

Houston Forensic Science LGC, Inc.

MEETING OF BOARD OF DIRECTORS
MINUTES

March 14, 2014

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 March 14, 2014 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 March 10, 2014, 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 9:02 a.m. on Friday, March 14, 2014, in the Council Annex Chambers, 900 Bagby St. (Public Level), Houston, Texas 77002.
- D. Ms. Wieringa called roll. The following Directors were present: Scott Hochberg, Nicole B. Cásarez, Dr. Enrique V. Barrera, Hiram A. "Art" Contreras, Catherine Lamboley, Willie E. B. Blackmon, Sandra Guerra Thompson, and Tom P. Allen (ex-officio).

The following Directors were absent: Anthony T. Robinson.

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

- E. Mr. Hochberg noted that a draft of the minutes of the Corporation's meetings of February 14, 2014 meeting had been distributed to the Board. Judge Blackmon made a motion to approve the minutes of the February 14, 2014 minutes, and the motion was seconded by Dr. Barrera. The motion passed unanimously, and the minutes of meeting of February 14, 2014 were adopted.
- F. Mr. Hochberg asked if any members of the public wished to address the Board. Mr. Hochberg noted that no one asked to address the Board, and the meeting continued.
- G. President and CEO, Dr. Daniel Garner, provided a report to the Board. He noted that the First Interlocal Agreement was signed on February 26th, counter signed by the City Controller on March 4th, and that an appropriate celebration was being arranged to acknowledge the management date, April 3rd. Dr. Garner reported that a company meeting had been held and noted that the Corporation is currently interviewing experienced latent fingerprint examiners. Ms. Irma Rios, Crime Lab Director, gave a brief report on the presentation she delivered at the American Academy of Forensic Sciences.

- H. CFO and Treasurer, Ms. Linda Harvey, provided a brief Treasurer's report. She noted that payroll and payables are currently being processed, February financials would be provided at the April 11th Board meeting, and the Corporation is researching either an independent way to use SAP or using an alternative system. Ms. Harvey further explained that HPD will continue to handle HPD grants but that the Corporation would also be seeking grants.
- I. CFO and Treasurer, Ms. Linda Harvey, presented the recommendations for the changes to the financial control procedures. The Board revised Item 4 to read, "Any expenditure must be in accordance with the budget adopted by the Board, which may from time to time be amended by the Board, and must be consistent with the objectives of the HFSLGC as stated in the certificate of formation and bylaws." Mr. Hochberg moved that the Board adopt the financial control procedures as amended subject to discussion and agreement with the City of Houston Finance Department, with the understanding that if there is an objection from the City of Houston Finance Department that the Board of Directors will reconsider. The motion was seconded by Judge Blackmon. The motion passed unanimously.
- J. CFO and Treasurer, Ms. Linda Harvey, presented the proposed adjustments to the FY '14 budget. Dr. Garner reported on the various consultants and Ms. Harvey explained the need to make adjustments in capital expenditures. Mr. Hochberg noted that the City of Houston Finance Department needed to be notified and consulted regarding the proposed adjustments to the FY '14 budget. Ms. Lamboley made a motion to approve the changes; the motion was seconded by Mr. Contreras. The motion passed unanimously.
- K. Dr. Enrique V. Barrera, liaison to the Technical Advisory Group (TAG), reported on the activities of the TAG. He reported that Mr. David Epstein resigned from the TAG as his new position could potentially become a conflict of interest; Dr. Barrera noted that Mr. Epstein was still available for consulting, but agreed that the Board should accept his resignation. Dr. Barrera reported that the TAG had been working on a summary report of activities and suggested that the TAG conduct presentations at Board meetings. Mr. Hochberg noted that it would be helpful for the TAG to advise the Board on new trends, controversies, and vulnerabilities, identify internal audit areas, and provide aide in a protective audit plan.

Mr. Anthony T. Robinson joined the March 14th meeting at 9:40 a.m.

- L. Mr. Tom Allen reported on the status of the First Interlocal Agreement with the City of Houston. He reported that April 3rd is the management date at which the Corporation will assume "responsibility for and control of the Forensic Operations." He reported that on April 3rd, the remainder of the FY '14 budget would be transferred. Mr. Allen noted that the lease of the space and third party agreements need to be completed by the completion date, September 30th.
- M. Director of Human Resources, Ms. Caresse Young, presented the proposed benefits package. She requested that the Board of Directors permit the implementation of the small employer insurance plan, with the addition that the Corporation continues to work with the City of Houston for benefits options. Mr. Allen presented information regarding the city plan, and members of the Board discussed the options available. Mr. Hochberg made a motion to give Dr. Garner the authority to sign one or both of the plans, as he and the executive staff see fit based on additional information and timetables, with the

understanding that the package will be reviewed no later than 6 months or sooner if all information is available. Mr. Robinson and Mr. Contreras seconded the motion. The motion passed unanimously.

Ms. Young reported on the retirement plan options and noted that the Corporations contribution would be presented at the April 11th Board meeting.

N. The Board stood at ease at approximately 11:20 a.m., and reconvened at approximately 11:30 a.m.

O. Mr. Hochberg and Dr. Garner prefaced the presentation of the FY '15 budget. Mr. Hochberg asserted the three main priorities of the budget including accreditation, reduction and prevention of backlog and timely turn-around of evidence, and consideration of remaining recommendations from the Bromwich Group. CFO and Treasurer, Ms. Linda Harvey, gave an extensive presentation of the FY '15 budget. Mr. Allen noted that the budget portion for bonuses needed to be revised to incentive pay.

Mr. Hochberg made a motion to adopt the FY '15 budget as presented, with the revision to bonuses. Ms. Lamboley and Mr. Contreras seconded the motion. The motion passed unanimously.

O. There being no other business, the meeting was ADJOURNED at 12:42 p.m.

Houston Forensic Science LGC, Inc.

By: Ashley Wieringa
Ashley Wieringa
Acting Secretary

HOUSTON FORENSIC SCIENCE LGC, INC.

Financial Control Procedures

The Houston Forensic Science LGC, Inc. (HFSLGC) 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) or procurement card. 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.
- 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.) Any expenditure must be in accordance with the budget adopted by the Board, which may from time to time be amended by the Board, and must be consistent with the purpose and objectives of the HFSLGC, as stated in the Certificate of Formation and Bylaws.
- 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 reconciled by the Treasurer or the Treasurer's designee and verified by the Treasurer. If the Treasurer position is vacant, this shall be done by the Chairman or his/her designee. 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.
- 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 3/14/14.

Houston Forensic Science LGC
FY14 Transfers Between Budget Line items

a/o 3/12/14

Account Code	Account Description	HFSLGC FY14 Budget Reflecting 1st Revision	Proposed FY14 2nd Revision	HFSLGC FY14 Budget After 2nd Proposed Revision
<i>HPD FY14 Budget - (Actual not rounded) \$19,917,794</i>		19,918,000	0	19,918,000
500010	Salary Base Pay - Civilian	465,167	0	465,167
501070	Pension-Civilian	21,167	0	21,167
502010	FICA-Civilian	40,400	0	40,400
503010	Health Insurance-Active Civilian	48,300	0	48,300
503015	Basic Life Insurance-Active Civilian	2,070	9,308 ¹	11,378
503060	Long Term Disability-Civilian	1,035	0	1,035
503090	Workers Compensation-Civilian Admin	3,000	67	3,067
504030	Unemployment Claims-Admin	2,000	0	2,000
Personnel		583,138	9,375	592,513
511070	Miscellaneous Office Supplies	19,000	0	19,000
Supplies		19,000	0	19,000
520100	Temporary Personnel Services	20,000	58,587 ²	78,587
520110	Management Consulting Services	201,600	28,000 ³	229,600
520111	TAG Support	20,000	0	20,000
520119	Computer Equipment/Software Maintenance	10,000	0	10,000
520123	Vehicle & Motor Equipment Services	2,400	0	2,400
520140	Audit	25,000	0	25,000
520765	Membership & Professional Fees	10,000	0	10,000
520805	Education & Training	85,000	0	85,000
520810	Employee moving expense	10,000	0	10,000
520905	Travel-Training Related	25,000	0	25,000
520910	Travel-Non-training Related	40,000	0	40,000
522430	Miscellaneous Other Services & Charges	100,000	0	100,000
522440	Insurance	190,000	(95,962)	94,038
Services		739,000	(9,375)	729,625
560210	Capital Expenditures - Furniture and Fixtures	26,000	34,000 ⁴	60,000
560210	Capital Expen - Independent Network & Lab Instrumentation	572,975	(34,000)	538,975
Capital		598,975	0	598,975
CURRENT FORENSIC TOTAL PLUS LGC OPERATIONS BEFORE CITY OF HOUSTON OVERHEAD		21,858,113	0	21,858,113
City of Houston direct overhead		1,460,000	0	1,460,000
TOTAL EXPENDITURES		23,318,113	0	23,318,113

- 1 As authorized by the Board's approval of the CEO's contract.
- 2 Temp support for LGC in lieu of direct hires for the time being.
- 3 Contract services for recruitment and lab process improvement.
- 4 Predominantly build out of remaining LGC front office.

Houston Forensic Science LGC, Inc.

FY15 Proposed Budget

3/14/2014

Account Code	Description	Consolid. FY14 Adjusted Budget	Remove 27 AFIS/Polyg & 11 Clerks, Evidence, Microfilm	FY14 w/o AFIS/Polyg, Clerks, Centr Evid, Microfilm	Remove FY14 LGC Labor, All Benefits & Items Not Recurring	FY15 COH COLA & YTD Trend Adjustments	Description	Rate	FY15 Zero-Based LGC Budg Build for existing & new Hdct	FY15 PROPOSED BUDGET
SALARY AND BENEFITS										
SALARY										
500010	Salary Base - Civilian	5,122,746	(420,294)	4,702,452	(465,167)	155,029	COH COLA Civilians 3% on 7/1 Full FY15	3.0%	3,422,879	7,815,193
500020	Salary Base - Classified	4,800,229	(1,461,451)	3,338,778		105,454	COH COLA Clsctds 3% last PR FY14 & 4% last PR FY15 (1/26th)	0.154%		3,444,232
500040	Salary Assignment Pay - Classified	1,789	0	1,789						1,789
500045	Patrol Incentive Pay	0	0	0						0
500050	Salary Education/Incentive - Classified	212,976	(61,074)	151,902						151,902
500060	Overtime - Civilian	75,356	(10,829)	64,527						64,527
500070	Overtime - Classified	291,785	(13,549)	278,236						278,236
500090	Premium (Bonus/Awards) - Civilian	7,416	0	7,416			New Incentive & Recognition Program		375,000	382,416
500110	Bilingual Pay - Civilian	1,734	(904)	830						830
500120	Bilingual Pay - Classified	21,683	(7,228)	14,455						14,455
500130	Equipment Allowance - Classified	150,571	(48,000)	102,571						102,571
500150	Shift Differential - Classified	42,994	(18,069)	24,925						24,925
500160	Training Incentive - Classified	495,648	(134,347)	361,301						361,301
500170	Weekend Premium Pay - Classified	38,409	(17,166)	21,243						21,243
500190	Temporary Higher Class Pay	3,909	0	3,909						3,909
TOTAL SALARY		11,267,245	(2,192,911)	9,074,334	(465,167)	260,483			3,797,879	12,667,529
BENEFITS - FY15 (consolidated)										
Civilian Benefits										
Classified Benefits										
LGC Benefits (35%)										
BENEFITS - FY14 (detailed)										
501020	Clothing Allowance - Classified	0		0						58,400
501120	Termination Pay - Civilian	1,130		1,130					4,840,087	1,936,035
501130	Termination Pay - Classified	1,558		1,558					4,404,563	1,761,825
501140	Third Party Disability B-Classified	21,843	(13,824)	8,019					3,422,879	1,198,008
501070	Pension - Civilian	1,077,969	(98,181)	979,788	(979,788)	58,400	YTD Trend Adjust			
501090	Pension - Classified	1,500,393	(488,908)	1,031,485	(1,031,485)	5,314	" " " "			
502010	FICA - Civilian	400,924	(31,580)	369,344	(369,344)	14,697	" " " "			
502020	FICA - Classified	75,253	(26,820)	48,433	(48,433)	25,041	" " " "			
503010	Health Insurance - Active Civilian	731,046	(97,267)	633,779	(633,779)		Within Fringe Benefit Rate Calc			
503015	Basic Life Insurance-Active Civilian	14,972	(262)	14,710	(14,710)		" " " "			
503020	Health Insurance - Active Classified	866,739	(296,266)	570,473	(570,473)		" " " "			
503025	Basic Life Insur - Active Classified	3,698	(927)	2,771	(2,771)		" " " "			
503060	Long Term Disability - Civilian	8,798	(1,106)	7,692	(7,692)		" " " "			
503080	Workers Comp - Classified Adm	18,644	(6,640)	12,005	(12,005)		" " " "			
503090	Workers Comp - Civilian Adm	24,893	(3,597)	21,297	(21,297)		" " " "			
503100	Workers Comp-Civ Cim	2,710		2,710			Hdct Growth		2,500	5,210
503110	Workers Comp-Cis Cim	0		0		3,593	YTD Trend Adjust			3,593
504030	Unemployment Claims - Adm	8,200		8,200		(4,500)	" " " "			3,700
TOTAL BENEFITS		4,758,770	(1,045,377)	3,713,393	(3,691,776)	102,544			4,898,367	5,022,528
TOTAL WAGES AND BENEFITS		16,026,015	(3,238,288)	12,787,727	(4,156,943)	363,026			8,696,246	17,690,057

Account Code	Description	Remove 27		Remove FY14 LGC Labor, All Benefits & Items Not Recurring	FY15 COH COLA & YTD Trend Adjustments	Description	Rate	FY15 Zero-Based LGC Budg Build for existing & new Hdct	PROPOSED BUDGET
		Consolid. FY14 Adjusted Budget	FY14 w/o AFIS/Polyg & 11 Clerks, Evidence, Microfilm						
SUPPLIES									
511010	Chemical Gases & Special Fluids	15,675	15,675					4,703	20,378
511015	Cleaning & Sanitary Supplies	166	166		1,607	YTD Trend Adjust			1,773
511025	Electrical Hardware & Parts	0	0		2,901	" " "			2,901
511030	Mechanical Hardware & Parts	0	0		330	" " "			330
511035	Meters, Hydro & Plumb	0	0		794	" " "			794
511040	Audio Visual Supplies	95,129	95,129			Bar code supplies		6,847	95,129
511045	Computer Supplies	22,824	22,824			YTD Trend Adjust		7,889	29,671
511050	Paper & Printing Supplies	8,296	8,296		2,387	" " "		426	16,185
511055	Publications & Printed Materials	1,420	1,420		1,404	" " "		10,221	4,233
511070	Miscellaneous Office Supplies	34,071	28,946	(4,125)	236,487	YTD Trend, DNA 75k (annual \$164k shortfall in FY13&14 budget)		109,683	41,572
511080	General Laboratory Supplies	365,610	365,610			YTD Trend Adjust		1,500	711,780
511085	Drugs & Medical Chemicals	5,000	5,000		11,961	" " "			6,500
511090	Medical & Surgical Supplies	0	0		12,712	" " "		3,000	11,961
511095	Small Technical & Scientific Equipment	10,000	10,000		(32,360)	" " "			25,712
511110	Fuel	70,467	70,467		3,388	" " "			38,107
511115	Vehicle Repair & Maint Supplies	0	0			" " "			3,388
511120	Clothing	1,268	1,268		2,051	YTD Trend Adjust			1,268
511130	Weapons Munitions & Supplies	3,500	3,500		18,400	" " "			5,551
511145	Small Tools & Minor Equipment	1,069	1,069			" " "			19,469
511150	Miscellaneous Parts & Supplies	21,935	21,935			" " "			26,516
TOTAL SUPPLIES		656,430	(4,125)	0	262,063			148,849	1,063,218
SERVICES									
520100	Temporary Personnel Services	78,587	78,587					90,000	168,587
520107	Computer Info/Contr	510	510						510
520109	Medical Dental & Laboratory Services	374,492	374,492	(49,492)	(163,665)	Facility Design 200k, 3 Firearm Exam 125k, Recruit 62k ISO 40k		427,000	155,335
520110	Management Consulting Services	3,038,136	3,038,136	(2,832,000)	115,610	Extensive Empl Background Checks @\$185ea, Advert/Recruit Lease offsite space @ \$32 x 30,000 sqft for 6 mons.		34,860	748,746
520111	TAG Support	20,000	20,000					480,000	20,000
520114	Miscellaneous Support Services	29,760	29,760					480,000	64,620
520115	Real Estate Rental	0	0					320,000	17,500
520118	Refuse Disposal	17,500	17,500					2,117	349,007
520119	Computer Equipment/Software Maintenance	10,000	10,000						11,000
520121	IT Application Services	8,883	8,883						2,400
520123	Vehicle & Motor Equipment Services	2,400	2,400						110,743
520124	Other Equipment Services	51,000	51,000					80,025	105,025
520140	Audit & Legal Services	25,000	25,000		59,743	Inspect & Calibrate \$80k 1st yr Fincl Audit and Legal			0
520605	Advertising Services	0	0						35,500
520765	Membership & Professional Fees	24,420	24,420		(65,159)	Certification tests 23k Certify, 41k Lab, \$39k ID, \$13k CPE relocation VP		11,080	156,442
520805	Education & Training	105,601	105,601					116,000	10,000
520810	Employee Moving Expense	10,000	10,000					3,000	28,972
520815	Tuition Reimbursement	0	0					113,000	159,000
520905	Travel - Training Related	46,000	46,000		25,972	YTD Trend Adj - Now charging Tuition to each Department			45,000
520910	Travel-Non-training Related	45,000	45,000			Incr Training Travel 63k & Architects to View Other Facilities 50k			0
521605	Data Services	34,882	34,882		(34,882)	YTD Trend Adjust			0
521610	Voice Services, Eqmt. & Labor	88,281	88,281		(88,281)	" " "			0
521620	Voice Equipment	3,550	3,550		(3,550)	" " "			0
521625	Voice Labor	2,926	2,926		(2,926)	" " "			0

Account Code	Description	Consolid. FY14 Adjusted Budget	Remove 27 AFIS/Polym & 11 Clerks, Evidence, Microfilm	FY14 w/o AFIS/Polym, Clerks, Centr Evid, Microfilm	Remove FY14 LGC Labor, All Benefits & Items Not Recurring	FY15 COH COLA & YTD Trend Adjustments	Description	Rate	FY15 Zero-Based LGC Budg Build for existing & new Hdct	FY15 PROPOSED BUDGET
521705	Equipment Rental	38,300		38,300						57,876
521715	Office Equipment Rental	19,153		19,153			8 Copier \$2.3/kyr. \$4.5k Other misc.		5,000	24,153
521725	Other Rental Fees	760		760						760
522305	Freight	780		780			freight for new equip		3,329	4,109
522430	Miscellaneous Other Services & Charges	115,113	(22,320)	92,793		38,383	YTD Trend Adjust		3,376	134,562
522440	Insurance	94,038		94,038						94,038
522845	Interfund Vehicle Services	71,215		71,215						9,600
	TOTAL SERVICES	4,356,287	(22,320)	4,333,967	(2,881,492)	(147,971)			1,688,787	2,993,285
NON-CAPITAL										
551015	Non-Capital Computer Equipment	0		0						0
551025	Non-Capital Scientific/Medical Equipment	188,700		188,700		(95,183)				93,517
	TOTAL NON-CAPITAL	188,700	0	188,700	0	(95,183)			0	93,517
CAPITAL										
560210	Capital Expenditures - Furniture & Fixtures	60,000		60,000					124,000	184,000
560210	Independent Network & Lab Instrumentation	570,475		570,475			4 New Depts. Offsite Lease Build out & Replacement New Systems, Lab Equipment & PCs		696,500	1,266,975
560210	Life Cycle Replacements	0		0			Replacement Lab Equip & CSU Vehicle		708,169	708,169
	TOTAL CAPITAL	630,475	0	630,475	0	0			1,528,669	2,159,144
	TOTAL BUDGET BEFORE OVERHEAD	21,857,907	(3,264,733)	18,593,174	(7,038,435)	381,930			12,062,552	23,999,221
610000	* COH Direct Overhead Charge - (FY14)	1,460,000		1,460,000					0	1,460,000
	** LGC Lease of HPD Space at 1200 Travis	0		0					0	0
	*** Fringe Benefit Rate Increase Above Run Rate	0		0					0	0
	TOTAL FY BUDGET	23,317,907	(3,264,733)	20,053,174	(7,038,435)	381,930			12,062,552	25,459,221

* Used FY14 COH Overhead Allocation for FY15 until new overhead allocation is provided by COH, approximately by 3/31/14.
 ** Total does not include 75,000 sq. ft. HPD facility lease costs for 1200 Travis HPD (possibly \$100/sq ft is \$7.5 Mil).
 *** Civilian & Classified Benefit run rates are at 45%, (comprised of Pension at 31% may go up to 33%, Medicare/FICA 7.65% and rising Health costs , not passed onto employees in FY15).