



Regular Board Meeting Minutes – November 24, 2025

**CALLING THE MEETING TO ORDER:** Chairman Olivares opened the meeting at 5:03pm.

**ESTABLISHING QUORUM:** Quorum Established by Calling Row. Quorum was met.

**PRESENT:** Adolfo Olivares, Chairman; Stephany Valdez, Vice Chairman; Dr. Cruz Alberto Bernal, Trustee;

**ABSENT:** Rebecca Robinson, Secretary Treasurer; Dr. David Chisum, Trustee

**OTHER:** Nestor Bonilla, CEO; Ana Zavala, CFO; Lizet Salinas, COD; Ruben Valadez, Legal Counsel, Jaime "Storm" Rodriguez, Legal Counsel; Carolina Sanchez, EAA.

**VISITORS:** - N/A

**AGENDA ITEMS:**

**ITEM 1: Discussion and possible approval of MCHD Board minutes for October 27, 2025 Regular Board Meeting Minutes.**

Motion to approve October 27, 2025, Regular Board Meeting Minutes by Mrs. Valdez, 2<sup>nd</sup> by Dr. Bernal.

**AYES: 3**

**NAYS: 0**

**ABSTAIN: 0**

**ALL IN FAVOR; UNANIMOUS**

**ITEM 3: Discussion and possible action regarding a presentation by Frost Bank, Financial Advisor, concerning a market update as to prevailing interest rates for debt obligations and other related matters and consultation with Escamilla & Poneck, LLP, Bond Counsel, regarding federal tax law matters associated with such debt obligations and other related matters.**

Kevin Escobar with Frost Bank, MCHD Financial Advisor, provided an update on the options on issuing debt: General Obligations and Revenue Bond. MCHD had never issued debt before and required and underlying bond rating. Frost Bank Financial Advisors were working with rating agency to secure an underlying rating. One rating agency has declined to provide a rating. Financial advisors were currently in discussion with Moodys to secure an underlying rating.



Fost Financial Advisors were actively working on securing bond insurance as an additional protection for the investors. Financial advisors had reached B.A.M, bond insurer, but insurers declined due to the size of the community not fitting criteria.

Financial advisors met with A.G.M, bond insurer, who have also declined based on the amount of revenues that are generated by MCHD.

The only available bond insurance companies for municipal bonds have declined to provide insurance.

**Market Rate for revenue bond:**

Tax Exempt revenue bond interest rate is currently at 5% over a 25 year pay back for a total of \$1.8MM annually, including the yearly principal and interest for 25 years.

If revenue bond were to become taxable due to use of proceeds, an additional 1.25% interest would be added for an increase in payment of \$2MM per year.

John Rice, from Escamilla and Poneck, explained the taxable and tax-exempt bonds.

Mr. Rice explained private activity rules apply when bond-financed facilities are used by non-governmental entities.

The pharmacy was highlighted as a concern because it is not operated by the hospital, is a separate private entity and was not staffed by hospital employees.

Excessive private use could cause the bonds to be classified as private activity bonds, which could jeopardize tax-exempt status.

**IRS Private Activity Tests: Square Footage Test (Use Test) and Payment Test**

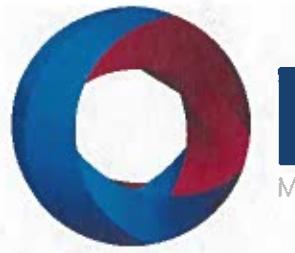
**Square Footage Test (Use Test):** If more than 10% of the bond-financed building is used by a non-governmental entity, the first test is failed. Use is typically measured by square footage allocation.

**Payment Test:** If payment from a non-governmental entity exceeds 10% of total annual debts service, the second test is failed.

Failing both test results in a classification as a private activity bond. Bond counsel advised not to get too close to the 10% threshold to avoid risk.

Consequences include that bonds must be refunded as taxable bonds and financial penalties may apply, including repayment of prior tax benefits.

Voluntary Compliance Program (VCAP) applies if a change in use causes a violation. MCHD is expected to self-report if they later exceed private use limits.



Dr. Bernal stepped out of the meeting at 5:16pm

Dr. Bernal re-entered the meeting at 5:18pm

**No action.**

#### **ITEM 4: Discussion and possible action regarding presentation by FORVIS for New Market Tax Credit.**

Mike Roney, Forvis Directors, provided an overview of the New Market Tax Credit Program.

The New Market Tax Credit Program is a federal community development program administered by the U.S. Treasury through the CDFI Fund, designed to encourage private investment in low-income and distressed communities. The program has been in place for approximately 25 years. The New Market Tax Credit Program is intended to function as a project funding mechanism, not a tax credit claimed by MCHD. For every \$1 of federal support, approximately \$8 of private investment is leveraged. Eligibility is determined at the census tract level; management confirmed that the proposed project location falls within a qualifying low-income community.

Typical NMTC allocations range from \$7 million to \$15 million per project, though amounts may vary.

Participation in the program may result in net cost savings of approximately 15%–25% of the NMTC allocation amount.

As an example, a \$10 million NMTC allocation could generate approximately \$1.5–\$2 million in net benefit.

Mike explained that the New Market Tax Credit Program could work with revenue bond issuances, potentially reducing the total amount of bonds required and lowering long term debt.

For MCHD estimated project of \$20-\$25million, a potential benefit could be \$4-\$5 million.

Due to the audit independence rule, Forvis would engage phases, with a non-contingent fee approach, starting with a feasibility analysis and progressing with a mutual agreement between MCHD and Forvis. Forvis phased approach determines feasibility for MCHD (small fee). Next step would be determining market, then marketing package would be developed to find CDE, an investor who would be supportive of project. Last phase, Forvis can assist in closing transaction.

**No action.**



## **ITEM 6: Discussion and possible approval of a resolution amending MCHD grievance policy.**

Legal counsel presented a draft revision to the MCHD District employee grievance policy. Current grievance policy states: employees can discuss concerns with immediate supervisor. If employee is not satisfied with results of the meeting, then they can undertake the grievance policy by filing grievance form with direct supervisor. If the employee is not satisfied with the direct supervisor's decision, the grievance is then sent to CEO for review. The CEO will take the final decision.

Legal counsel presented draft of policy with included two additional steps. Employees would continue to attempt resolution with step one Immediate supervisor, step two department manager and step three CEO review.

If unresolved after the CEO's decision, a three-member grievance committee (non-board employees) would hear the grievance. The committee would have authority to question witnesses, review evidence and allow employee representation. HR and legal counsel would serve in advisory, non-voting roles.

Committee outcomes may include to uphold CEO decision, modify CEO decision or reverse CEO decision.

If still unresolved through the committee, the employee could appeal to the Board. With the grievance committee in place, the board's role would be limited and focused only on whether policy was violated or misapplied or whether the decision was arbitrary or unsupported by evidence.

Board members would not conduct investigations or question witnesses, to avoid becoming fact witnesses in potential litigation.

Legal counsel cautioned that adding additional steps increased the length of the grievance process. A longer process could negatively impact the workplace.

Board members raised concerns of:

- Potential workplace drama and internal group dynamics created by a grievance committee.
- Risk of committee members appearing to have authority over the CEO.

Dr. Bernal explained that he felt the board's primary role was governance, not HR management of employees.

The board agreed and supported that the employees have a voice.

Mr. Olivares expressed that he did not believe a grievance committee was necessary. If the employee was not satisfied with the CEO's decision, the employee should have the opportunity to meet with the board.

The board agreed to remove the grievance committee step and that the employees should have the option to appeal directly to the board after the CEO's decision.

Legal counsel to provide resolution for board members approval.



**Motion to authorize legal to make the changes to grievance policy as discussed in the meeting by Mrs. Valdez, 2<sup>nd</sup> by Dr. Bernal.**

**AYES: 3**

**NAYS: 0**

**ABSTAIN: 0**

**ALL IN FAVOR; UNANIMOUS**

**ITEM 5: Discussion and possible action regarding clinical research management agreement with Laguna Clinical Research Associates for clinical research study.**

Alex Guerrero, clinical research coordinator, and Veronica Procasky, provided a brief overview of the proposed clinical study.

Mr. Guerrero explained that Dr. Miranda, who currently a provider at MCHD, has over 30 years of research experience and has been involved since the beginning.

The proposed study focuses on patients with colorectal cancer experiencing significant weight loss during treatment. Eligibility criteria include 5% body weight loss over six months or BMI under 20. Patients must be undergoing active cancer treatment or remission, be clinically stable and have a life expectancy of over six months. Investigational drug is intended to increase appetite and promote weight gain. Drug is administered through injection once monthly. Patients are randomly selected to receive either the study drug or placebo. After three months, all participants are eligible to receive the study drug.

Study has been active for 2-3 months with early results showing strong safe outcomes with no serious events reported. Participants have experienced weight gain of 15-30lbs. Appetite improvement was significant enough that dosage adjustments were required.

Sponsors have expressed interest in expanding the study to include MCHD. The study would allow increase access for patients in the region.

The board members acknowledged the opportunity to partner in clinical research that benefits the community.

Sponsor would like to start study as soon as possible, pending the agreement.

Proposed financial split was 60% to research partner and 40% to MCHD. Research partners will utilize MCHD facility.

Legal counsel had received the proposed agreement. It was the CEO recommendation for the Board to approve moving forward pending Legal's final review and recommendation.

**Motion to authorize administration negotiate and execute agreement pending legal final approval by Dr. Bernal, 2<sup>nd</sup> Mrs. Valdez.**

**AYES: 3**



**NAYS: 0**

**ABSTAIN: 0**

**ALL IN FAVOR; UNANIMOUS**

## **ITEM 2: Presentation of Reports**

### **COD Report: The Clinic Operations Director provided a brief overview of the COD report.**

7 Brew Coffee made a generous donation of \$10,000 to MCHD to give back to the community and show their appreciation. The funds will be used to support the most vulnerable patients, particularly the oncology patients who need assistance with chemotherapy copays. \$222 had already been used to assist a patient that was struggling with aggressive cancer treatment.

MCHD served a total of 3,592 patients and a total of 574 patients at Urgent Care. The COD explained that more patients were seen during the week than the weekends.

MCHD surgical team recorded a total of 364 encounters at Fort Duncan Regional Medical Center including operative reports, history and physicals, admissions, initial evaluations and other related documentation.

### **CEO Report Review: The CEO provided a brief overview of the CEO report.**

The CEO provided a high-level pro forma budget and projected financial impact for the new medical office building.

Total annual operating expenses for the 25,000 sq ft. medical office building were projected at \$938,821, noting that not all expenses represent cash outflows due to non-cash items such as depreciation.

The estimates were developed using historical operating data from the District's existing 40,000–42,000 square foot facility and prorated based on square footage. Depreciation reflects a \$25 million facility amortized over 40 years, resulting in approximately \$550,000 annually.

The operating budget for the building includes expenses related solely to facility operations, such as housekeeping, maintenance, utilities, and administrative oversight. It does not include physician compensation or clinical staffing costs.

After adjusting for non-cash expenses, the estimated annual cash required to operate the medical office building is approximately \$353,281.

A separate pro forma was presented for clinical operations associated with staffing the new facility. Based on a conservative estimate of five providers, including staffing, supplies, and operating expenses, the projected total annual expenses are approximately \$3.7 million.



Projected revenues associated with these providers result in an estimated annual net operating loss of approximately \$1.4 million, which the CEO emphasized is a conservative estimate. The CEO noted that startup losses are expected and that historically, newly recruited physicians do not immediately generate revenues sufficient to offset their compensation and associated costs.

A high-level cash flow projection was presented, broken down into operating, investing, and financing activities. Total annual cash required for operating activities, including both facility and clinical operations, is estimated at approximately \$1.75 million. This figure may fluctuate between \$1.4 million and \$2.0 million annually, depending on provider recruitment, startup timing, and operating efficiencies.

The estimated capital cost for construction of the new facility is approximately \$25 million. Financing is anticipated through the issuance of revenue bonds.

Based on preliminary estimates, the annual debt service is projected at approximately \$1.8 million, noting that interest rates may increase due to the District's inability to qualify for bond insurance.

When combining operating cash requirements and debt service, the total annual cash requirement is estimated at approximately \$3.5 million.

The CEO noted that the District's current budget projects a positive margin of approximately \$3.04 million, resulting in a shortfall of roughly \$456,000 under current assumptions.

The CEO explained that this gap could potentially be reduced through participation in the New Market Tax Credit (NMTC) program, which may lower the total project cost from \$25 million to approximately \$21 million, thereby reducing debt service obligations. If successful, the total annual cash requirement could be reduced closer to \$3.0 million.

The CEO emphasized that this project represents a long-term financial commitment, with debt repayment spanning approximately 25 years. While the District has approximately \$14 million in reserves, these funds are not intended to be used for construction and are maintained as a contingency or "rainy day" fund.

Potential future mitigation strategies discussed included:

- Aggressive pursuit of additional revenue opportunities and service line growth
- Continued cost containment efforts
- Utilization of NMTC financing
- Consideration of a tax rate increase as a last resort



- Reduction of services if necessary to maintain financial stability

**CFO Report: The CFO provided a brief overview of the financial report.**

Total operating revenues were slightly over budget at 17.65% including Program Services Revenue 16.12%, Nursing Home Net Services Revenue at 17.92%, and Net Rental Revenue at 12.61%.

Total non-operating revenues at 53.13% including Property Taxes at 97.62%, Investment Income at 17.67%, Non-Capital Grants at 14.68% and Net Other Non-Operating Revenue at 7.03%.

The CFO explained that the Tax levy is recorded in the month of October.

Total revenues at 22.69%.

Expenses within budget except for the insurance expense due to renewals for the month of October. Insurance expenses were 23.31%. An increase in utility expenses was reported due to light bill. Utilities expense was 22.31%. Indigent Care Services' expense was 26.86%.

Total expenses within budget at 16.61%

CFO reviewed the Balance Sheet as of October 31, 2025 with highlights including cash and cash equivalents at \$14.3MM, healthcare AR at 951,060, property tax at 6,888,8588, physician guarantee AR at 57,8882. Total Asset at 37,966,846

Total current liabilities at 1,408,598.

Total liabilities and Fund Balance at 37,966,846.

**Motion to adjourn by Mrs. Valdez, 2<sup>nd</sup> by Dr. Bernal**

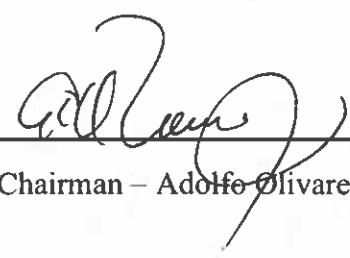
**AYES: 3**

**NAYS: 0**

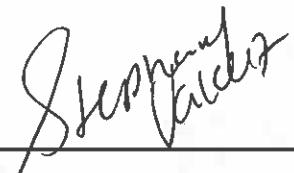
**ABSTAIN: 0**

**ALL IN FAVOR; UNANIMOUS**

**Meeting Adjourn at 6:56PM.**



Chairman – Adolfo Olivares



Vice Chairman – Stephany Valdez