

DALLAS METROCARE SERVICES

**BOARD OF TRUSTEES
MEETING MINUTES OF**

January 27, 2005

DALLAS METROCARE SERVICES

REGULAR MONTHLY MEETING of the BOARD OF TRUSTEES

MINUTES OF January 27, 2005

A Regular Meeting of the Board of Trustees of Dallas Metrocare Services convened at 1:40 p.m. in the Board Room on January 27, 2004 at 1360 River Bend Drive, Dallas, Texas.

I. Call To Order/Roll Call

Mr. Cooper called the meeting to order at 1:40 pm, a quorum was present.

The following Trustees were present:

Mr. Cooper
Mr. Driver
Mr. Garza
Ms. Green
Mr. Migl
Dr. Nace
Mr. Orr
Mr. Poffenbarger

The following Trustees were absent:

Ms. Gee

Staff Present: Dr. James Baker, Linda Thompson, David Aston, Dr. Greg Graves, Kyle Munson, José Evans, and other DMS staff.

II. INVOCATION: Ms. Sam Clark, present employee of Dallas Metrocare Services, gave the invocation.

III. CITIZENS' COMMENTS: The procedure for Public Comments was available at the meeting for those interested. No public comment was received.

IV. ISSUES TO BE CONSIDERED:

1. Approval of the meeting Minutes of December 2, 2004 – Regular Board Meeting:

Mr. Cooper called for any comments or corrections to the meeting Minutes of December 2, 2004. There were no comments or corrections presented. Mr. Orr made motion to approve. The Minutes were approved as written.

2. **Chairman's Report** – Mr. Cooper reported that last week he and Dr. Baker attended the Texas Council meeting in Austin and while in Austin they also met with the Lieutenant Governor's office. They were informed that an additional 1.5 million dollars are being placed into the NorthSTAR program managed by ValueOptions. House Bill 470 was reviewed. This bill stops DMS from being only the provider of last resort, but on the downside it splits the authority/provider relationship.

Mr. Cooper spoke of his preference for the pilot program 2377 manner for managing the authority and provider relationship.

Mr. Cooper reported that he and Dr. Baker met with newly appointed Commissioner Maureen Dickey.

- **Board Liaison Reports:** Ms. Thompson reported that on January 19th, she attended the Annual Membership Meeting at Texas Community Solutions. A transition plan was presented at that time. Ms. Thompson said that at that time they were informed that TCS is going through some challenges in terms of their budget and funding. Mr. Charles Boone their CEO resigned effective December 31st, as did Andrea Richardson. TCS will continue with their administrative services, credentialing for the PRN network, provider relations, network managing and some project management activities. At this time they are looking to expand into additional managed care contracts.
- **MR PAC Report:** Mr. Drew Dixon reported that the ARC of Dallas asked Mr. Dixon to share the following two items with the Board.
 - ✓ Sale of ICF/MR Homes: Mr. Dixon asked that when the sell of the two ICF/MR Homes is completed, to please keep the spirit of the homes. Make sure that wherever these clients go, they don't become just another Residential Placement.
 - ✓ Community Needs Assessment: Mr. Dixon said that on his last report to the Board he had mentioned that the MR/PAC was interested in obtaining additional information from the Network Providers on their experiences working with DMS. A great deal of interest in expanding this idea and talking with people from the community and obtaining their comments and stories has also been discussed. Meetings are being set up with schools, as well as support groups that meet on a regular basis to discuss the possibility of making an audio history. Some of their comments and their stories will be recorded, and not only we'll have a formalized needs assessment, but we will also fulfill the States requirements as well as provide the Board with a sense of what the Community has to say.

Mr. Cooper presented Ms. Green with a copy of the Journal called *Legacies*. This is a history journal of Dallas and North Central Texas. Ms. Green's book, *East Texas Daughter*, is previewed in this publication.

3. Chief Executive Officer's Report:

➤ Program Presentation:

Educational Outreach to Stakeholders: Presenter – John Luna

Dr. Baker introduced Mr. John Luna, the Community Affairs Director. Mr. Luna said that his job is to educate the community on some of the issues around people we serve, as well as providing education outreach to stakeholders during this Legislative Session. On December 1st, David Kellogg from the MHA, Julie Nobles and Pam Armstrong from NAMI met with Dr. Baker and John Luna to discuss how to work together for this common goal. During the month of December they all met with different Legislators. On January 26th a group of people were shuttled to Austin and they each spoke with the Legislative body representing Dallas County. Mr. Luna reported that he will be presenting information to the

Greater Irving Las Colinas Chamber of Commerce, the Governmental Affairs Committee to get their support for their presentation in March. Mr. Luna asked that each Board member contact their local area Legislator and to petition them for their assistance. There were no questions posed for this item.

Centerwide Benchmarks: Dr. Baker reported that the benchmarks show the same number of indicators that are outside of goal as the prior month. Eight of these are financial measures, one is a quality of care, and the other is access to rehabilitation. The critical indicator is that the Center has a net income memo year-to-date Centerwide of negative 1.2 million dollars. To deal with this, the Center has plans to reduce its expenses by 2.0 million dollars annualized. Half a million of this was implemented on the last quarter, with an additional 1.5 million taking place in the next 2-3 weeks. This will be accomplished by moving to a new organizational structure. Middle management is being asked to become experts not only in mental health services, but also in mental retardation services with the goal to expand into other chronic disabilities that are funded through Health and Human Services. Dr. Baker spoke of the relocation of Service Coordinators from the Hillside Campus into different mental health facilities. This will decrease the amount of travel and increase their productivity, as well as helping them establish a solid relationship with some of the MR providers in the community.

Dr. Baker reported meeting with Dr. Walker, Vice President of ValueOptions in response to the support given to DMS by the County Commissioners. This was also in response to a consultation requested by DMS from the Department of State Health Services that was positive about DMS's approach to the financial problems as well as being positive in the report to Resiliency and Disease Management. Dr. Baker said that the meeting with Dr. Walker was fruitful.

Dr. Baker referred to page 8248 and reported that DMS is working on partnerships with stakeholders. At this time DMS is working with a Faith base organization on a joint HOGG Grant application; in December DMS participated in the Toy Run; working on a couple of new research collaborations with UT-Arlington and UT Southwestern. Through the efforts of Jesse Aguilera, the Center was awarded a 1.2 million dollar SuperNOFA grant to set up the first Safe Haven in Dallas County. Mr. Aguilera also spearheaded the HOGG Grant with the faith base organization. As of January 26th, Dr. Baker and Mr. Luna have touched base with every legislator on equity issues. Individual conversations have also taken place with other community leaders. The Satisfaction Surveys continue to stay at their highest levels. Some improvement has been seen in documentation compliance.

Regarding Safe Haven and in response to Ms. Green's questions, Mr. Aguilera said that this is a HUD funded facility that will provide a maximum of 25 beds. This program is similar to a low demand shelter that works with the hard to reach Homeless population. These are individuals that do not want services. Mr. Aguilera reported that Dallas was the only large County in the State of Texas without a Safe Haven. There were no questions posed for this item. (Please refer to the January 27, 2005 Board packet for a detailed account).

BUSINESS AND FINANCE COMMITTEE

Chair Reports: Mr. Orr, Chairperson of the Business and Finance Committee, asked Mr. Munson to briefly summarize his financial report(s).

❖ RECOMMENDATION(S) FOR APPROVAL:

After discussion and upon motion duly made the following item(s) were approved.

4. Consideration of Approval of Financial Report for November 2004 (Unaudited):

There were no questions posed for this item. (Please refer to the January 27, 2005, Business and Finance packet for a detailed account).

Recommendation of Approval of Financial Reports for November 2004 (Unaudited):

BE IT RESOLVED that the Board of Trustees of Dallas Metrocare MHMR Services hereby approves the **November 2004 Financial Statements (Unaudited)**

There were no questions posed for these item(s). This was a Committee recommendation. All were in favor, motion carried.

Consideration of Approval of Financial Report on December 2004 (Unaudited): Mr. Munson reported that year to date the Center has reported a loss of 2.2 million dollars. This loss is related to revenue shortfall. The Center continues to struggle to changes related to the Resiliency Disease Management Program implemented on September 1st. The Center is also running high on expenses and this is associated with salaries. Mr. Munson said that HR has done such a fantastic job on filling out vacancies that there are no vacant positions. The staff was added, but unfortunately they did not add the associated expected revenue. In response to this shortfall 35 full time positions will be cut in the next 3-4 weeks. The cuts made in November and December amount to approximately \$400,000. Cuts in administration will continue as necessary. There were no questions posed for this item.

Recommendation of Approval of Financial Reports for November 2004 (Unaudited):

BE IT RESOLVED that the Board of Trustees of Dallas Metrocare MHMR Services hereby approves the **December 2004 Financial Statements (Unaudited)**

Mr. Orr said that the Committee recommends the approval of the report laid out by Mr. Munson, but the Committee did not approve the deficit.

This was a Committee recommendation. All were in favor, motion carried.

5. **FY –05 1st Quarter Report:** Mr. Munson reported the following:
- Financial Investments: Cash Holdings/CD's ending balance 2.5 million dollars
 - Goods, Services and Equipment>\$15,000 – Network Storage Device \$69,744
 - Leases>\$25,000 – One expires Feb 14th and will not be renewed, the 2nd lease expires December 05 and it also will not be renewed.
 - Quarterly Report of Contract Expenditures:
 - ✓ Community Service Contracts>\$100,000 - General Revenue Contracts for the three months ending November, the Center made payments totaling a unit cost of \$1,125,803
 - ✓ Non-Community Service Contracts>\$25,000 - IT Outsourcing Project \$32,200
 - Quarterly Report of Legal Expenses: Consistent with prior quarters
 - Quarterly Report of Salary Adjustment>\$5,000 – None during this quarter
 - Participation by Historically Underutilized Businesses HUB – Consistent with prior years/quarters
 - Information Technology Project Update: Detailed report with current projects and tasks that the IT department is being charged with attached.

There were no questions posed for the following: (Please refer to the January 27, 2005, Board packet for a detailed account).

6. **Annual Reports:** Mr. Munson presented a written report.
- Determination of Fund Balance Retention: Based on the Policy 4.03 the targeted fund balance is 9.2 million dollars. The Center is well below that with a negative fund balance. There is improvement over last year by over half a million dollars.
 - Annual Review of Mileage Reimbursement Rate: Based on research conducted, .32 cents a mile in the State of Texas is reasonable.
 - Review of Write-Offs: FY04 financials include a bad debt expense of 2.2 million dollars or approximately 5.6% of total operating revenues in the Proprietary Fund. This is an increase from the prior year of 1.7 million dollars or 5% of the total operating revenues.

There were no questions posed for this item. (Please refer to the January 27, 2005, Board packet for a detailed account).

7. **Human Resources Management Report:** Mr. Evans reported that with the many changes going on HR is trying to address cultural and organizational issues associated with these changes. Several focus groups were conducted with employees, team leaders and first line clinicians to find out any issues or concerns they might have. The intent of these focus groups is to better assist the staff in accomplishing their jobs. An action plan was rolled out yesterday. Mr. Evans included a new statistics report. A new term being used is human capital - an investment in people as a very important asset. With all the changes going on it was decided to slow down on the hiring process. Mr. Evans referred to page 8275 and the Key Metrics as they are used in Wall Street to better measure return on investments/people programs. Turnover has gone up. HR is actively looking at ways to minimize this. At this time HR is trying to address the expense side of accidents. HR is trying to do all they can to assist the Organization in making the bottom line and improve productivity and improve the morale of the employees. There were no questions posed for this item. (Please refer to the January 27, 2005, Board packet for a detailed account).

❖ **RECOMMENDATION(s) FOR APPROVAL:**

After discussion and upon motion duly made the following item(s) were approved.

- 8. Consideration of Approval of Dallas Metrocare Services Savings & Retirement Plan: Hardship Distribution IRS Qualifications:** Mr. Evans reported that this item was brought up by the suggestion of AIG Valic, the 401k Administrator, as a result of some IRS rules changes. Mr. Evans explained that these are new reasons for which people can withdraw money from their 401k Plan without any impact to the organization. Board action is required to make amendment to the plan and for its execution.

BE IT RESOLVED that the Board of Trustees of Dallas Metrocare Services hereby approves **Dallas Metrocare Services Savings & Retirement Plan: Hardship Distribution IRS Qualifications:**

This was a Committee recommendation. All were in favor, motion carried.

- 9. Exploration of Possibility of Separation of Dallas Metrocare from County Commissioners Court Oversight:** Dr. Baker reported that while visiting with Judge Keliher a couple of months back, she asked if the Board had ever explored the possibility of a separation of Dallas Metrocare Services from the Counties oversight. She asked that this be brought to the Board's attention. After discussing this with Mr. Cooper, and upon his suggestion, Dr. Baker talked to counsel on the issue. Dr. Baker referred to page 8281 and a summary of the issues that would arise if this were to happen. Mr. Cooper said that he spoke to Mr. Brian Crews, legal counsel for the Texas Council of Community MHMR Centers, and he was not sure of what would happen.

Dr. Nace asked what the advantages to pursuing this would be and Mr. Cooper answered that DMS would not be subject to Open Meeting Law and in essence our books would not be open to all of our competitors. The downside is that DMS would lose all of its governmental protection including some immunity. Discussion ensued. The Committee took this under advisement, with no action taken. There were no questions posed for this item. (Please refer to the January 27, 2005 Board packet for a detailed account).

SERVICE AND PROGRAM COMMITTEE

Chair Reports: Dr. Nace, Chairperson, asked Mr. Aston to present his report.

- 10. Mental Health Services Report:** Dr. Graves spoke of the three major initiatives that MH is implementing: Resiliency Disease Management Implementation (RDM), Group Development and Reorganization with Reduction In Force. An action plan to increase utilization in groups and a graph with a progress report done in the last month was also provided. Dr. Graves reported that at the beginning of December they were at 30% of their target with an improvement by the end of last week to 60%. A Group Development Leader will be hired at the end of the week to provide extensive education to prepare staff to effectively provide groups. DMS received a consultation from the Department of State Health Services (DSHS). DMS wants to implement the RDM changes as DSHS conceptualized to continue a working relationship. Dr. Graves reported that on the positive side there has been no reduction in individual rehabilitation services as groups are increased as was initially anticipated. To affect the revenue side of the budget MH is focusing on productivity issues. New hires have a ramp-up period of three months and the idea is to reduce this time period.

Dr. Nace asked if the total number of MH consumers served would be expected to go down since the focus is more on intense services for the more-narrow diagnostic category. Dr.

Graves said that the DSHS model does focus more specifically on a few consumers. Discussion ensued.

Feedback received from the medical staff on the reorganization has been very positive. They are very receptive to the concept of the "one stop shop". They see the value in that particularly for the consumers. There is also trepidation since almost everyone in the Agency is going to have a lot of new things to learn.

Reduction In Force (RIF): The one area that was impacted clinically was the ACT Team Services. To compensate for the rise of denials on the ACT Team patients, fee for service patients were added to the ACT Teams caseload. Addressing performance issues as part of the reductions. (Please refer to the January 27, 2005 Board Packet for a detailed account).

❖ **RECOMMENDATION(s) FOR APPROVAL:**

After discussion and upon motion duly made the following item(s) were approved.

11. Recommendation of Approval of Application to the HOGG Foundation Grant

Application: Mr. John Luna said that this application to the HOGG Foundation (\$100,000) will provide coordination of health care services with mental health treatment for Latinos which will improve compliance, reduction in social stigma and better control costs. DMS will partner with Las Obras de Nuestra Madre de las Americas. Las Obras is a faith-based organization that will provide outreach to Latinos in the Dallas area. Approval of the Board is a requirement of the Hogg Foundation Grant process, which includes the approval to apply for and receive the Foundations report.

BE IT RESOLVED that the Board of Trustees of Dallas Metrocare Services hereby approves the **Application to the HOGG Foundation Grant Application**

This was a Committee recommendation. All were in favor, motion carried.

12. Mental Retardation Directors Report: Mr. Aston reported that they continue to work with the vocational program to get the new training Center open in the very near future. The HCS Program has one remaining home to close. The remaining individuals have chosen other providers. They continue to look into relocating the Inwood and Forest ICF/MR homes. The money of these sales will be used towards the bond debt. There were no questions posed for this item. (Please refer to the January 27, 2005 Board packet for a detailed account).

13. Report on Mental Retardation Authority Services: Ms. Thompson reported that on terms of the wait list they currently have 1,180 waiting for Community Supports and 50 are waiting for Vocational Services. There are currently no waiting lists for Day Habilitation or Supported Employment. An additional 50 persons have been added to Vocational Services and 150 people to Respite Services during the first quarter. As of December 31st, approximately 50% of the funds available for FY05 had been authorized. A plan is in place so that as of March 1st, 100% authorization of all the funds currently available for this fiscal year. The reorganization of the Service Coordination Unit will be completed by early February. There were no questions posed for this item. (Please refer to the January 27, 2005 Board packet for a detailed account).

14. Quality Management: Ms. Thompson reported that the details for the first quarter satisfaction results showed increases in both MH and MR Services. Under the Critical Incident Report there were nothing really significant from December. There was one confirmed complaint. There were 6 deaths reported in the month of December in the mental health population. Five deaths were attributed to medical conditions with the exceptions of one individual that was involved in a hit-and-run accident. There were no deaths reported in the mental retardation division. A detailed report of each of the Quality Improvement Activities Teams was attached with a Data Verification Review. A report was attached with plans to monitor and improve the documentation across the service array for both mental health and mental retardation. There were no questions posed for this item. (Please refer to the January 27, 2005 Board packet for a detailed account).

Dr. Nace asked what happened to the item that was tabled at the Committee meeting regarding a change to the mission statement. Dr. Baker said that it was pulled from the Agenda for further discussion.

AUDIT COMMITTEE

Chair Reports: Mr. Garza, Chairperson, said that the Audit Reports for year ended August 31, 2004 were received. The Audit Committee did not meet to discuss the findings, but Mr. Tommy Nelson, from the audit firm of Scott, Singleton, Fincher and Company, PC is here to present the highlights.

❖ RECOMMENDATION(s) FOR APPROVAL:

After further discussion and upon motion duly made the following item(s) were approved.

15. Consideration to Receive FY 2004 Audited Financial Statements: Mr. Nelson reported that as part of the audit procedure, they don't only audit the financials statements, but they also issue two additional reports. Thus there is a series of three reports included in this report. The opinion issued on these financial statements is that they conform to generally accepted accounting principals along with the related disclosures, in accordance with governmental accounting standards.

This is a clean opinion as far as the financial statement presentation.

Because this Center receives grant funding from Federal and State sources there are two other reports. One is required by government auditing standards, also known as the yellow book. On this report they consider this laws and regulations that are applicable to the organization and consider whether the Center has complied with this in a sufficient manner that it would not have any significant material impact on the financial statements. The auditing firm states that they believe the Center has complied in all material respects with this laws and regulations.

In addition they considered the Center's internal control over the financial reporting system to be sure it is operating effectively. A statement was issued saying that they did not receive any reportable conditions or material weaknesses in the internal control as it relates to financial reporting.

Finally a third report was issued on compliance with particular grants that the Center may receive during the course of the year. The firm does not issue their opinion on every grant program the Center receives funding for. They go through a risk base approach and they select programs each year that they identified as major programs. They then issue an opinion on their compliance with those grant programs. The two major programs identified as major

programs are the State General Revenue that funds the Mental Retardation Services, Texas Department of MHMR (DADS/DSHS), and the Early Childhood Intervention Program. In reference to the requirements to these two programs it is a clean opinion they believe the Center has complied in all material respects with the requirements to these programs during the year ended August 31, 2004.

Last year a new financial report model was adopted required by governmental accounting standards. Mr. Nelson referred to page 14 (8359) the general fund results for the year ended August 31, 2004. This report is designed to give you a short-term view of where the governmental fund is. It records only those revenues that will be converted to cash shortly after the end of the year and only those expenditures that will be paid using those current resources. Long-term assets and long term debt are not included on these funds statements or in its balance sheet. This fund represents the activities of the MR program and the early childhood intervention program. The total revenues for this year were 19,489,211 -- down almost 5.7 million from the previous year. The state reduced General Revenue funding by 3.4 million dollars last year. In-Home and Family Support (IHFS) was decreased by 730,000. Most of the decrease is due to funding limitations at the State level. The expenditures for this year were 20,298,300. Management responded by reducing costs by almost 3.0 million dollars by transferring HCS consumers from a group home environment into foster care environments. The remaining operating expenditures were reduced across the board. Total expenditures were down 3,263,000 from last year. Included in the governmental fund financial statements, they also report as an expenditure any reductions in debt. Last year the principal on outstanding indebtedness was 1,948,658 dollars. This included an early 1.0 million dollar repayment of the loan to TDMHMR. This left a net change in fund balance of a decrease of 809,089 dollars. The change in net assets after you take into consideration the reduction of that debt in governmental activities which would increase 1,270,278. The reason why they are reporting a deficit in the governmental side is because the Center paid a whole lot of debt.

On the Balance Sheet for the General Fund (8358) there are 11,796,575 dollars with no long term assets reported there. Total liability is 4,322,666 and this does not include any long-term liabilities. This left a fund balance of 7,473,909, which is divided into several categories. Mr. Nelson said that while the Center has improved its total net assets, there is still a significant unreserved and undesignated deficit in the governmental fund financial

statements. After all adjustments, the net assets in the statement which is a full accrual of presentation is 7,668,007.

The activities of the NorthSTAR operations are reported under a separate fund. Because this fund operates very similar to a business and is accounted for in the same manner as a business there are no adjustments between this particular statement and the statement of net assets. You will find the proprietary funds on page 16 (8361). This is revenues and expenses from the mental health NorthSTAR program. The total revenues for the year were 38,964,872, this represents an increase of 4.3 million dollars over the last year. The ValueOptions revenues not from non-pharmacy sources increased by 12% or 2.4 million dollars and they are now more then 21.0 million dollars.

In addition pharmacy revenues increased by 13% or 1.8 million dollars over the prior year. The gross margins on the pharmacies sales for last year were a little over 3.0 million dollars. The pharmacy makes a significant contribution to the bottom line and in fact helps absorb some losses we might be absorbing in other service areas.

The total expenses for the year are 6,900,000 more than last year at 37,831,623 which left us with an operating income of 1,133,249. We have nonoperating items of interest in the investment income and interest expense on the debt and after reducing for that there is an increase in that asset for the year in the mental health activity fund by 799,029. As they looked into the mental health services this year, an analysis based on some reports provided by DMS staff indicated that DMS is serving in MH activities approximately 25% more new consumers than last year. And the services encounters provided to these people were up about 31%. While all this was happening the average rate received for each of these services went down. Last year we earned about 66.00 for each encounter in the NS Managed Care programs and in fiscal year 04 it was 55.00 dollars. The demand for services continues to go up with the cost being reimbursed for these services going down. This particular statement requires no reconciliation to the government wide statements because it is a full accrual statement already.

Mr. Nelson referred to page 11 (8356) the Statement of Net Assets and the Statement of Activities on page 12 (8357). On page 12 you will see the operating results for the two functions. The governmental activities are the Mental Retardation/ECI programs and the business type activities are the Mental Health Services. This is on a full accrual basis, they do not record capital expenditures. They present the expenses and revenues on a functional basis. On the far right hand column, the net results are recorded for each function on a full accrual basis in accordance with principals that would be used in a for business type operation. In governmental activities there was a net revenue of 1,179,276 that is total governmental activities net revenues. Total business type activities we had a net revenue of 780,181 dollars. This statement only reports revenues that are associated with a function and the expenses that are associated with that function. Below that line they've added those revenues that might have been earned in the funds that are not earned by the function and they consists of some local sources and the investment earnings those amounts are considered general revenues in the sense that they are not a program related revenue. You will see the two numbers that have already been looked at in the two funds, Governmental Activities net-assets 1,270,278 and the business type activities was 799,029. This brings us to the total government wide change in net assets.

Mr. Nelson referred to the previous page (8356) Balance sheet. Here you can see the assets and the liabilities in both current and non-current form. This is a more standardized set of financial statements that are normally seen in a for profit environment. Total current assets in each of the activities and then a total for the government wide statement in the far right

hand column. Total current assets government wide in the third column 8,358,717 dollars. If you would compare that to your total current liabilities in the liability section which are 7,873,094 dollars. At the end of FY04 the current assets exceed the current liabilities. You will see that we add in the capital assets and those investments we have that are restricted primarily for debt service requirements those total non current assets are 16,440,000 bringing the total government wide for all activities 24,798,768 dollars. Total liability which include the long term debt 20,943,632 dollars which left us with a net assets of 3,856,136 dollars. The net assets are broken down into three categories. This was broken down so that it would show how things are available for spending. A section is invested in capital assets, net of debt this is just the fixed assets less accumulated depreciation, less associated debt, that part of the net asset is 1,726,873 dollars. We have certain assets which are required by the bond trustee and the bond covenants to be held for debt service requirements only, that amount is

4,061,045. This leaves us with an unrestricted net-assets with a negative amount of (1,931,782) dollars. You can see that the Center has done a good job during the past year. The net assets increased by a little over 2.0 million dollars. This is a continued improvement from where the Center has been over the last few years.

Mr. Nelson said that the Center should be please with this progress. The Center has done a good job in retiring a good amount of debt.

Management Letter:

First of all a management letter starts by telling you what the letter is designed to do.

Then in the first bullet, this is a repeat, but it is improved. As was discussed earlier, our balance sheet shows we are increasing our net assets, they increased by 2,069,307 during fiscal year 04. Mr. Nelson's letter commends the Center for being able to improve the financial position of this Center significantly enough to be able to do that. Mr. Nelson said that it is important to keep up the efforts to improve DMS' financial condition. As they've talked about in the statement of net-assets the total is positive in the funds, but the individual amounts once you take out the net-assets invested that are capital assets, less their debt and take out those assets that are restricted for debt service there is still a deficit in the net assets in the unrestricted section. The goal should be to try to get this back in the black. Mr. Nelson said that the Center will probably not get there in one or two years, but they appreciate the fact that the Center is making that progress.

Mr. Nelson reported that as they were completing their fieldwork they were aware of the rate reductions that have been taking place from ValueOptions. The 2nd bullet indicates the comments regarding NorthSTAR Mental Health Managed Care Programs. The new structure that took effect September 1st. 2004 has changed the way the revenues come in significantly as you can see on the bottom line the first few months. Management is taking steps to try to increase revenue and decrease cost, all the things that have to be done to make sure the new rate structure works for the Center. This goes hand in hand with the first comment. If you can't make this work it will be hard to improve the financial position in the balance sheet. It is important that this gets addressed quickly, even if this can't be changed over night it will have a significant impact on the results this year.

Mr. Nelson referred to the third item which is to follow-up on Mental Retardation Services and the fact that it could be converted to a fee-for-service system. The Center has taken steps to see how the Managed Care System might work in MR Services by recognizing revenue as it is earned on a fee-for-service basis. The Center has also done a good job in reducing the personnel cost in MR Services by transferring consumers from a more expensive environment (group homes) to a foster care environment. This has reduced the expenditures in MR Services significantly during the last year.

Mr. Nelson said he did appreciate the opportunity to be of service and asked if there were any questions.

Mr. Orr asked if there was a reason why the report was marked DRAFT, Mr. Nelson responded that they were waiting on a letter from the attorney and a signature from Mr. Cooper. This way they could reproduce all of them at the same time. Mr. Cooper asked what attorney letter they were waiting on. Mr. Nelson responded that this is a standard auditing procedure is to request attorney letters from those attorneys that might have

provided significant services during the course of the year. As part of their standards they have to wait to receive a response before they can release the final report. Mr. Orr asked for the content of the letter. Mr. Nelson said that they requested any significant items that could have an impact above a certain amount on the financial statement of the Center.

There were no other questions posed for this item. (Please refer to the January 27, 2005 Board Packet for a detailed account).

BE IT RESOLVED that the Board of Trustees of Dallas Metrocare MHMR Services hereby approves **to Receive FY 2004 Audited Financial Statements:**

Mr. Garza moved to accept, all approved.

- V. **EXECUTIVE SESSION:** There were no issues to discuss
- VI. **MEETING ADJOURNMENT:** There being no further business to come before the meeting, on motion duly made, seconded and carried, the meeting adjourned at 2:45 pm.

Minutes approved by:

Charles M. Cooper, Chairperson

Minutes recorded, transcribed
and distributed by:
Martha L. Toscano
Assistant to the CEO and
DMS Board of Trustees