

Houston Forensic Science LGC, Inc.

MEETING OF THE BOARD OF DIRECTORS MINUTES

November 8, 2013

The undersigned, being the duly appointed Acting Recording Secretary of the Houston Forensic Science LGC, Inc., (the "Corporation"), hereby certifies that the following are true and correct minutes of the November 8, 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 November 4, 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 Scott Hochberg, Chairman of the Board, at 9:00 a.m. on Friday, November 8, 2013, in the Council Annex Chambers, 900 Bagby St., Public Level, Houston, Texas, 77002.
- D. Chairman Hochberg appointed Ms. Leticia Castellanos as Acting Secretary for the meeting.
- E. Ms. Leticia Castellanos called the roll. The following Directors were present: Scott Hochberg, Vice Chairman Nicole Casarez, Enrique Barrera, Catherine Lamboley, William Blackmon, and Tom P. Allen (ex-officio).

The following Directors were absent: Hiram A. Contreras and Sandra Guerra Thompson.

Mr. Hochberg announced that a quorum of the Directors was present.

- F. Mr. Hochberg noted that a draft of the minutes of the Corporation's meeting on October 11, 2013, had been distributed to the Board. Mr. Blackmon made a motion to approve the minutes, and it was seconded by Vice Chairman Casarez. The Motion passed unanimously, and the minutes of the meeting of October 11, 2013, were adopted.

- G. Mr. Hochberg asked if any members of the public were present who would like to address the Board. Mr. Hochberg then noted that no one had asked to address the Board, and the meeting continued.
- H. Mr. Hochberg asked President and CEO Dr. Daniel Garner to update the Board on the LGC. Dr. Garner touched on several topics: the hiring of a director for Human Resources, and update on the timelines for the Transition Team working groups, various budgetary issues being identified by the Transition Team, and accreditation and training processes for both Divisions. It was also mentioned that the abstract paper was accepted and will be published by the American Academy of Forensic Science group with Ms. Irma Rios making the presentation in Seattle, Washington. Also, members of the Bromwich team reviewed their previous crime lab recommendations for compliance and will give the Board a preliminary report later this year.
- I. Chairman Hochberg presented a revised financial report for July, 2014, which properly reflect items which were FY 2013 expenses but which had not yet been paid for at the close of FY 2013. Mr. Hochberg noted that the changes do not affect how much money was spent but are only changes in reporting.
- J. Dr. Barrera discussed the TAG meeting scheduled for November 20<sup>th</sup>. The meeting is to take place in the Council Annex Chambers. He confirmed that Michelle Triplett has agreed to become a member of the TAG. The TAG agenda has been created but adjustments will be made as needed.

Mr. Allen asked if the TAG will be recorded so that the minutes could be posted. Chairman Hochberg stated that if they post and if there is a quorum then it would be recorded. Dr. Barrera agreed.

Mr. Allen asked if there are TAG members who have knowledge of technology and security networks. Dr. Barrera stated there are several members who have knowledge and expertise in those areas.

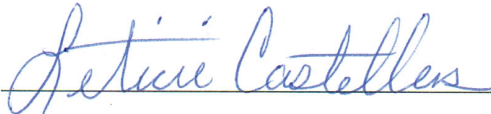
- K. Chairman Hochberg discussed the revised insurance benefits for Dr. Garner. Since some of the coverages originally promised to Dr. Garner are not available for purchase, Dr. Garner has agreed to accept additional life insurance coverage in their place. Mr. Hochberg moved to authorize revised contract provisions reflecting these changes. Ms. Lamboley seconded the motion which was then passed by the Board.
- L. Chairman Hochberg presented a proposed Memorandum of Understanding with the City of Houston, the approval of which is required before the City transfers FY 2014 budgeted funds to the HFSLGC. Mr. Hochberg moved to authorize the approval of the Memorandum of Understanding, to be signed by Dr. Dan Garner. Mr. Blackmon seconded the motion and it was approved by the Board.

M. Chairman Hochberg presented a proposed resolution regarding disadvantaged business enterprises. Under the resolution, the HFSLGC adopts various policies of the City of Houston pertaining to "Minority, Women and Small Business Enterprises" and "Persons with Disabilities Business Enterprises". Ms. Casarez moved to adopt the resolution. Mr. Blackmon seconded the motion and it was approved by the Board.

N. Chairman Hochberg presented the latest draft of the proposed interlocal agreement with the City of Houston. No action was taken.

There being no other business, the meeting was adjourned at 10:08 am.

Houston Forensic Science LGC, Inc.

By: \_\_\_\_\_

Leticia Castellanos  
Acting Recording Secretary  
Houston Forensic Science LGC, Inc.

## MEMORANDUM OF UNDERSTANDING NO. 2

Between the City of Houston  
and Houston Forensic Science LGC, Inc.

This Memorandum of Understanding No. 2 ("MOU No. 2" or "this MOU") is by and between the City of Houston, Texas (the "City") and Houston Forensic Science LGC, Inc. (the "Corporation").

**WHEREAS**, on June 6, 2012, the City Council of the City (the "City Council") passed and adopted Resolution No. 2012-17 to authorize the creation of the Corporation; and

**WHEREAS**, the City and the Corporation anticipate entering into an Interlocal Agreement (the "Interlocal") by which the Corporation will assume control of and responsibility for substantially all of the forensic operations of the Houston Police Department; and

**WHEREAS**, on October 17, 2012, the City Council passed and adopted Ordinance No. 2012-912 to approve the form of Memorandum of Understanding No. 1 between the City and the Corporation ("MOU No. 1"); and

**WHEREAS**, MOU No. 1 was effective upon its full and lawful execution on October 24, 2012; and

**WHEREAS**, pursuant to MOU No. 1, the City disbursed the sum of \$500,000.00 to the Corporation; and

**WHEREAS**, on June 19, 2013, the City Council passed and approved Ordinance No. 2013-617, which Ordinance adopted the final budget of the expenditures of the City's General, Enterprise and Special Revenue Funds for the Fiscal Year beginning July 1, 2013, and ending June 30, 2014 (the "City Budget," a copy of which is available at <http://www.houstontx.gov/budget/14budadopt/index.html>); and

**WHEREAS**, the Corporation is considered a "component unit" of the City for accounting purposes; and

**WHEREAS**, Page VII-4 of the City Budget provides (at Line 532040) for the transfer of \$22,944,904.00 from the City to the Corporation, which transfer is acknowledged on Page VII-2; and

**WHEREAS**, Section 6.01 of the Corporation's Bylaws states that "[t]he fiscal year of the Corporation shall be the same as the fiscal year of the City;" and

**WHEREAS**, the Corporation's Board of Directors (the "Board") has approved a budget for certain expenditures to be made by the Corporation during the fiscal year



beginning July 1, 2013, which expenditures are described on the attached Exhibit "A"; and

**WHEREAS**, the Corporation has employed a President, who, as prescribed by Section 5.03 of the Corporation's Bylaws, serves both as the Corporation's chief executive officer and as the Executive Director of the Houston Forensic Science Center; and

**WHEREAS**, the Corporation desires to employ additional executive staff, including a chief financial officer and a director of human resources, and desires the counsel of the said executives before the City and Corporation finalize the Interlocal; and

**WHEREAS**, the Corporation has additional pending financial needs, likely to include payments to an executive search firm and to the Corporation's accountants, as well as costs related to insurance, computer equipment, furniture, support for the Technical Advisory Group contemplated by Article VIII of the Corporation's Certificate of Formation, and other expenses described on Exhibit "A"; and

**WHEREAS**, MOU No. 1 expired by its own terms on October 24, 2013; and

**WHEREAS**, the Corporation has requested that the City disburse to the Corporation, and the City has agreed to disburse to the Corporation, the sum of \$1,567,110.00; and

**WHEREAS**, the Board has approved the form and substance of this MOU;

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants, conditions, and promises set forth herein and for other good and valuable consideration, the City and the Corporation AGREE as follows:

1. This MOU is effective on the Countersignature Date entered below and remains in effect for one year unless terminated sooner as provided by this MOU.

2. To comply with Article II, Sections 19 and 19a, of the City's Charter and with Article XI, Section 5, of the Texas Constitution, the City has appropriated and allocated the sum of \$1,567,110.00 to pay money due under this MOU. The City may pay additional funds to the Corporation under a separate Memorandum of Understanding, but the City is not obligated to do so.

3. All funds disbursed by the City to the Corporation under this MOU will be deposited into the Corporation's account at Bank of Texas. Absent a variance approved by the Board during a lawfully noticed public meeting, the said funds will be expended only for the expenses described on Exhibit "A." The President of the Corporation will report any such variance, promptly and in writing, to the Director of the City's Finance Department (the "Finance Director").

4. Absent a variance approved in writing by the Finance Director, the

Corporation will comply with the "Accounting Procedures and Standards for Local Government Corporations" prescribed by the Finance Director, which procedures and standards are stated in the Memorandum attached to this MOU as Exhibit "B."

5. The Corporation will comply with its own Financial Control Procedures, a copy of which document is attached to this MOU as Exhibit "C."

6. The Corporation will continue to comply with its Bylaws, specifically including Sections 6.04 ("Assistance to City's Director of Finance"), 6.05 ("Audits"), 7.04 ("Required Books and Records"), and 7.05 ("Access to Books and Records").

7. In addition to the duties imposed by ¶ 6 immediately above, the Corporation will maintain and preserve all books and records of the Corporation for a minimum of five years after the expiration or termination of this MOU.

8. If the Corporation breaches any duty imposed on the Corporation by this MOU, the Corporation will tender written notice of the said breach to the Finance Director within one business day after the breach comes to the attention of any officer or director of the Corporation.

9. The Finance Director may terminate this MOU at any time for any reason by giving thirty days' notice to the Corporation in a writing delivered to the Chairman of the Board. The City's right to terminate this MOU for convenience is cumulative of all rights and remedies that exist now or in the future.

[Signature Page Follows]

EXECUTED in multiple counterparts, each having force and effect equal to an original.

**HOUSTON FORENSIC SCIENCE LGC, INC.**

By: \_\_\_\_\_  
Daniel D. Garner, Ph.D.  
President and CEO

Date Signed: \_\_\_\_\_

**CITY OF HOUSTON**

By: \_\_\_\_\_  
Annise D. Parker, Mayor

Date Signed: \_\_\_\_\_

Attest: \_\_\_\_\_  
Anna Russell, City Secretary

Countersigned: \_\_\_\_\_  
Ronald C. Green, City Controller

Date Signed: \_\_\_\_\_

Approved as to Form:

\_\_\_\_\_  
David M. Feldman  
City Attorney

LD File No. 0421100101001

**Houston Forensic Science LGC, Inc.  
Budget for Expenditures (FY 2014)**

500010 Salary - Base - Civilian	\$ 465,167
501070 Pension - Civilian	21,167
502010 FICA - Civilian	40,400
503010 Health Insurance - Active Civilian	48,300
503015 Basic Life Insurance - Active Civilian	2,070
503060 Long Term Disability - Civilian	1,035
503090 Workers Compensation - Civilian - Admin	3,000
504030 Unemployment Claims - Admin	2,000
<b>Personnel</b>	<b>\$ 583,139</b>
511070 Miscellaneous Office Supplies	\$ 19,000
<b>Supplies</b>	<b>\$ 19,000</b>
520100 Temporary Personnel Services	\$ 20,000
520110 Management Consulting Services	201,600
520111 TAG Support	20,000
520119 Computer Equipment/Software Maintenance	10,000
520123 Vehicle & Motor Equipment Services	2,400
520140 Audit	25,000
520765 Membership & Professional Fees	10,000
520805 Education & Training	85,000
520810 Employee Moving Expenses	10,000
520905 Travel - Training	25,000
520910 Travel - Nontraining	40,000
522430 Miscellaneous Other Services & Charges	100,000
522440 Insurance	190,000
<b>Services</b>	<b>\$ 739,000</b>
560210 Capital Expenditures - Furniture and Fixtures	\$ 26,000
560210 Capital Expenditures - Independent Network; Lab Instrumentation	572,975
<b>Capital</b>	<b>\$ 598,975</b>
<b>TOTAL</b>	<b>\$ 1,940,114</b>
<b>Less: Carryover Fund Balance</b>	<b>(373,004)</b>
<b>TOTAL REQUEST</b>	<b>\$ 1,567,110</b>

**Exhibit A**



## MEMORANDUM

TO: Tom P. Allen  
First Assistant City Attorney & Acting Counsel for Houston Forensic Science LGC, Inc.

FROM: Kelly Dowe  
Director, Finance Department

DATE: October 28, 2013

RE: Accounting Procedures and Standards for Local Government Corporations

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As authorized by Paragraphs 5.4.1 and 5.4.2 of City of Houston Executive Order No. 1-29 ("E.O. No. 1-29"), this Memorandum prescribes accounting procedures and standards for a local government corporation ("LGC" or "Corporation") created by and receiving funds from the City.

Absent an exception approved in writing by the Director of Finance, the Board of Directors of the LGC must take the following actions as soon as reasonable after the LGC's incorporation:

1. Designate a qualified "Finance Officer" responsible for establishing the LGC's accounting system, controlling expenditures, managing cash and other assets, and preparing financial statements and budgets. The said officer may be, but is not required to be, the Treasurer or other officer of the Corporation. The officer may be an employee of the LGC or of the City, or he may be an independent contractor.
2. Establish and maintain fiscal operations consistent with Generally Accepted Accounting Principles (GAAP) and policies governing budgeting, debt financing (if applicable), and financial reporting.
3. Establish and maintain resources and procedures necessary to ensure the LGC's compliance with Sections 3.151, 22.352, and 22.353, Texas Business Organizations Code, as well as Paragraphs 5.3.2.4 and 5.3.2.5 of E.O. No. 1-29.
4. Establish and maintain the following accounting records or their computerized equivalents:
  - Uniform chart of accounts
  - Controlled numbered official receipts
  - Controlled numbered official checks
  - Detailed receipt journal
  - Detailed disbursement journal
  - General ledger
5. Establish and maintain resources and procedures so that the LGC's financial operations are amenable to (a) audit in accordance with GAAP and with Governmental Auditing Standards (GAS) and (b) inclusion in the City's Comprehensive Annual Financial Report (CAFR).
6. Establish and maintain procedures so that all books, ledgers, journals, accounts, and other financial records of the LGC are maintained in their original forms or computerized equivalents for a minimum of five years after each record's creation.
7. No later than March 1 of each year, the Corporation shall submit to the City's Finance Director a draft budget approved by the Board for the Corporation for the fiscal year commencing on July 1.
8. The Corporation shall submit monthly financial statements to the City's Finance Director or his/her designee no later than 45 days of the end of the period.

## HOUSTON FORENSIC SCIENCE LGC, INC.

### Financial Control Procedures

The Houston Forensic Science LGC, Inc. will operate in a prudent manner to assure appropriate control of expenditures. The following procedures, at a minimum, shall be followed for the authorization of payments:

- 1.) All expenditures shall be made by check or electronic transfer (including wire transfer). No cash or debit card expenditures or withdrawals are authorized.
- 2.) All checks and all authorizations for electronic transfer shall be signed by at least one Account Signer as specified in the Banking Resolution adopted by the Board. Checks and authorizations for electronic transfer of more than \$20,000 shall be signed by two Account Signers, of which at least one shall be a Board member.
- 3.) As required by the Banking Resolution, any check or authorization for electronic transfer where the payee is an Account Signer shall be signed by at least one Account Signer who is not a payee. Where two signatures are required, one may be the payee.
- 4.) No expenditures shall be made that are not in accordance with the budget adopted by the Board, which may from time to time be amended by the Board.
- 5.) All checks and authorizations for electronic transfer shall be initiated by the President, Chairman or Vice-Chairman, and shall be prepared by the Treasurer or an assistant reporting to the Treasurer. If the Treasurer position is vacant, preparation shall be by the Chairman or Vice-Chairman. All invoices are approved for payment prior to initiating the payment and such documentation accompanies the check when presented for signature.
- 6.) Monthly bank statements will be reviewed and verified by the Treasurer. If the Treasurer position is vacant, this shall be done by the Chairman. Bank statements shall also be reviewed and reconciled monthly by the CPA firm providing financial accounting services to the Corporation.
- 7.) Signed records of authorization for electronic transfer shall be maintained by the Corporation in similar manner to records for payments made by check.

Exhibit C

8.) No advance payments or prepayments shall be made except as authorized in contracts which have been approved by the Board before any such payment is authorized.

Adopted by the Board 9/13/13

# HOUSTON FORENSIC SCIENCE LGC, INC.

Resolution No. 2013-004

## RESOLUTION REGARDING DISADVANTAGED BUSINESS ENTERPRISE POLICIES

**WHEREAS**, Article IV(B) of the Certificate of Formation (the "Certificate of Formation") for Houston Forensic Science LGC, Inc. (the "Corporation") requires the Corporation to comply with the "minority/women, disadvantaged business enterprise policies" of the City of Houston (the "City"); and

**WHEREAS**, the Corporation's Board of Directors (the "Board") construes "minority/women, disadvantaged business enterprise policies" as used in Article IV(B) of the Certificate of Formation to refer to the policies stated in Article V ("Minority, Women and Small Business Enterprises") and in Article VI ("Persons with Disabilities Business Enterprises") of Chapter 15 of the City's Code of Ordinances; and

**WHEREAS**, the Board is committed to compliance with such policies, which the Board has concluded are in the best interests of the Corporation and of the communities to which the Corporation provides services; and

**WHEREAS**, the Corporation anticipates entering into an Interlocal Agreement (the "Interlocal") with the City before the end of calendar year 2013, by which Interlocal the Corporation will assume control of and responsibility of the Crime Lab presently operated by the Houston Police Department and certain other forensic operations;

**WHEREAS**, the Board has concluded that future operations of the Corporation are likely to call for a detailed understanding of the proper application of the policies described above; **NOW, THEREFORE**;

### **BE IT RESOLVED BY THE DIRECTORS OF THE CORPORATION:**

**Section 1.** That the Corporation adopts by reference the "minority/women, disadvantaged business enterprise policies" stated in Article V ("Minority, Women and Small Business Enterprises") and in Article VI ("Persons with Disabilities Business Enterprises") of Chapter 15 of the City's Code of Ordinances (collectively, the

"Disadvantaged Business Policies") in effect on the day of the Board's adoption of this Resolution.

**Section 2.** That the draft of the Interlocal shall include a provision obligating the City (specifically, the City's Office of Business Opportunity) to provide the Corporation with advice and recommendations regarding the proper application of the Corporation's Disadvantaged Business Policies and that persons negotiating with the City on behalf of the Corporation shall make every reasonable effort to include such a provision in the final form of the Interlocal.

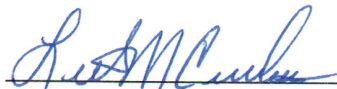
**Section 3.** That this Resolution shall take effect immediately upon its adoption by the Board of Directors.

ADOPTED this 8 day of November, 2013.

#### CERTIFICATE

The undersigned hereby certifies that this Resolution 2013-004 was duly adopted by the Board of Directors of Houston Forensic Science LGC, Inc., on the 8 day of November, 2013.

Executed this 8 day of November, 2013.

  
(Signature)

Leticia Caste Hervas  
(Printed Name of Secretary or Acting Secretary)