HOUSTON RECOVERY CENTER LGC
MEETING OF BOARD OF DIRECTORS
MINUTES
April 4, 2013

The undersigned, being the duly appointed Acting Secretary of Houston Recovery Center LGC (the "Corporation"), hereby certifies that the following are true and correct Minutes of the April 4, 2013 meeting of the Board of Directors (the "Board") of the Corporation.

A. In a manner permitted by the Corporation's Bylaws, the meeting was called by providing all Directors with notice of the date, time, place, and purposes of the meeting more than three days before the date of the meeting.

B. In accordance with Chapter 551, Texas Government Code, which Chapter is made applicable to the Corporation by Section 431.004, Texas Transportation Code, a notice of the meeting was duly filed on April 1, 2013, in the same manner and location as required by law of the City of Houston, Texas (the "City").

C. The meeting was called to order by Kay Austin Chairman of the Board, at approximately 1:05 pm on Thursday, April 4, 2013, 550 N. Chenevert, Houston, Texas 77002. Ms. Austin appointed Carolyn Lacy as Acting Secretary for the meeting. Ms. Austin called the roll. The following Directors were present:

Kay Austin; Arlo Weltge, MD; Elizabeth, T. Nunnally; Andy Icken (ex-officio); David Persse (ex-officio).

Ms. Austin announced that a quorum of the Directors was present.

Ms. Ursula Williams was also present.

Mr. Stephen L. Williams (ex-officio) arrived at approximately 1:10 pm

The following Directors were absent:

Deborah Duncan; David S. Buck, MD; Timothy N. Oettmeier (ex-officio)

D. Ms. Austin noted that a draft of the Minutes of the Corporation's meeting of the March 21, 2013 had been distributed to the Board. A motion was made by Dr. Weltge and seconded by Ms. Nunnally to approve the Minutes. The motion passed unanimously.
e. Ms. Austin recognized Ms. Williams for a discussion regarding the partial lease assignment and assumption of lease agreement. Ms. Williams explained the terms of the partial lease assignment. She noted it was the same document that was presented at the March 7, 2013 meeting. A motion was made by Dr. Weltge and seconded by Ms. Nunnally to approve the partial lease assignment. The motion passed unanimously.

f. At Ms. Austin's request, Ms. Ploch presented the March 31, 2013 financial report. The report was distributed. (Exhibit A). Ms. Ploch presented the report and answered questions. No action was taken.

g. At Ms. Austin's request, Mr. Kincaid reported on operations at the Sobering Center. Mr. Kincaid reported that 90% of the staff is hired and they are working four days a week. Health insurance and worker's compensation insurance has been procured. Quotes for general liability and professional liability are pending. Staff will begin working full time and the Sobering Center will accept clients once the appropriate insurance is in place.

h. Ms. Austin recognized Mr. David Feldman, City Attorney for the City of Houston for discussion of the interim defense agreement (MOU). The MOU was distributed. (Exhibit B). The MOU authorizes the City Legal Department to provide legal services to the LGC during the period between the date of execution of the MOU and the acquisition of the appropriate insurance coverage. After a discussion, Mr. Feldman and the Board agreed to strike the language in item (3). A motion by Dr. Weltge, seconded by Ms. Nunnally to approve the amended MOU passed unanimously. The agreement was signed by Mr. Feldman and Ms. Austin. (Exhibit C).

i. Ms. Austin recognized Mr. Kincaid for a discussion of the FY2013 and FY2014 budget. The January, 2013 through June 30, 2013 proposed budget narrative was distributed. (Exhibit D). A motion by Dr. Weltge, seconded by Ms. Nunnally to approve the proposed budget passed unanimously. The next step is to obtain City Council approval. Mr. Icken in consultation with the City Finance Dept. will ensure the budget is posted on a future meeting of the Houston City Council. The FY2014 proposed budget was deferred to the next meeting.

j. Discussion of the screening procedures and guidelines was deferred to the next board meeting.

There being no further business, the meeting ADJOURNED at approximately 2:20 p.m.
Houston Recovery Center LOC

By:

[Signature]

Carolyn Lacye
Acting Secretary
Houston Recovery Center, LGC
Balance Sheet
As of March 31, 2013

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Mar 31, 13</th>
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<td>Current Assets</td>
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<td>TOTAL ASSETS</td>
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<table>
<thead>
<tr>
<th>LIABILITIES &amp; EQUITY</th>
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<tr>
<td>Current Liabilities</td>
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<td>Other Current Liabilities</td>
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<td>Equity</td>
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<td>186,604.44</td>
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<td>Total Equity</td>
<td>186,604.44</td>
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<tr>
<td>TOTAL LIABILITIES &amp; EQUITY</td>
<td>188,094.44</td>
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Houston Recovery Center, LGC
Profit & Loss
January through March 2013

Ordinary Income/Expense
Income
- 42400 - Direct Public Support
- 23400 - Other Income
Total Income

Expense
- 12100 - General Operations
- 12120 - Contract Services
- 12130 - Other Type of Expense
- 12500 - Payroll Expenses
- 15000 - Health Insurance & COBRA Refund
- 15010 - Salaries
- 15020 - Travel, Meals and Entertainment
Total Expense

Net Ordinary Income

Net Income

Other Income/Expense
Income
- 5000 - Investment
Total Income

Net Other Income

Net Income

Jan
Mar

250
250,000
807
3,034
42,727,972.58

May
Jun

20,01
20,01
20,01

July
Aug

177,972.58

Aug
Sep

20,01

Sep
Oct

20,01

Oct
Nov

20,01

Nov
Dec

20,01

Dec
# Houston Recovery Center, LGC

**Profit & Loss Budget vs. Actual**

**January through March 2013**

<table>
<thead>
<tr>
<th>Category</th>
<th>Jan-Feb-Mar 13</th>
<th>Budget</th>
<th>$ Over Budget</th>
<th>% of Budget</th>
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<tr>
<td><strong>Income</strong></td>
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<tr>
<td>Direct Public Support</td>
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<td>21,900.00</td>
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<td>Contract Services</td>
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<td>Operations</td>
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<td><strong>Expenses</strong></td>
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<tr>
<td>Payroll Expenses</td>
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<td>Health Insurance &amp; COBRA Reimbursement</td>
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<td>Salaried</td>
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<td>100.0%</td>
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<tr>
<td>Travel, Meals, Entertainment</td>
<td>72,902.58</td>
<td>72,902.58</td>
<td>0.00</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>177,072.48</td>
<td>-6,024.50</td>
<td>191,097</td>
<td>-3.5%</td>
</tr>
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TO: Kay Austin, Chair, Board of Directors, Houston Recovery Center (LGC)
FROM: David Feldman, City Attorney
SUBJECT: Memorandum of Understanding (MOU)

WHEREAS, on May 16, 2012 the City of Houston City Council passed a resolution authorizing the creation of Houston Recovery Center, a Local Government Corporation (LGC), to act on the City’s behalf in connection with the management and operation of the Houston Center for Sobriety (Center).

WHEREAS, the City of Houston will provide the Center as an alternative to jail for individuals deemed incapable of this population and the City jail and diversify law enforcement and health and safety resources from more serious or life-threatening crimes and criminals.

WHEREAS, Center will improve the public’s health and safety and quality of life through its efforts to reduce substance abuse through intervention and referral to appropriate social service agencies.

WHEREAS, Center will be operated as a public-private partnership and the Houston Police Department, Houston Health and Human Services and Houston Fire Department who will provide city services at the site.

WHEREAS, the LGC has acquired some but not all of the liability insurance deemed by the LGC Board to be appropriate and necessary for its operations,

NOW THEREFORE, this memorandum memorializes agreements between the Legal Department and LGC regarding legal services to be provided by the Legal Department to LGC during the period between the date of execution of this MOU and the expiration of the appropriate insurance coverage.

At LGC’s request, the Legal Department will provide legal advice, legal services and assistance to LGC, its agents, officers, directors and employees pertaining to:

1) Defense of claims seeking monetary, declaratory or injunctive relief, if any, making firms
   a) LGC,
   b) its officers and directors, and
   c) employees if acting within the course and scope of their employment related to liability alleged to have been incurred during the “Gap period” between December 31, 2013 and December 31, 2014.

2) The “Gap period” is defined as the period commencing the date of execution of this MOU and ending the date that an insurance policy covering the type of claim in question is acquired and becomes effective.

In the event defense of a claim against LGC requires expertise not found within the Legal Department, Legal Department shall be excused from defending such claim. Should Legal Department be excused from defending a claim under this provision, Legal Department shall
Neither the City nor Legal Department has pledged or agreed to indemnify LGC, its officers, directors or employees for any loss or damages for which LGC may be responsible, except to the extent provided for in Ordinance 2012-32 (adopted October 31, 2012), designating the Officers and Directors as “covered persons” pursuant to 2-302 of the Code of Ordinances. The parties to this MOU specifically agree and understand that the assistance provided by the Legal Department under this agreement is limited to legal advice, legal services and assistance.

The parties to this MOU agree that reasonable and necessary expenses associated with the Legal Department’s defense to LGC, its officers, directors or employees shall be timely paid by LGC following receipt of documentation related to same and that such expenses may include but not be limited to expert fees, cost of deposition or trial transcripts and court costs. Legal Department shall not look to LGC for reimbursement of its attorney fees.

The parties to this MOU understand that for a particular assignment or claim, if the Legal Department determines there is the potential for a conflict of interest, then the Legal Department will notify LGC of such conflict and the LGC will obtain separate counsel as may be required. The parties further agree that the Legal Department’s obligation to the LGC is limited to using good faith efforts and reasonable diligence to accomplish the requested services in accordance with applicable ethical and professional standards. Both LGC and the Legal Department agree to refrain from knowingly and intentionally taking any action adverse to the rights and interests of the other party.

The parties may extend the term for providing legal services by agreement.

Read and Agreed:

David Feldman, City Attorney
City of Houston
901 Bagby, 4th Floor
Houston, Texas 77002

Kay Austin, Chair
Board of Directors
Houston Recovery Center, LGC
1501 Chenevert
Houston, Texas 77002
Date: April 1, 2013

To: Kay Austin, Chair, Board of Directors, Houston Recovery Center LGC

From: David Feldman, City Attorney

SUBJECT: Memorandum of Understanding (MOU)

WHEREAS, on May 16, 2012, the City of Houston City Council passed a resolution authorizing the creation of Houston Recovery Center, a Local Government Corporation (LGC), to act on the City's behalf in connection with the management and operation of the Houston Center for Sobriety (Center).

WHEREAS, the City of Houston will provide the Center as an alternative to jail for indigent as incarceration of this population poses a threat to the City's jail and directs law enforcement and health and safety resources from more serious crimes.

WHEREAS, the Center will improve the public safety and quality of life through its efforts to reduce substance abuse through intervention and referral to appropriate social service agencies.

WHEREAS, the Center will be operated as a public-private partnership and the Houston Police Department, Houston Health and Human Services and Houston Fire Department will provide city services at the site.

WHEREAS, the LGC has assumed some but not all of the liability insurance deemed by the City Board to be appropriate and necessary for its operations.

NOW THEREFORE, this memorandum memorializes an agreement between the Legal Department and LGC regarding legal services to be provided by the Legal Department to LGC during the period between the date of execution of this MOU and the acquisition of the appropriate insurance coverage.

At LGC's request, the Legal Department will provide legal services, legal advice and assistance to LGC, its officials, directors and employees pertaining to:

1. Defense of claims seeking monetary, declaratory, or injunctive relief, and any relief sought against
   a) LGC
   b) its officers, directors, and employees acting within the scope and course of their employment, related to liability alleged to have been incurred during the "Gap period" but before December 31, 2013.
   c) The "Gap period" is defined as the period commencing on the date of execution of this MOU and the date that an insurance policy covering the type of claim in question is acquired and becomes effective.

Any request for defense of a claim against LGC requires written approval for service of process by Legal Department. Legal Department shall have no liability for any tortious acts or omissions or any violation of law. Legal Department shall have no liability for any tortious acts or omissions or any violation of law. Legal Department shall have no liability for any tortious acts or omissions or any violation of law.
have no obligation to defend or otherwise participate in defense of the claim through use of outside counsel. However, Legal Department’s obligation to defend other claim, if any, shall continue.

4) Any other legal services and assignments may be mutually acceptable to LGCC and the Legal Department.

Neither City nor Legal Department has or will be responsible for any losses or damages for which LGCC may be responsible except to the extent provided for in Ordinance 2012-32 (adopted October 31, 2012) designating the Officers and Directors as 'covered persons' pursuant to 2-302 of the Code of Ordinances. The parties to this MOU specifically agree and understand that the assistance provided by Legal Department under this agreement is limited to legal advice, legal services, and assistance.

The parties to this MOU agree that reasonable and necessary expenses associated with Legal Department’s defense of LGCC, its officers, directors or employees shall be timely paid by LGCC following receipt of documentation related to same and that such expenses may include but not be limited to expert fees, costs of deposition or trial transcripts and court costs. Legal Department shall not look to LGCC for reimbursement of its attorney fees.

The parties to this MOU understand that for a particular assignment or claim if the Legal Department determines there is a potential conflict of interest, then the Legal Department will notify the LGCC of such conflict and the LGCC will obtain separate counsel as may be required. The parties further agree that the Legal Department’s obligation to the LGCC is limited to using good faith efforts and reasonable diligence to accomplish the requested services in accordance with applicable ethical and professional standards. Both LGCC and the Legal Department agree to refrain from knowingly and intentionally taking any action adverse to the rights and interests of the other party.

The parties may extend the term for providing legal services by agreement.

Read and Agreed:

[Signature]

David Feldman, City Attorney
City of Houston
901 Bagby, Fourth Floor
Houston, Texas 77002

[Signature]

Kay Markets, Chair
Board of Directors
Houston Recovery Center, LGCC
150 N Crewstreet
Houston, Texas 77022
Budget Narrative
January 1, 2013 through June 30, 2013

Personnel
Cost associated with staffing the Center, in total with 18 full-time & 14 part-time employees:
- Staffing annual staffing 1 month (12 months) and full staffing (4 months) $332,400.00

Benefits
- FICA: (SS & Medicare) - $25,428.60
- Unemployment - $3,888.00
- WC Comp - $13,296.00
- Total Benefits: $42,613.00

Health, Dental & Vision
- Health: (Coverage for 3 months)
  - Individual - $829.34/month = $2,488.02
  - Employee/Spouse Child - $52.00/month = $774.00
  - Employee/Spouse - $1755/month = $5,265.00
  - Total Health: $7,887.02

- Dental & Vision
  - Individual - $52.00/month = $156.00
  - Employee/Spouse Child - $105.00/month = $315.00
  - Total Dental & Vision: $471.00

- Total Employee Benefits: $8,358.02

Payroll & Benefit Processing
- Administrative fee for benefits - $170.00/month x 18 employees = $3,060.00
- Payroll processing fee - Setup fee $1,300.00 + $4.25/month x 32 employees = $1,300.00
- Total Payroll & Benefit Processing: $4,360.00

Total Budget: $419,218.00

The Houston Recovery Center LGC (Houston Center for Sobriety) is set to open its doors in the near future. This document represents an estimated budget for the first 6 months of FY 2013. As a new entity, the Center has no historical costs available to help craft the budget. Many of the listed expenses are estimates based on data collected by Mr. Leonard Kincaid, Operations Director, such data was obtained from other sobering centers around the country and estimates from potential vendors and service providers.

*Executive Report: Establishing a Sobering Center for the City of Houston,* Prepared by Mike Lee, Lieutenant, and T.N. Oettmeier, Executive Assistant Chief
Supplies

Consumable office supplies, including office supplies & medical supplies $4,400.00

Communication:

Telephone & internet service - $1,500/month x 6 months = $9,000.00
Cell phone reimbursement - at $30/month (3 months) = $720.00

Travel & Training:

Travel:
Includes transportation to an intensive treatment program to be held at the Star of Hope
Site visit to established sobering centers around the country including: Portland, Oregon & San Diego, California

Training:
Non-violent crisis intervention training, mental health first aid, ethics & confidential, drug addiction & recovery, supervisory level training for staff in the workplace $12,000.00

Equipment:

Lease of copiers - 2 @ $700 = $1,400.00

Operational costs:

Space lease @ $15,180/month
Operational labor, maintenance, utilities @ $14,268/month

Operational costs pre-paid through June 30, 2013

Security:

Security coverage provided by off-duty HPD officers during peak hours of client traffic. Hours to be covered are
Wednesday-Sunday, 7 p.m. to 7 a.m. at $33.00/hour for a total of 36 hours per week (3 full shifts, 2 half shifts)
Officers are on-duty to provide back-up support to the staff and on-duty medical teams to ensure the safety of all clients & the staff during peak hours (April through June) $20,592.00

Security Coordinator to provide training, hiring, and handling of last minute replacements for existing security staff and additional coverage related to the security officers at $30.00/hour x 12 weeks (April through June) $7,200.00

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The operational costs are established by the lease agreement between the City of Houston and the Star of Hope and are paid for by this report.
Indirect costs:
- General liability insurance
- Professional liability insurance
- Emergency medical transport
- Employee random drug testing
- Other miscellaneous costs $58,673.00

TOTAL: $557,836.00

*Sample calculation for health benefits - Employee with spouse:
- Rate for Employee with spouse: $1755
- Subtract rate for employee: $830
- 50% of that is covered: $462.50
- Add 75% employee rate: $1084.50
- Total: $1547

Security coverage will be in the following shifts: 1 shift on Wednesday, 2 shifts Thursday - Saturday, and 1 shift on Sunday.

This category is intended to capture several anticipated costs (emergency medical transport, background checks for new-hires, employee random drug testing vendor). While these costs will be necessary, the HRCX staff is still researching and assessing potential providers and costs.