

# 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 1:05pm on Thursday, April 4, 2013, at 56 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 Iken (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 1:10pm

The following Directors were absent:

Deborah Duncan; David S. Buck, MD; Timothy N. Oertmeier (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 JGC 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. Kincaid 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 2:20p.m.

HOUSTON RECOVERY CENTER LGC

By:

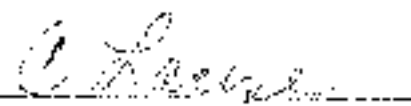
  
\_\_\_\_\_  
Carolyn Lorge  
Acting Secretary

Exhibit (A)

4/8/13

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MAGNET  
APR 11 2013

Houston Recovery Center, LLC  
Balance Sheet  
As of March 31, 2013

|                                       | Mar 31, 13        |
|---------------------------------------|-------------------|
| <b>ASSETS</b>                         |                   |
| Current Assets                        |                   |
| Checking/Savings                      |                   |
| Checking                              | 185,896.44        |
| Total Checking/Savings                | 185,896.44        |
| Total Current Assets                  | 185,896.44        |
| <b>TOTAL ASSETS</b>                   | <b>185,896.44</b> |
| <b>LIABILITIES &amp; EQUITY</b>       |                   |
| Liabilities                           |                   |
| Current Liabilities                   |                   |
| Accounts Payable                      |                   |
| 20000 - Accounts Payable              | 1,244.31          |
| Total Accounts Payable                | 1,244.31          |
| Other Current Liabilities             |                   |
| 20000 - Payroll Liabilities           | 5,276.99          |
| Total Other Current Liabilities       | 5,276.99          |
| Total Current Liabilities             | 6,521.30          |
| <b>Total Liabilities</b>              | <b>6,521.30</b>   |
| Equity                                |                   |
| Ret Income                            | 179,375.14        |
| Total Equity                          | 179,375.14        |
| <b>TOTAL LIABILITIES &amp; EQUITY</b> | <b>185,896.44</b> |

Exhibit (B)  
4-4-13

1045 A/B  
1409473  
Annual Basis

Houston Recovery Center, LGC  
Profit & Loss  
January through March 2013

|                                           | Jan - Mar '13 |
|-------------------------------------------|---------------|
| Ordinary Income Expenses                  |               |
| Income                                    |               |
| 42400 - Direct Patient Support            | 264,026.00    |
| Total Income                              | 264,026.00    |
| Expense                                   |               |
| 22100 - Contract Services                 | 2,537.30      |
| 00500 - Operations                        | 6,242.32      |
| 20100 - Other Types of Expenses           | 5,147.00      |
| 33000 - Payroll Expenses                  | 7,878.01      |
| 66000 - Health Insurance & FICA/RA Retire | 1,024.32      |
| 67000 - Benefits                          | 12,803.25     |
| 80000 - Travel, Meals and Entertainment   | 13.50         |
| Total Expense                             | 27,645.70     |
| Net Ordinary Income                       | 236,380.30    |
| Other Income/Expense                      |               |
| Other Income                              |               |
| 40000 - Investments                       | 20.01         |
| Total Other Income                        | 20.01         |
| Net Other Income                          | 20.01         |
| Net Income                                | 236,400.31    |

37481 (A)  
4-4-13

14:51 AM  
04/04/13  
Account Name

Houston Recovery Center, LGC  
Profit & Loss Budget vs. Actual  
January through March 2013

|                                           | Jan - Mar 13 | Budget    | \$ Over Budget | % of Budget |
|-------------------------------------------|--------------|-----------|----------------|-------------|
| Ordinary Income/Expense                   |              |           |                |             |
| Income                                    |              |           |                |             |
| 43400 - Direct Public Support             | 236,037.00   | 21,000.00 | 215,037.00     | 262.0%      |
| Total Income                              | 236,037.00   | 21,000.00 | 215,037.00     | 262.0%      |
| Expense                                   |              |           |                |             |
| 02400 - Contract Services                 | 2,122.50     |           | 2,122.50       | 100%        |
| 02500 - Facilities and Equipment          | 0.00         | 1,000.00  | -1,000.00      | 0.0%        |
| 02600 - Operations                        | 8,747.77     | 61,215.00 | -52,467.23     | 14.3%       |
| 03100 - Other Types of Expenses           | 1,047.00     | 4,700.00  | -3,653.00      | 22.3%       |
| 04000 - Payroll Expenses                  | 7,615.00     | 7,325.00  | 290.00         | 103.9%      |
| 05500 - Health Insurance & COBRA Payments | 2,034.38     | 0.00      | 2,034.38       | 100.0%      |
| 06000 - Retirement Plan                   | 0.00         | 0.00      | 0.00           | 0.0%        |
| 07500 - Salaries                          | 42,507.25    | 43,100.00 | -592.75        | 98.6%       |
| 08100 - Travel, Meals and Entertainment   | 0.00         | 3,000.00  | -3,000.00      | 0.0%        |
| Total Expense                             | 72,047.45    | 67,500.00 | 4,547.45       | 106.8%      |
| Net Ordinary Income                       | 163,989.55   | 15,500.00 | 148,489.55     | 1022.5%     |
| Other Income/Expense                      |              |           |                |             |
| Other Income                              | 20.00        |           | 20.00          | 100.0%      |
| Net Other Income                          | 20.00        |           | 20.00          | 100.0%      |
| Net Income                                | 164,009.55   | 15,500.00 | 148,509.55     | 1022.6%     |

Exhibit (B)  
4.4.13

Date: April 1, 2013  
To: Kay Austin, Chair, Board of Directors, Houston Recovery Center LLC  
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 as incarceration of this population over-crowds the City jails and diverts 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 by 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 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 advice, legal services and assistance to LGC, its officers, directors and employees pertaining to:

- 1) Defense of claims seeking monetary, declaratory or injunctive relief, if any, including first:
  - 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" but before December 31, 2013.
- 2) 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;
- 3) 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

Exhibit (B)  
7-4-12

have no obligation to defend or finance the defense of the claim through use of outside counsel, however, Legal Department's obligation hereunder to defend other claims, if any, shall continue, and

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

Neither 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 2.312 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 LGC, its officers, directors or employees shall be fully paid by LGC (including 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 the 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, Fourth Floor  
Houston, Texas 77002

Kay Austin, Chair  
Board of Directors  
Houston Recovery Center, LLC  
150 N. Cleburne  
Houston, Texas 77002

Exhibit (c)  
4-4-13

Date: April 1, 2013  
TO: City Austin, Chair, Board of Directors, Houston Recovery Center LLC  
FROM: David Feldman, City Attorney  
SUBJECT: Memorandum of Understanding (MOU)

WHEREAS, on May, 1st, 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 Substance (Center).

WHEREAS, the City of Houston will provide the Center as an alternative to jail for inmates as a condition of their population assessments the City juds and directs law enforcement and health and safety resources from more serious or 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 entered 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 desired by the LGC 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 conclusion of the appropriate insurance coverage.

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

- 1) Defense of claims seeking monetary, declaratory or injunctive relief, if any, made against:
  - 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" but before December 31, 2013.
- 2) 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;

3) The greatest defense of a claim against LGC requires expertise not found within the Legal Department. It is the intent of this agreement that the amount of any defense costs shall be the amount of any defense costs. Should a Legal Department be involved from the beginning of a claim under this provision, Legal Department shall

DMF

E. Chinn (C.)  
4/4/23

KA  
4/4/23

~~have no obligation to defend or finance the defense of the claims through use of outside counsel. However, Legal Department's obligation to defend other claims, if any, shall continue.~~

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

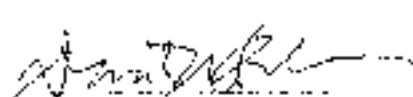
Neither City nor Legal Department has pledged or agreed to indemnify LGC, its officers, directors or employees for any loss or damages for which LGC may be responsible, except to the extent provided for in Ordinance 2012-32 (enacted October 21, 2012) designating the Officers and Directors as "covered persons" pursuant to 2.2.102 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 incurred with Legal Department's defense of LGC, its officers, directors or employees shall be timely paid by LGC following receipt of documentation related to costs 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 the 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.

**Required Agreements:**

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

  
Kay Adams, Chair  
Board of Directors  
Houston Recovery Center, LLC  
150 N. Cheeseman  
Houston, Texas 77002

Exhibit (D)  
4/4/13

# Budget Narrative January 1, 2013 through June 30, 2013

## Personnel<sup>1</sup>

Cost associated with staffing the Center for Scholastic with 18 full time & 14 part-time employees:

*Reflects normal staffing (18 months) and part staffing (6 months)* \$257,400.00

## Benefits

### FICA, Unemployment, & Workman's Compensation:

FICA (55-2.3%) (Medicare-1.45%) = \$35,125.00

Unemployment (4.7% up to \$9,000) = \$888

WLC (1%) = \$13,250

**Total:** \$42,513.00

### Health, Dental & Vision: (Three months of coverage)

*Includes 17 fee fluctuation at end of budget*

(1) Individual = \$829.36 (75%) = \$621.99/mo = \$18,659.70

(2) Employee/spouse = \$1755 (less individual amt) \* 50% = \$1084.50/mo x 3 = \$9,759.75

(3) Family/spouse/Child = \$2592 (less individual amt) \* 50% = \$1491/mo x 3 = \$22,365 \$40,785.00

Costs reimbursement = \$1,200 x 4 mos = \$4,800 \$45,585.00

### Dental & Vision

(1) Individual = \$52.00 (less individual amt) \* 75 = \$39/mo

(2) Employee/Spouse (also for Child) = \$105 (less individual amt) \* 50% = \$65.50/mo \$3,652.50

**Reimbursement:** \$2,930.00

### Payroll & Benefit Processing<sup>2</sup>

Administrative fee for benefits \$170/mo per covered employee (1%)

\$170 x 18 employees x 6 mos = \$9,180 \$9,180.00

Payroll processing fee:

\$1,300 = setup fee \$1,300.00

\$4.25 per employee per month x 32 employees x 4 mos \$544.00

The Houston Recovery Center, LLC (Houston Center for Scholastic) is set to open its doors in the near future. This financial report with its estimated budget for the first 6 months of FY 2013, as a new entity, the Center has no historical data to rely upon for the budget. Many of the listed expenses and estimates based on data collected by Mr. Michael Kincaid, Operating Director, with data was obtained from many sources including other recovery centers around the country and estimates from potential vendors and service providers.

<sup>1</sup> *Source: The Report, "Estimating a Scholastic Center for the City of Houston,"" Prepared by Mills, Inc., Houston, TX, at 61-64, Commission, Executive Assistant Chief*

<sup>2</sup> *Based on estimates provided by potential benefits provider and payroll service*

Exhibit (A)

4-7-13

|                                                                                    |             |
|------------------------------------------------------------------------------------|-------------|
| <b>Supplies</b>                                                                    |             |
| Consumables & other non-durable supplies & material supplies                       | \$4,900.00  |
| <b>Communications</b>                                                              |             |
| Telephone & internet service - \$1,500/mo. x 6 mo.                                 | \$9,000.00  |
| Cell phone reimbursement - 4 @ \$70 and 1 @ \$50/mo.                               | \$3,100.00  |
| <b>Travel &amp; Training</b>                                                       |             |
| Travel:                                                                            |             |
| measured cost associated with supervisory level staff to travel overnight to       |             |
| to San Antonio Locking Center.                                                     |             |
| Site visit to established sobering centers around country including                |             |
| Portland, Oregon & San Diego, California                                           |             |
| Training:                                                                          |             |
| Non-violent Crisis Intervention Training, mental health first aid,                 |             |
| CSA, ethics & confidentiality, drug addiction & recovery, supervisory              |             |
| level training for officers in the workplace                                       | \$12,000.00 |
| <b>Equipment</b>                                                                   |             |
| Cost of copiers - 2 @ \$500                                                        | \$1,000.00  |
| <b>Operational costs:</b>                                                          |             |
| Sick leave @ \$15,120/yr                                                           |             |
| Operation (cleaning, maintenance, utilities) @ \$14,258/yr                         | \$0         |
| Operating costs pre-paid through June 30, 2013                                     |             |
| <b>Security:</b>                                                                   |             |
| Security coverage to be provided by officers - IPD officers                        |             |
| working peak hours of court traffic. Hours to be covered are                       |             |
| Wednesday - Sunday 7 pm to 4 am, at \$85.00 an hour x 48 man hours (three          |             |
| full shifts, two half shifts)                                                      |             |
| Officers are one to be provide back up support as the staff                        |             |
| are at an odd number to ensure the ability of both the                             |             |
| clients & the staff - 14 shifts through June only                                  | \$38,100.00 |
| Security Coordinator to handle hiring, firing, recruiting, last minute             |             |
| replacement, training and all paperwork related to the security                    |             |
| officers @ \$53.00 per man hour x 48 hours over 12 weeks (April through June only) | \$5,577.60  |

\* All operational costs are agreed upon by and lease agreements between the City of Houston and the Texas State Jail.

Exhibit D  
7/13

Indirect costs:

General liability insurance, professional liability insurance, emergency medical services, employee drug and drug testing, other miscellaneous costs

(28,673.00)

TOTAL

\$557,836.00

\*Sample calculation for health benefit - Employee w/ spouse

Rate for Employee w/ spouse \$175

Sample rate for employees (50)  
40%

50% of total cost \$62.50

and 75% employee cost \$122

Total paid by employer \$184.50

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

\*This category is not restricted to just services in facilities and is derived from the emergency response plan, background and checks for new hires, employee random drug testing vendor, etc. For these costs, will be recovered by all 100 staff, share the long and assuring parents and providers costs.