith, VP
Tom Kikis, Secretary
Jim Ross, Treasurer
Bill Hogue
Danny Marburger
David McClinton
Christina Nash
Latrell Shannon
Lori Wilson
Steve Vaughan

Absent:
Vincent Norris

Also Present:
Lynn LeBouef (CEO)
Marilyn Kinyo (CAO)
Kevin Reed (Reed, Claymon, Meeker & Hargett) (Telephonically)
Bruce Hillegeist (Tomball Chamber of Commerce)
Monte Tucker (Stroudwater)
Timika Simmons (TOMAGWA)
Jo Lyne Beverly (Wells Fargo)
Melissa Greer (Wells Fargo)
Dawn Bremer (Wells Fargo)

Tomball Hospital Authority Board Meeting

1. Call to Order
   A. Vicki Clark, Chairman of the Board, called the meeting to order at 4:08PM CST on Wednesday, January 23, 2018. Lori Wilson read the Foundation’s Mission Statement.

2. The Oath of Office was administered to David McClinton by Marilyn Kinyo.

3. Approval of minutes from the November 28th board meeting and the December 18th Executive Committee meeting. A motion was made by Lori Wilson and was seconded by Latrell Shannon to approve the board meeting minutes from the November 28, 2018. The motion was unanimously passed. A motion was made by Tom Kikis and was seconded by Jack Smith to approve Executive Committee meeting minutes from the December 18, 2018. The motion was unanimously passed.

4. Community Input – Bruce Hillegeist from the Tomball Chamber of Commerce wanted to personally recognize Latrell and Sam Shannon as Tomball’s 2018 Citizen’s of the year. They are the 2nd ever couple of the year. They were also recognized by the Mayor as the Tomball Citizens of the Year.

5. Community Report: The Community Report was presented to the Board for review from December 2018 and January 2019.

   A. Financial Summary
      1. An update on the December 31st financials was given by Lynn LeBouef. He reviewed the balance sheet - cash total $823,139.24, investments were down for this month to $90,833,296.51, with a total for the month of $90,833,296.51 for December 2018. Total liabilities and equities for the month were $90,939,892.30. Lynn went on to review the P&L statement. Total income of $1,247,522.02 total expenses of $278,527.15 and net ordinary income of $968,994.87, net income of (loss) $8,098,803.72. Marilyn Kinyo presented and reviewed the cash report for December 2018. The major expenses for the
month were Creative Risk Quarterly payment and November claims, Klein ISD See to Succes Program, Boys & Girls Country check replacement and Stroudwater payment. Lynn went on to report on the P&L Budget performance was $497,222.02 over budget on income and $76,077.35 under budget on expenses. A motion was made by Jack Smith and seconded by Danny Marburger to approve the November and December 2018 financials as presented. The motion was unanimously passed.

2. Wells Fargo Q4 review – Jo Lynne Beverly presented the Q4 report to the Board. The Performance of the last 12 months declined 6.6% net of fees. Coming out of the worst December since 1931 the S&P 500 had a peak to trough move of more than 15% to the downside. However, in the first 20 days of January 2019 the S&P has recovered almost 12% from that move.

In reviewing the contributors and detractors of the portfolio’s performance the greatest declines occurred in the equity class where the larger allocations reside. Both domestic and international equities ended the year in negative territory. With a positive 52% the large cap class contributed to the performance of the portfolio in a year when the S&P ended with a negative 4.3%. Mid cap and small cap were consistent with their benchmarks down about 10%. International developed and emerging markets both ended the year down in excess of 14%. Commodities were the largest percentage decline of 20% but this is a very small allocation of less than 2%. Alternative investments were negative across the board ranging from down 2% to down 7.5%. Last cash, another small allocation of 3%, was a net contributor at a positive 1.74%.

After a 10-year bull market, the longest in history, and the second longest economic expansion, 2018 was not a very bad year nor unexpected correction. Wells Fargo’s outlook for 2019 is healthy but cautious. Global equity prices should advance broadly as the year progresses, but mainly on earnings growth. We expect modest valuations to persist. Presently, emerging markets continue to be the most favored equity class. U.S. large cap and mid cap are favorable. U.S. small cap equities and developed Europe equities are given a neutral outlook. Commodities should provide more opportunity. The proper supply/demand balance for WTI prices should be about $50-$60 a barrel. Add $10 for geopolitical concerns and Wells Fargo has a target price of about $65 a barrel. Real estate is given an unfavorable outlook considering interest rates may increase.

Given the current status of the portfolio and Wells Fargo’s 2019 outlook the following recommendations were presented. All recommendations fall within the guidelines of our investment policies.

1. Remove the Alternative Investment class, reallocate those funds to the other asset classes including increasing the cash position.
2. Trim the Real estate exposure.
3. During 2019 the instruments in the fixed income class will be reviewed. Consideration of removing mutual funds and moving to bond ladders to cushion the portfolio in a rising rate environment.

Wells Fargo, the team and I thank you for your business and look forward to a better 2019. A motion was made by Vicki Clark and was seconded by Lori Wilson to approve the Q4 Investment report as presented. The motion was carried unanimously.

3. Investment Policy Revision were presented by Lynn LeBouef and was reviewed by all the board members. A motion to approve the investment policy as presented was made by Tom Kikis and was seconded by Vicki Clark. The motion was carried unanimously.

4. The updated spending policy and calculations was presented by Lynn LeBouef. A 4% spend rate based on the average of the Portfolio Value over the previous 12 quarters in order to smooth out the market volatility and not based on spending rates or the current portfolio performance. The FY2019 spending budget and the proposed spending rate
calculations were presented. A motion by Vicki Clark and was seconded by Danny Marburger to approve the CY2019 Spending and project budget. The motion was carried unanimously.

5. FEMA Update – 11 of 14 open claims have been settled and closed with no cost to the Authority. There are three outstanding claims valued at approximately $400,000.

B. Legal Bills – The legal bills from November and December 2018 were reviewed from the Executive Committee meeting as well as a new invoice from Polsinelli for FEMA issues. November and December invoices were $2959.00 and January invoices were 1368.50. A motion to approve the invoices as presented were made by Vicki Clark and was seconded by Latrell Shannon. The motion passed unanimously. The board briefly discussed hiring a pension lawyer that Reed, Claymon recommends to deal with ex-employee social security issues.

7. TOMAGWA
   A. Monthly Dental and Medical Update for November and December 2018- An update on the TOMAGWA dental and medical clinics were handed out to the board for November and December 2018. The dental report for November 2018 was presented to the board. They budgeted to see 366 patients and actually saw 364 patients and for December 2018 they budgeted to see 366 patients and saw 527 patients. The medical clinic budgeted to see 800 patients in the month of November 2018 and actually saw 1069 and in December 2018 they budgeted to see 800 patients and actually saw 956 patients. The Board did commit to pay TOMAGWA through next quarter which ends on March 31, 2019.

8. Quarterly Funding Report
   A. Meals on Wheels Montgomery County Q3 Report – They served 3,084 meals to 159 seniors. 55 were unduplicated. The cost for Q3 was $18,504.00. A motion was made by Danny Marburger and seconded by Vicki Clark to pay the Q3 invoice. The motion carried unanimously.
   B. TOMAGWA Health Care Ministries Q1 Report – The dental salaries were $94,579.60, patient visits were $45,000.00 and Medical reimbursement is $30,000.00. The total for Q1 is $169,579.60. A motion to pay $169,579.60 was made by Vicki Clark and was seconded by Lori Wilson. The motion carried unanimously.
   C. Montgomery County Youth Services Q4 Report – They did 154 hours of Direct Services in Magnolia Office, Ivette Gonzalez provided services to 9 new unduplicated clients in Magnolia during this period. Ivette Gonzalez served 35 clients and their family members, serving a total of 83 persons. Ivette Gonzalez served clients through family sessions (68 hours), youth individual sessions (62 hours), initial intake sessions (20 hours), and crisis interventions (4 hours). 4 hours Family Skills Group. A motion was made by David McClinton and was seconded by Tom Kikis to approve the Q4 invoice in the amount of $15,272.30. The motion carried unanimously.
   D. Northwest Assistance Ministries Q4 Report – Over 150 clients were served, 5,496 nutritious hot meals delivered, 448 frozen meals, 1,110 Breakfast meals delivered, 650 shelf stable 5 pack emergency meals delivered, Medical supplies provided: shower chairs, and blood glucose meters and testing strips. The Q4 totals came to $25,000. A motion was made by Vicki Clark and was seconded by Steve Vaughan to pay the Q4 invoice in the amount of $25,000. The motion carried unanimously.
   E. Inspiring Possibilities Q1 Report – The grant funded 21 student scholarships in October 2018, 25 student scholarships in November 2018, 26 student scholarships in December 2018. The invoice for the Q1 scholarships is $8,568.00. A motion to pay the Q1 invoice was made by Lori Wilson and was seconded by Danny Marburger. The motion passed unanimously.
   F. The JoyRide Center – A brief report was given for Q4. They will be at the February meeting to give a full report. No payment is due to them at this time.

9. Funding Committee Report
   A. Tomball Regional Medical Center Speakers Series – The have topics for each month’s presentations have been set. The total cost for the meals, marketing and giveaways will cost $610 a month or $7300 for the year. A motion was made by Vicki Clark and was seconded by Latrell Shannon with Lori Wilson abstaining. The motion carried.
B. Montgomery County Youth Services - They are requesting $60,529 to cover the bilingual mental health counselor’s salary and benefits for 2019 to serve children in Magnolia, Tomball and Waller. The funding committee as well as the board feel that because they are in a good financial position and that they made a significant amount at their gala/fundraiser that they would reduce our funding this year. They agreed to fund $50,000 of the $62,529.00 requested for 2019. A motion to approve the $50,000 was made by Danny Marburger and was seconded by Vicki Clark. The motion was passed unanimously.

C. Northwest Assistance Ministries (NAM) – 2019 Meals on Wheels Program – They will provide needed services to homebound senior citizens and the disabled residing in Tomball and Waller. These funds will be used for meals, case management services, medical supplies, etc. They are requesting $110,000 for the 2019 funding year. This is up $10,000 from last year. A motion was made by Tom Kikis and was seconded by Lori Wilson to approve the $110,000 funding to NAM for 2019. The motion carried unanimously.

D. Lone Star College – 2019 Tomball Nursing Retention Specialist. They are requesting $63,317 for the nursing retention specialist salary, $10,500 in a market stipend as well as 13.5% in benefits which came to $9,965. The committee spoke about the continued funding. They are in favor of the program and the foundation continuing the support, but do not agree with the $10,500 market stipend. The board agreed with that as well. A motion was made to approve the $73,282 in salary and benefits by Vicki Clark and seconded by Jim Ross. The motion was carried unanimously.

E. Be An Angel - They are requesting $25,000 to fund the two-week summer camp for special needs children in Tomball. These funds will pay for 75 medically fragile special needs children. A motion was made by Lori Wilson and was seconded by David McClintong with Jim Ross abstaining. The motion carried.

F. Stroudwater Performance/TOMAGWA Update – Issues with the addendum the funding committee see is that this agreement is open ended and that they still feel that there are deliverables due from the last engagement. The board reviewed the engagements and the timelines and why there were delays in the deliverables. With the holidays it caused delays in getting new board members on board and work on a strategic plan. There was a meeting prior to the holidays regarding taking medicare. Monte Tucker said that it doesn’t seem to be cost justifiable to pursue this at this time. The board was informed that the grant writer is doing a great job. Vicki Clark asked for a report on who they have submitted grant applications to and where they stand on each of these. Tamika Simmons board president said that she is reformattign the report and will get it to Vicki. The spoke briefly on their donor strategy and that they are bringing this program back with new development staff. The have upcoming breakfast as well as the Barn Dance to raise funds.

Jim Ross said that we have been funding TOMAGWA for over 6 years and at some point, they need to take over and stand on their own two feet. We have hired Stroudwater to help them with their business practices and have seen little results. Jim Ross asked “when do you feel like you are in a position to stand on your own and produce the strategic plan that we are requesting?” Timika Simmons said she feels from today forward that TOMAGWA can take the charge and no longer needs Stroudwater’s assistance. They have had a heart to heart with their staff. A motion was made to pay Stroudwater through March 2019 by Jim Ross and was seconded by Danny Marburger. The motion was carried unanimously.

10. Board 2019 Conflict of Interest Policy – Lynn LeBouef the board reviewed and signed the policy and turned them back in for the boards files.

11. Discussion of the CEO and CAO employment evaluations was postponed until the February 2019 meeting.

12. Information from the Community for the Boards review in section twelve of the packet.

Adjournment
There being no further business, the meeting was adjourned at approximately 6:00PM CST.

[Signature]
Tom Kikis, Secretary