

**REGULAR BOARD MEETING AND PUBLIC HEARING
THE BOARD OF DIRECTORS
NACOGDOCHES COUNTY HOSPITAL DISTRICT
THE FREDONIA HOTEL CONVENTION CENTER
AUGUST 25, 2026@ 5:15 P.M.**

Minutes

IN ATTENDANCE:

Philip Blackburn, President
David Schaefer, Vice-President
John McLaren, Secretary
Rikki Leigh Willoughby
Ahammed Hashim, M.D.
Almarie Henderson Shumate
Pamela Wheeler

ALSO IN ATTENDANCE:

Rhonda McCabe, CEO
James Pool, Interim CFO
Robert Spurck, Legal Counsel / Zoom
Ella B. Nobles, Operations Manager

1. CALL TO ORDER

Philip Blackburn called the scheduled board meeting to order at 5:22 P.M.

2. WELCOME VISITORS

Philip Blackburn welcomed all the visitors.

3. COMMENTS FROM THE AUDIENCE

Public comments on any topic at regular monthly Board meetings are encouraged. Individuals who wish to speak during the public comment portion of the meeting must sign in before the meeting. No individuals signed in to speak.

4. ADMINISTRATIVE REPORTS – INFORMATION ONLY

4.1 Report From the CEO

CEO Rhonda McCabe presented the Administrator's Report to the Board. Ms. McCabe reported that the District continues to transition to its new operational structure following the cessation of hospital operations.

Ms. McCabe reported that the Administration, Business Office, and Human Resources departments have relocated to the Cousson Building at **1002 N. Mound Street**.

Ms. McCabe reviewed the services that will continue under the Nacogdoches County Hospital District, including District EMS, Non-Emergency Medical Transportation (NEMT), Nacogdoches Memorial Family Medicine Clinic, the Indigent Program, and management of the hospital lease with Tenet.

Ms. McCabe reported that the Nacogdoches County Hospital District is continuing the process of closing out the hospital's remaining operations. She noted that Tenet did not acquire the hospital's working capital, including accounts receivable and accounts payable. Therefore, the District is responsible for collecting outstanding accounts receivable and addressing outstanding vendor obligations.

Ms. McCabe further reported that Tenet did not acquire the hospital's medical records. The District is continuing to address the challenges associated with the release of medical records. Requests may be submitted by email at info@nacmem.org, by telephone at 936-221-5809, or by mail to 1002 N. Mound Street, Nacogdoches, Texas.

Ms. McCabe reaffirmed the Nacogdoches County Hospital District's commitment to continuing its mission of providing assistance to the indigent population.

Ms. McCabe introduced the following members of the Nacogdoches County Hospital District's new administrative team:

- Becky Sparks, Director of Accounting
- Jesus Rubalcava, Indigent Program Director
- Kristine Sutton, Indigent Program
- Jackie Acrey, Revenue Cycle Management
- Kim Pope, Human Resources Director

Ms. McCabe reviewed the upcoming Board calendar, including the **September 15, 2026 Executive Committee Meeting** and **September 22, 2026 Regular Board Meeting**.

She also reported that a **Board Retreat is being planned for September 25, 2026**, with additional information to be provided upon confirmation.

Ms. McCabe stated that future Board meeting locations are being evaluated based on anticipated attendance and space requirements. The September and November meetings may be held at The Fredonia Hotel, while the December meeting may be held at the District's new location at **1002 N. Mound Street, Cousson Building**. Final meeting locations will be communicated to the Board upon confirmation.

4.2 Report from the Interim CFO

Financial Summary – 2026:

Interim CFO James Pool presented the CFO Report to the Board. Mr. Pool reported that the Accounting Department has made progress and has begun the FY2025 financial audit.

Mr. Pool stated that the District has several outstanding audits in various areas. He explained that auditors may place work on hold when payments are not current, commonly referred to as the auditors' "pencils down" status. He noted that the past year has been challenging as the District has worked to prioritize payments and address outstanding audit matters.

Mr. Pool reported that the District is prioritizing the outstanding audits with the goal of bringing them current. He stated that additional financial statements are beginning to be completed and anticipates that the District will have the financial statements substantially up to date by the end of September. No financial statements were presented at this meeting.

Mr. Pool stated that a significant focus of the Accounting Department continues to be the financial closeout of the hospital operations and completion of the remaining financial matters associated with the transition.

Mr. Pool reported that the proposed budget would be reviewed and presented to the Board for approval, with the understanding that amendments may be made as necessary.

Mr. Pool also discussed the **ad valorem tax rate**. He stated that information regarding the proposed tax rate would be presented to the Board at the current meeting; however, no action would be taken at this time. The tax rate is scheduled to be considered by the

Board at the **September 22, 2026 meeting**, to submit the approved rate to the Appraisal District by **September 30, 2026**.

PUBLIC HEARING ON BUDGET FOR FISCAL YEAR 2027

5.1 Open Public Hearing started: 5:31 P.M.

5.2 Presentation from CFO: James Pool

Mr. Pool presented the NCHD Budget for FY 2027 for approval, pending the ability to amend. He explained FY 2027 would be considered a transitional year, as management continues to close the business of the hospital post the August 11, 2026, Tenet Healthcare Lease Transaction. Unlike the Lion Star Lease Transaction, NCHD maintained the hospital's accounts receivable and accounts payable to collect, ongoing medical records management, and ongoing capital investments.

The budgeted income statement included one month of actual financial performance (July 27) and 11 months of projections. The budget anticipates an annual net patient revenue of approximately \$4.3M and other revenue of approximately \$ 19.0 M, including Sales Tax Revenue of \$11.0M, Tenet Lease Payments for 10.5 months of \$ 1.9 M, QIPP of \$577k, gain/loss on sale of FFE Furniture, Fixtures, and Equipment) of \$2.4M, and a placeholder of \$3.1M for Ad Valorem tax.

Revenues were offset by approximately \$22.9M of operating expenses, resulting in a projected \$393k net income.

The operating expenses include: \$1.0M employer contribution to the pension plans, as agreed to in the August 29, 2025 Funding Soundness Restoration Plan with the Texas Pension Review Board, a \$ 1.4 M investment expenditure in indigent care, a net loss of \$1.0M for emergency medical services, \$932k of lease expense associated with the Elliott and Cousson Buildings, and offsite Medical Records storage. \$1.2M of clinical purchased services and other for clinical leadership, settlements, and auditor expenses, and \$3.2M of external interest expense. Also included are approximately \$731k of severance and PTO payouts associated with the hospital closure and \$979k of insurance expense, including professional and general liability tail coverage.

Mr. Pool provided Ad Valorem tax handouts, including the 2026 Tax Rate Calculation Worksheet, the Accuracy Evidence 2026 Tax Rate Support, and the Taxpayer Impact

Statement. Those documents can also be located on the NCHD website. The adoption of a tax year 2026 Ad Valorem rate will be on the September 22, 2026 regular board meeting agenda.

In addition, the Texas Pension Review Board requested that the Nacogdoches County Hospital District document its commitment of \$1.0 million to the Nacogdoches County Hospital District Pension Retirement Fund in the budget.

Mr. Pool believes we have met this request. Once the meeting minutes have been approved and signed, Mr. Pool will forward them, along with the budget presentation, to the Texas Pension Review Board as supporting documentation.

5.3 Comments from the Audience: No individuals officially signed in to address Mr. Pool regarding the budget. However, Philip Blackburn opened the floor for questions from the audience and the members of the Board. Mr. Pool was asked several questions regarding the budget, and responses were provided. A copy of the questions has been submitted to Mr. Pool and is available upon request for additional documentation, support, and confirmation of the information discussed during the meeting.

5.4 Discussion and Possible Board Approval and Adoption of Budget for Fiscal Year 2027: Philip Blackburn made a motion to approve and adopt the Fiscal Year 2027 Budget as presented, with the understanding that the budget may be amended, if necessary, to reflect any changes to the ad valorem tax rate upon approval. The motion was seconded by A. Hashim, M.D. The motion was approved by the Board.

5.5 Close Public Hearing ended: 6:10 P.M.

6. DISCUSSION AND POSSIBLE BOARD APPROVAL OF CONSENT AGENDA

Any board member may request that any or all of the items on the consent agenda be removed and considered as a separate item. If no such request is made, all items on the consent agenda may be approved by a single action.

- 6.1 Minutes of Regular / Special Board Meeting
- 6.2 CFO Financial Report
- 6.3 FY 2027 Budget

The motion was made by David Schaefer to approve Consent Agenda Items 6.1 and 6.2. The motion was seconded by Rikki Leigh Willoughby, and the motion was approved by the Board. The Fiscal Year 2027 Budget was approved as stated above.

7. THE BOARD WILL MEET IN CLOSED SESSION (AS APPLICABLE) PURSUANT TO:

7.1 Tex. Gov't Code §551.071, .129 (consultation with attorney).

7.2 Tex. Gov't Code §551.074 (deliberation on the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee).

7.3 Tex. Gov't Code §551.076, .089 (deliberation on security issues).

7.4 Tex. Gov't Code §551.078, .0785 (deliberation involving confidential patient medical records).

7.5 Tex. Gov't Code §551.085 (deliberation on contract negotiations for services or product lines and relating to a proposed new service or product line).

7.6 Tex. Health & Safety Code §161.031, .032 (disclosure of medical information and peer review).

8. CONVENE TO EXECUTIVE SESSION

Meeting convened in Executive Session at 6:11 P.M.

9. RETURNED TO OPEN SESSION

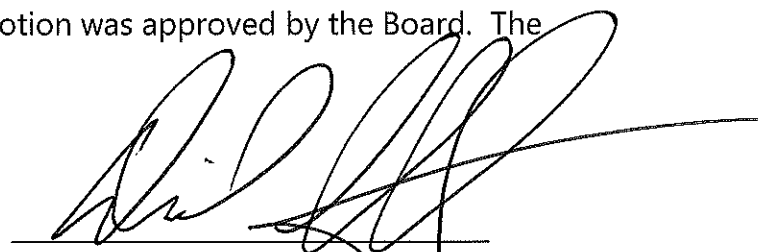
Meeting returned to Open Session at 6:37 P.M.

10. BOARD REQUEST FOR NEW INFORMATION AND/OR REPORTS

An individual Board member may request a report or new information at a regular Board meeting by a majority vote of the Board. No changes were made.

11. ADJOURNMENT

A motion was made by John McLaren to adjourn the meeting. The motion was seconded by Rikki Leigh Willoughby, and the motion was approved by the Board. The meeting was adjourned at 6:38 P.M.


Philip Blackburn, President
David Schaefer, Vice-President