

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 50 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 Perse (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. 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 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).

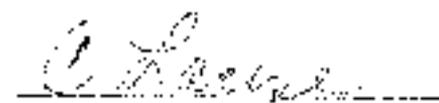
i. Ms. Austin recognized Mr. Kincaid for a discussion of the FY2013 and FY2014 budget. The January, 2013 through June 30, 2013 proposed budget narrative was distributed. (Exhibit D). A motion by Dr. Weltge, seconded by Ms. Nunnally to approve the proposed budget passed unanimously. The next step is to obtain City Council approval. Mr. Iken 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 LLC

By:

A handwritten signature in cursive script, appearing to read 'Carolyn Arce', is written over a horizontal line.

Carolyn Arce
Acting Secretary

Exhibit (A)

4/2/13

01/27/13
106670
Account Balances

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

	Mar 31, 13
ASSETS	
Current Assets	
Checking/Savings	
Checking	185,004.44
Total Checking/Savings	185,004.44
Total Current Assets	185,004.44
TOTAL ASSETS	<u>185,004.44</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 - Accounts Payable	1,244.31
Total Accounts Payable	1,244.31
Other Current Liabilities	
2000 - Payroll Liabilities	5,276.99
Total Other Current Liabilities	5,276.99
Total Current Liabilities	6,521.30
Total Liabilities	6,521.30
Equity	
Ret Income	178,483.14
Total Equity	178,483.14
TOTAL LIABILITIES & EQUITY	<u>185,004.44</u>

Colony (R)
4-4-13

1045 A/B
14-0413
Annual Basis

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

	<u>Jan - Mar '13</u>
Ordinary Income Expenses	
Income	
42400 - Direct Patient Support	294,000.00
Total Income	<u>294,000.00</u>
Expense	
22100 - Contract Services	2,500.00
23200 - Operations	6,240.00
26100 - Other Types of Expenses	8,147.00
33000 - Payroll Expenses	7,876.00
66000 - Health Insurance & FICA/Retire	1,004.00
67000 - Supplies	42,800.00
80000 - Travel, Meals and Entertainment	10.00
Total Expense	<u>70,577.00</u>
Net Ordinary Income	223,423.00
Other Income/Expense	
Other Income	
40000 - Investments	20.00
Total Other Income	<u>20.00</u>
Net Other Income	20.00
Net Income	<u>223,443.00</u>

37101 (A)
4-9-13

14:51 AM
6/24/13
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	230,470.00	21,000.00	209,470.00	997.00%
Total Income	230,470.00	21,000.00	209,470.00	997.00%
Expense				
02400 - Contract Services	2,122.50	0.00	2,122.50	100%
02900 - Furniture and Equipment	0.00	0.00	0.00	0%
03000 - Operations	8,747.77	61,217.50	-52,469.73	14.11%
30100 - Other Types of Expenses	1,047.00	4,100.00	-3,053.00	74.56%
60000 - Payroll Expenses	7,615.00	7,325.00	290.00	103.74%
60500 - Health Insurance & COBRA Reimb	2,034.38	0.00	2,034.38	100.00%
60700 - Retirement Plan	0.00	0.00	0.00	0%
60900 - Salaries	62,507.25	61,100.00	1,407.25	102.39%
63100 - Travel, Meals and Entertainment	622.00	0.00	622.00	100%
Total Expense	72,046.60	61,500.00	10,546.60	117.13%
Net Ordinary Income	158,423.40	15,500.00	142,923.40	922.08%
Other Income/Expense				
Other Income	0.00			
Net Other Income	0.00			
Net Income	158,423.40	15,500.00	142,923.40	922.08%

Exhibit (B)
11/13

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 inmates 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 coverage formed 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 those:
 - 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 "Cover period" but before December 31, 2013.
- 2) The "Cover 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 expenditures 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 timely 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 actions 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)
4-2-13

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

WHEREAS, on May, 14, 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 inmates as a recognition of this population, assuages the City's jail and diverts law enforcement and health and safety resources from more serious and life-threatening crimes and individuals.

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 as 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 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 prompt defense of a claim against LGC requires expense not found within the legal fee contract. If the management shall be exempt from a claim, should a Legal Department be covered from its existing claim under the provision, Legal Department shall~~

Handwritten initials

E. Chavez (C)
4-4-23

KA
MEMO

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

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

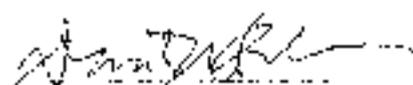
Neither City nor Legal Department has pledged or agreed to indemnify LGC, its officers, directors or any employees for any loss or damages for which LGC may be responsible, except to the extent provided for in Ordinance 2012-32 (enacted October 21, 2012) designating the Officers and Directors as "covered persons" pursuant to 2.102 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 associated 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 activities by agreement.

Required Agreements:


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

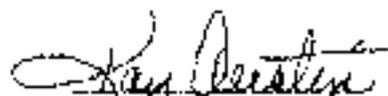

 Kay Griffin, Chair
 Board Directors
 Houston Recovery Center, LLC
 150 N. Cheeseman
 Houston, Texas 77002

Exhibit (D)
4/4/13

Budget Narrative
January 1, 2013 through June 30, 2013

Personnel¹

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

Reflects normal staffing of members and full staffing (6 months) \$257,400.00

Benefits

FICA, Unemployment, & Workman's Compensation:

FICA (SS+Medicare) - \$145.11 x 325 = \$47,260.75

Unemployment (2.7% up to \$9,000) = \$388

W.C. Comp (1%) = \$13,290

Total:

\$42,638.00

Health, Dental & Vision (Three months of coverage)

Includes 1/2 fee calculation at end of budget

(1) Individual - \$829.34 x 148 = \$122,741.32

(2) Family (self/spouse) - \$1755 (less individual amt.) x 50% = \$1084.50/mo x 36 = \$39,042.00

(3) Family (self/spouse/child) - \$2562 (less individual amt.) x 50% = \$1491/mo x 36 = \$53,676.00

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

\$199,259.00

\$5,600.00

Dental & Vision

(1) Individual - \$52.00 (less individual amt.) x 75 = \$3900.00

(2) Employer/Spouse (also for) Child - \$105 (less individual amt.) x 90% = \$94.50/mo

Reimburse:

\$3,655.00

\$2,950.00

Payroll & Benefit Processing²

Administrative fee for benefits \$170/mo per covered em. (Agency fee)

\$170 x 18 employees x 6 mos = \$183,600

\$183,600.00

Payroll processing fee:

\$1,300 = setup fee

\$1,300.00

\$4.25 per 60 employee per month x 82 employees x 6 mos

\$344.00

The Houston Recovery Center (HRC) (Houston Center for Schistosomiasis) is set to open its doors in the near future. This financial report is an estimated budget for the first 6 months of FY 2013. As a non-profit, the Center has no historical data available to base the budget. Many of the listed expenses and estimates based on data collected by HRC and provided. Overall the Director, Sarah Goss, was informed from many sources including other recovery centers around the country and estimates from potential donors and service providers.

¹ See the Budget, "Determining a Starting Point for the City of Houston," Prepared by Mills, Lee, "Health and Safety," Government, Executive Assistant Chief

² Based on estimates provided by potential benefits providers and payroll agency

4-9-13

Supplies		
Consumable supplies including office supplies & printing supplies		\$4,900.00
Communications:		
Cellphone & internet service - \$100/mo x 6 mos		\$10,000.00
Gas phone reimbursement - \$100/mo x 6 mos		\$7,000.00
Travel & Training:		
Travel:		
incurred cost associated with supervisory level staff to travel overnight to San Antonio sobriety center.		
Site visit to established sobriety centers around country including Portland, Oregon & San Diego, California		
Training:		
Non-elder's staff attend 400 training, mental health first aid, CPR, ethics & confidentiality, drug education & recovery, supervisory level training for ethics in the workplace		\$12,000.00
Equipment:		
lease of copiers - 2@\$4,000		\$8,000.00
Operational costs:		
Sick leave @ \$15,120/yr		
Operation (cleaning, maintenance, utilities) @ \$24,258/yr		\$0
Operating costs pre-paid through June 30, 2013		
Security:**		
Security coverage to be provided by off-duty IPD officers during peak hours of client traffic. Hours to be covered are Wednesday - Sunday 7pm to 1am at \$85.00 an hour x 48 hours a 12 hour shift (two half shifts)		
Officers are one-to be provide back up support for staff and also on odder measure to ensure the safety of both the clients & the staff - 14 April through June only		\$215,000.00
Security Coordinator to handle hiring, firing, recruiting, last minute replacement, permitting and all paperwork related to the security officers @ \$53,000 per month x 4 months @ 13 weeks (April through June only)		\$5,572.00

** The operational costs are shared between the lease agreement between the City of San Antonio and the rental of space and are paid for this period.

Exhibit D
7/13

Indirect Costs:¹

General liability insurance, professional liability insurance, emergency medical transport, employer's anti-drug testing, other miscellaneous costs

(28,073.00)

TOTAL

\$557,836.00

¹ Sample calculation for health benefits - employee w/ spouse.

Rate for Employee w/ spouse	\$175
Subsidized rate for employees	-(87)
	4%
50% of total cost	462.50
and 73% employer pays	+ 622
Total paid by employer	\$1,084.50

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

¹ This category is not restricted to actual services in facilities and is derived from the general cost of the program, including indirect costs for procedures, employee labor and drug testing services. All of these costs will be recovered by the staff and shared with the funding and assessing partners and providers for costs.