

**Tomball Hospital Authority
Board of Directors
February 22, 2017**

Present: Jack Smith, Chairman
Vicki Clark, VP
Jerry Till, Treasurer
Tom Kikis, Secretary
Ralph Foxworthy
Bill Hogue
Danny Marburger
Jim Ross
Latrell Shannon
Steve Vaughan
Lori Wilson

Absent:

Also Present: Marilyn Kinyo (Chief Administrative Officer)
Lynn LeBouef (CEO)
Vincent Norris (Myrtle Cruz)
Kevin Reed (Reed, Claymon, Meeker & Hargett) - Telephonically
George Shackelford (Tomball City Manager)
Dr. Ruby Abrol – American Lung Association
David Powell – Wells Fargo – Telephonically
Angela Caraway – Wells Fargo
Melissa Greer – Wells Fargo

Tomball Hospital Authority Board Meeting

1. Call to Order
 - A. Jack Smith, Chairman of the Board, called the meeting to order at 4:06P.M. CST on Wednesday, February 22, 2017.
2. Approval of minutes from the January 25, 2017 board meeting.
 - A. A motion was made by Latrell Shannon and seconded by Danny Marburger to approve the meeting minutes from the January 25, 2017. The motion was unanimously passed.
3. Community Input –George Shackelford said that the park is getting water is the only update that he has. Nothing else at this time.
4. Finance Reports
 - A. 2016 4th Quarter Investment review by David Powell from Wells Fargo. David called in because he is not completely mobile after his accident. Melissa Greer and Angela Caraway were in person to answer any questions that the board may have had.

Asset Allocation - We ended 2016 slightly overweight equities; even weight alternatives, and slightly underweight fixed income and real assets.

Returns - Our return numbers are not annualized yet. Our return numbers cover eight months; May 2016 through December 2016.

From May through December our gross return was 5.29% versus our benchmark return of 6.33%. The miss was primarily due to alternatives. We use 100% liquid alternatives. Over a longer time frame our expected return in alternatives is about 5% with lower volatility. Alternatives, both liquid and non-liquid, are the most difficult asset class to benchmark. Liquid alternatives will spend time below and above their benchmarks. We are positive on this asset class in a rising interest rate environment.

Our equities came in slightly below the benchmark. We own companies that have high growth opportunities. 2016 was a year some of these fast growers took a pause while lower quality companies had a good run. Over the timeframe the portfolio returned \$4,383,992, or 5.14% net of fees.

Expected Returns - Our expected returns over a business cycle or two (7-14 years) is 7.4%. This is what we are managing the portfolio towards. Although there are no guarantees, an investor has to have reasonable expectations to make decisions.

Market Comment - The last four years have been unique in that the S&P 500 has been a very high performer in an investment portfolio. Normally, the S&P 500 comes in the mid-range of the different asset classes in a portfolio. We have been in a low growth economy. A result of this low growth environment has been that diversified portfolios have lost some ground to less diversified portfolios.

We believe the economy is turning a corner. If we get back to normal growth in the 3% range, asset class returns in portfolios will normalize.

Diversification given time, dominate less diversified portfolios in both return enhancement and risk reduction.

5. American Lung Association Presentation by Dr. Ruby Abrol on the Texas Asthma Management in Schools Program. This funding was approved in January, but Dr. Abrol was asked to come and present to the board what the program is in its entirety. Dr. Abrol spoke to the board about Asthma issues in Texas. Siting that the Texas DOH Asthma Control Program was defunded in 2013. Over 8% of the Texas Population has been diagnosed with asthma and approximately an additional 6% have asthma but have not gotten a formal diagnosis. She stated that over 650,000 children under 18 have been diagnosed with asthma and that this is the leading cause of missed school days second to chronic illness. And the fourth leading cause of adults to miss work days.

They will have a workshop where 21 school nurses have already registered from both Tomball ISD and Klein ISD. School nurses in the districts that are participating in the program will attend the Asthma Educator Institute on March 14 and 15 at the United Way of Greater Houston in Houston and will receive an asthma educator toolkit along with device demos and educational resources. As part of the grant, nurses will receive preparation for the NAECEB Certified Asthma Educator exam and a fee waiver if they chose to take the test. Additionally, nurses will be able to attend a one-day conference where Abrol will give trainings on asthma pathophysiology, emergency management, indoor air quality and asthma triggers identification reduction.

6. Financials

- A. An update on the financials was given by Vincent Norris for January 31, 2017. He reviewed the balance sheet - cash total \$592,783.18, total cash and checking for the month of for January 2017 in the amount of \$91,166,818.45. Total current liabilities \$582,073.12, total liabilities and equities for the month were \$91,283,681.53. Vincent went on to review the P&L statement. Total income of \$1,049,894.50 total expenses of \$342,158.14 and net ordinary income of \$707,736.36 net income of \$3,910,901.18. Marilyn presented and reviewed the cash report. No major changes. P&L Budget Performance we are \$325,455.50 below on income and \$254,141.16 below on expenses. Lynn LeBouef reported that as of 11:36AM today our investment account was at \$91,901,679.32. A motion was made by Tom Kikis and was seconded by Vicki Clark to accept the financials as presented. The motion was unanimously passed.
- B. Legal Bills - a motion was made to approve the outstanding legal bill to Reed, Claymon, Meeker and Hargett in the amount of \$2,924.00 for January/February 2017 invoice and a \$50.40 invoice from Epstein, Becker, Green and Wickliff for January by Lori Wilson and was seconded by Jerry Till. The motion was unanimously passed.
- C. Consider and take action to approve outstanding obligations of the Authority.
 - FEMA update – No update to really report. We did hear that they are still working on it. They have gone from eight employees to three employees.
 - 2006 Cost Report Invoice. We received an invoice from the hospital for \$6,571.00 for the 2006 cost report that was reopened. We had 30 days to pay or incur a hefty interest charge. The hospital held so we had to pay it upon receipt. A motion to pay the 2016 cost report adjustment was made by Tom Kikis and was seconded by Vicki Clark. The motion was passed unanimously.
7. Investment Committee Update. They met today before the full board meeting. At this time there are no minutes to present. They looked at the spend rate calculations. They are looking at a floor and a ceiling spend rate for projects and will be back with a recommendation next month. They have white papers that back up why to have this type of process in place.
8. An update on the TOMAGWA dental and medical clinics was handed out to the board for January 2017. The dental clinic budgeted to see 333 patients in the month of January and actually saw 372. The medical clinic budgeted to see 800 patients in the month of January and actually saw 1069. They were both up for the month.
9. Funding Committee Updates
 - A. TOMAGWA Magnolia Expansion Project –
 - Capital Funding Request - TOMAGWA HealthCare Ministries requests capital funding for build-out and equipment to establish a new dental clinic in Magnolia, Texas, which will augment the soon to be completed medical facility on the second floor of Magnolia's Landmark Building located on FM 1488. This funding request will provide for the necessary facility renovations and build-out of an existing space on the third floor, and for essential dental equipment to expand health care services and access for the Magnolia community. The Capital Funding Request is for \$255,434.00 - \$160,434 for equipment and \$95,000.00 for building out the space. The Board cannot pay for build out so the request for Capital will be \$255,434.00.
 - Operations Funding Request - TOMAGWA HealthCare Ministries requests funding for clinic operations at a new dental clinic in Magnolia, Texas. This funding request will provide for 12 months of comprehensive dental services to the Magnolia community beginning in September 2017. Parameters of the service agreement are identical to the Tomball Dental Clinic service agreement. The Operational Funding Request is for \$544,315.00 - \$383,315 for Dental Salaries and Taxes, \$139,500 in Patient Care Supplies and Lab fees, \$1,500 Eaglesoft Maintenance and \$20,000 in indirect costs

(Utilities, Insurance, etc.) A motion was made to agree to fund 25% of the \$160,434.00 cost for the equipment needed for the expansion with a contingency that they raise the rest of the funds within 6 months. The total amount for this funding would be \$40,000.00. The motion was made by Danny Marburger and was seconded by Vicki Clark. The motion was carried unanimously.

B. Lone Star College Funding

- Advanced Dual Credit Pathway – A new initiative is a dual credit pathway for high school students interested in vocational nursing. Texas Workforce Commission, the Gulf Coast Region will increase vocational nursing employment by 28%. In addition, according to the Texas Center for Nursing Workforce Studies, the overall nursing demand for Texas will increase 80% by 2020. They are requesting help purchasing the all vocational nursing textbooks for 20 students at \$2,000.99 each in the amount of \$40,019.80. The motion was made by Lori Wilson and was seconded by Ralph Foxworthy. The motion was carried unanimously.
- Occupation Equipment - Recently, Lone Star College renovated the Health Science Building which houses the Nursing, Occupational Therapy, Pharmacy Technology, and Surgical Technology programs. The new renovations provided an extra 60,000 square footage of space as well as new industry standard equipment that provides students with the opportunities to learn the health occupations in realistic settings. Lone Star College is requesting \$299,312 to support equipment needs within the Nursing and Pharmacy Technology programs. The motion to approve this request was made by Vicki Clark and was seconded by Ralph Foxworthy. The motion was carried unanimously.

10. The Board entered into Executive session to discuss the evaluation and duties of the CEO and CAO at 6:00PM and exited at 6:17PM.

Adjournment

There being no further business, the meeting was adjourned at approximately 6:17PM CST.


Tom Kikis, Secretary