



**AGENDA  
HUSTON-GALVESTON AREA  
COUNCIL  
FINANCE AND BUDGET COMMITTEE  
MEETING**

**August 19, 2025 9:00 AM**

**3555 Timmons Lane**

**Houston, Texas 77027**

1. CALL TO ORDER
2. PLEDGE OF ALLEGIANCE
3. PUBLIC COMMENT

**ACTION**

4. CONSENT AGENDA

Items listed are of a routine nature and may be acted on in a single motion unless requested otherwise by a member of the Board.

- a. LAKE CONROE WATERSHED PROTECTION PLAN

Request approval to enter a contract with the Texas Commission on Environmental Quality to develop a Watershed Protection Plan for the Lake Conroe Watershed; total amount \$300,000 (Staff Contact: Todd Running)

- b. TEXAS CLEAN RIVERS PROGRAM WATER QUALITY MONITORING SUBCONTRACT

Request authorization to amend the existing contract with the Eastex Environmental Laboratory Inc. by adding the total \$127,863, bringing the total contract amount to \$260,951 and extend the contract end date to August 31, 2027. (Staff Contact: Jenny Oakley)

- c. GALVESTON BAY BACTERIA TRACKING GRANT

Request authorization to receive the awarded grant to conduct fecal bacteria tracking with the U.S. EPA in the amount of \$750,000. (Staff Contact: Steven Johnston)

- d. ST GEORGE PLACE AND UPTOWN LIVABLE CENTERS STUDY

Request authorization to contract with firms in order ranked to conduct the St George Place and Uptown Centers Study, for a total contract amount not to exceed \$250,000. (Staff Contact: Sarai Osorio)

- e. NORTH HOUSTON COMMUNITIES TRANSPORTATION PRIORITIES PLAN

Request authorization to enter into a 12-month contract with the consulting firms in the order presented, in the amount of \$800,000 for the planning effort of North Houston Communities Transportation Priorities Plan. (Staff Contact: Yetunde Oyewale)

- f. FISCAL YEAR 2025 ANNUAL AUDIT ENGAGEMENT

Request authorization to engage the services of Whitley Penn for the fiscal year 2025 annual audit which includes the Employee Retirement Plan and the Local

Development Corporation, not to exceed \$127,400. (Staff Contact: Christina Ordonez-Campos)

g. HGACBUY-PUBLIC WORKS EQUIPMENT

Request authorization for contracts with the respondents listed in the Contract Award Recommendation Table for Public Works Equipment. (Staff Contact: Ronnie Barnes)

5. FINANCE AND BUDGET COMMITTEE

a. MONTHLY FINANCIAL REPORT - JULY 2025

Request approval of the monthly financial report ending July 31, 2025. (Staff Contact: Christina Ordonez-Campos)

b. AUTOMATION OF REVENUE RECOGNITION AND ENHANCEMENTS TO BOARD-LEVEL MONTHLY FINANCIAL REPORTING

No action required. Information only. (Staff Contact: Christina Ordonez-Campos)

c. SPEND DOWN UPDATE - AGING

No action required. Information only. (Staff Contact: Christina Ordonez-Campos)

d. BENEFITS INSURANCE COVERAGE RENEWAL 2025-2026 PLAN YEAR

Request approval for the Executive Director to negotiate renewal for benefit coverages with the following providers as noted above, with no changes to medical, vision or life and disability coverage, and a change in carriers for dental. (Staff Contact: Laura Tomlinson)

6. HUMAN SERVICES

a. GULF COAST WORKFORCE BOARD 2026 CONTRACT AWARDS

Request approval to negotiate and execute contracts in accordance with the funding amounts, providers, and program purposes outlined not to exceed \$451,135,000. (Staff Contact: AJ Dean)

7. BUDGET AND SERVICE PLAN

a. 2025 MID-YEAR BUDGET STATUS UPDATE

For information only. No action requested. (Staff Contact: Chuck Wemple)

8. REPORTS

a. EXECUTIVE DIRECTOR'S REPORT

Report on current and upcoming H-GAC activities. (Staff Contact: Chuck Wemple)

9. EXECUTIVE SESSION

a. EXECUTIVE SESSION – EVALUATION OF H-GAC EXECUTIVE DIRECTOR

The Board of Directors will hold an Executive Session to conduct an annual evaluation of the Executive Director in accordance with Government Code, Title 5, Section 551.074. (Contact: Vice Chair Judge Ty Praise)

10. EXECUTIVE SESSION - FOLLOW-UP SESSION

a. EVALUATION OF H-GAC EXECUTIVE DIRECTOR

Discuss and possibly take action following Executive Session to evaluate performance of H-GAC's Executive Director. (Contact: Vice Chair Judge Ty Prause)

11. ADJOURNMENT

In compliance with the Americans with Disabilities Act, H-GAC will provide for reasonable accommodations for persons attending H-GAC functions. Requests should be received by H-GAC 24 hours prior to the function.

## LAKE CONROE WATERSHED PROTECTION PLAN

### Background

Lake Conroe is an important drinking water source for the region and has been identified through H-GAC's water quality monitoring and planning efforts as a priority area for water quality protection and improvement. H-GAC has secured funding from the Texas Commission on Environmental Quality, with support from member governments, to work with local stakeholders in completing a watershed protection plan for this area. The plan will focus on voluntary implementation measures that can be taken to reduce water pollution, based on input from local stakeholders and the public. The intent of the plan is to protect source water, public health, local economies, and the environment by guiding strategic investments on the ground.

### Current Situation

The four-year grant award would fund the development of a watershed protection plan. Project elements will include:

- Compiling and evaluating water quality data and trends.
- Identifying sources of pollution.
- Facilitating stakeholder development of voluntary strategies to reduce pollution.
- Engaging with project partners and the public throughout plan development.

The project will start upon signature (fall 2025) and end prior to August 2029. Matching funds for the project are provided by the in-kind value of H-GAC's current water quality monitoring efforts in the area, requiring no further local investment to leverage these funds.

### Funding Source

Texas Commission on Environmental Quality \$180,000

Match (Clean Rivers Program, in-kind) \$120,000

### Budgeted

Yes

### Action Requested

Request approval to enter a contract with the Texas Commission on Environmental Quality to develop a Watershed Protection Plan for the Lake Conroe Watershed; total amount \$300,000 (Staff Contact: Todd Running)

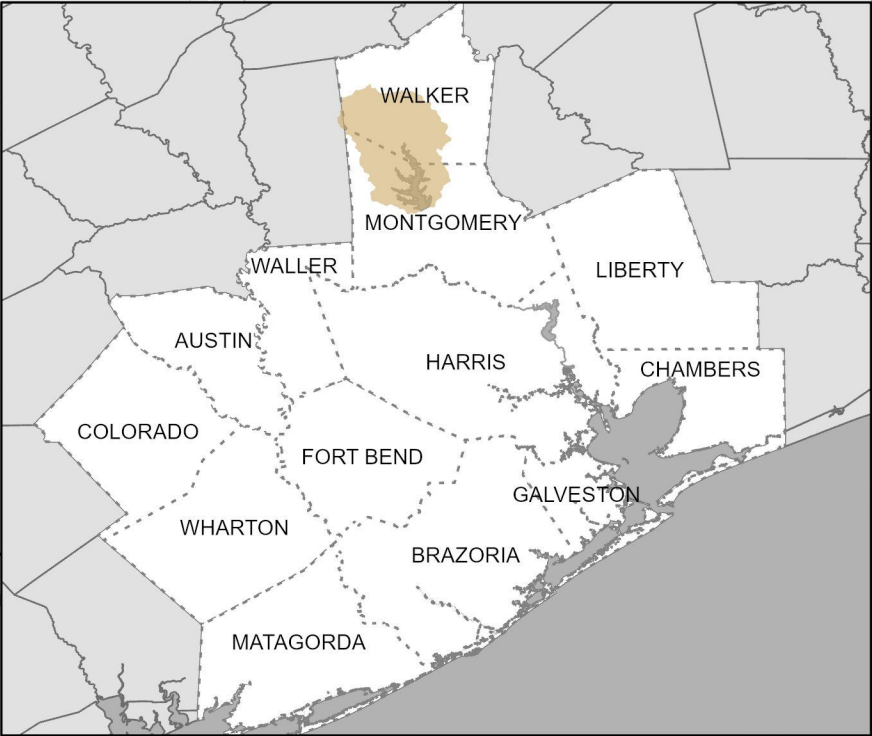
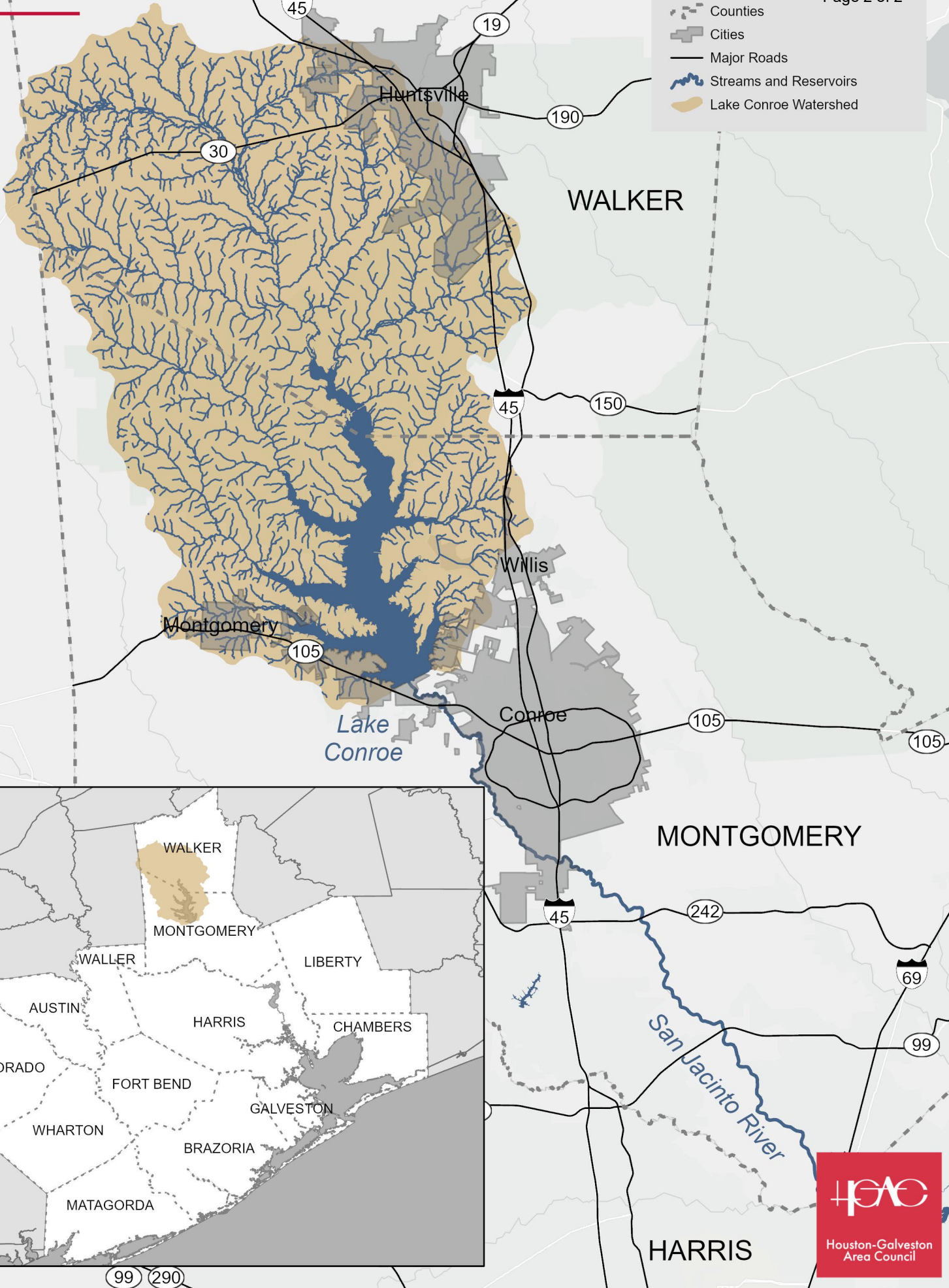
### ATTACHMENTS:

	Description	Type
	Lake Conroe Watershed Map	Cover Memo

# Lake Conroe Watershed



- Counties
- Cities
- Major Roads
- Streams and Reservoirs
- Lake Conroe Watershed



## **TEXAS CLEAN RIVERS PROGRAM WATER QUALITY MONITORING SUBCONTRACT**

### **Background**

Since 1992, the Houston-Galveston Area Council (H-GAC) has led the implementation of the Clean Rivers Program across 15 counties, including all 13 counties within its region. H-GAC is responsible for monitoring water quality at more than 320 sites across rivers, streams, bayous, and bays throughout the area. To achieve this, H-GAC contracts some laboratory analyses and related tasks to a National Environmental Laboratory Accreditation Program accredited laboratory.

### **Current Situation**

During fiscal year 2024-2025, after a competitive bid process, H-GAC contracted with Eastex Environmental Laboratory Inc. to provide laboratory analyses and related tasks in support of the Clean Rivers Program with an option to allow for a 24-month extension based on satisfactory performance. It has been determined that performance has been satisfactory. In support of the 2026-2027 fiscal year Texas Clean Rivers Program contract and draft scope of work, a contract amendment to add \$127,863 and extend the contract end date to August 31, 2027 is needed.

This additional work will begin on September 1, 2025, and continue until August 31, 2027.

### **Funding Source**

State; Texas Commission on Environmental Quality

### **Budgeted**

Yes

### **Action Requested**

Request authorization to amend the existing contract with the Eastex Environmental Laboratory Inc. by adding the total \$127,863, bringing the total contract amount to \$260,951 and extend the contract end date to August 31, 2027. (Staff Contact: Jenny Oakley)

GALVESTON BAY BACTERIA TRACKING GRANT

Background

The Houston-Galveston Area Council along with local Clean Rivers Program Partners conducts extensive water quality monitoring throughout the H-GAC region. Fecal bacteria continue to be the leading water pollutant, impairing more than 42% of streams miles in area watersheds, and endangering public health and local economies. In an effort to zero in on human sources of fecal bacteria, which have a relatively high potential to impact human health, H-GAC is looking to adopt the most cost effective and efficient method of bacteria source tracking. This data will help local stakeholders and H-GAC make more informed decisions and guide future investments as part of the implementation of voluntary watershed-based plans.

Current Situation

The Houston-Galveston Area Council is the lead organization on a proposal titled, “Tracking Sources of Fecal Contamination to Galveston Bay,” submitted to the U.S. EPA’s Gulf of America Program in November 2024. Traditional fecal indicator bacteria counts do not differentiate the source of contamination (i.e., human, domesticated animal, wildlife), which limits remediation efforts. The project team proposed to apply newer microbial source tracking method tools in tributaries to Galveston Bay (see attachment) that are coupled to watersheds where wastewater infrastructure and on-site sewage facilities are likely sources, and the watersheds are impaired for bacteria. Hydrological tracers will be used to identify microbial transport mechanisms and multiple microbial source tracking methods, including quantitative amplification of phages and plasmids associated with human waste and proteomics to determine the source of indicator bacteria. Project results are expected to provide managers and local governments with actionable data to implement targeted remediation strategies.

H-GAC received the “Notice of Award” on August 4, 2025, from the U.S. EPA in the amount of \$750,000.

This project will commence upon signature and go through July 31, 2028

Funding Source

Federal; Environmental Protection Agency

Budgeted

Yes

Action Requested

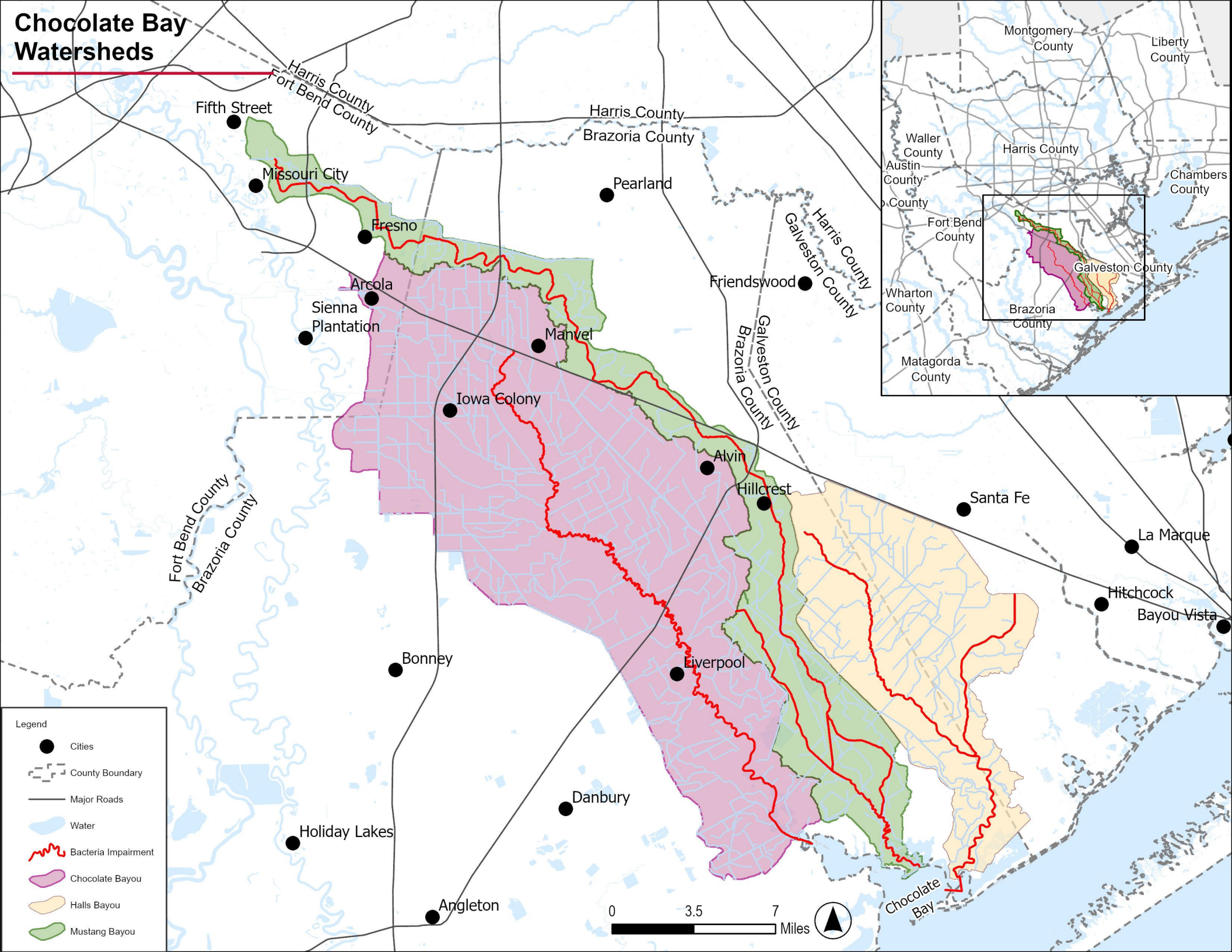
Request authorization to receive the awarded grant to conduct fecal bacteria tracking with the U.S. EPA in the amount of \$750,000. (Staff Contact: Steven Johnston)

ATTACHMENTS:

	Description	Type
1	Map	Cover Memo



# Chocolate Bay Watersheds





## ST GEORGE PLACE AND UPTOWN LIVABLE CENTERS STUDY

### Background

Conducting Livable Centers studies is one of the implementation strategies in H-GAC's 2045 Regional Transportation Plan. H-GAC and our local partners work with communities to identify a vision for the study area and specific recommendations, such as pedestrian and bicycle facilities, that can help facilitate the creation of Livable Centers. Livable Centers studies develop recommendations for local communities that highlight a complementary mix of land uses that are designed to be walkable, connected, and accessible by multiple modes of transportation, including bus, bike, or walking.

A total of forty-six Livable Centers studies have been completed in our region, with thirteen more in process or planned, as shown on the attached map. Study locations are determined as part of a multi-year request for project proposals scored on a series of objective criteria. As part of the development of these studies, H-GAC engages consultants to provide planning and study development services.

### Current Situation

The upcoming St. George Place and Uptown Livable Centers Study will address critical mobility gaps in two mixed-use Houston neighborhoods—St. George Place and parts of Uptown. Despite ongoing investments, the area still lacks safe, reliable, and connected pedestrian, bicycle, and transit infrastructure. Key challenges include disconnected sidewalks, limited bike access to community amenities, and flood-prone streets impacting commuters.

St. George Place contrasts with the urban intensity of Uptown's retail and employment centers. The study will focus on improving access along key corridors like Richmond Avenue and Westheimer Road and enhancing first- and last-mile connections. The final plan will recommend multimodal infrastructure improvements to support daily travel, strengthen economic vitality, and improve quality of life, advancing the Livable Centers Program's goals of creating more connected, resilient, and livable places.

H-GAC issued a competitive, sealed solicitation to solicit qualified Contractor(s) for the goods or services requested under Project ID: TRN25-04. Eight (8) responsive submissions were received and thoroughly evaluated by a committee of a TxDOT representative, H-GAC representatives, St George Place Redevelopment Authority and Uptown Development Authority representatives. Based on the committee's scoring and evaluation of the proposal responses and interviews, the recommendation and rankings are presented below:

Company Name	Score
1. Huitt-Zollars, Inc.	143
2. Asakura Robinson Company LLC	142
3. Lionheart Places, LLC	132
4. Mend Collaborative	75
5. HKS, Inc	68
6. TJKM	60
7. Design Workshop	59
8. TLC Engineering	45

Evaluation Criteria: Project Work Program and Schedule, Project Organization and Management

**Funding Source**

Federal; Transportation Planning Funds

**Budgeted**

Yes

**Action Requested**

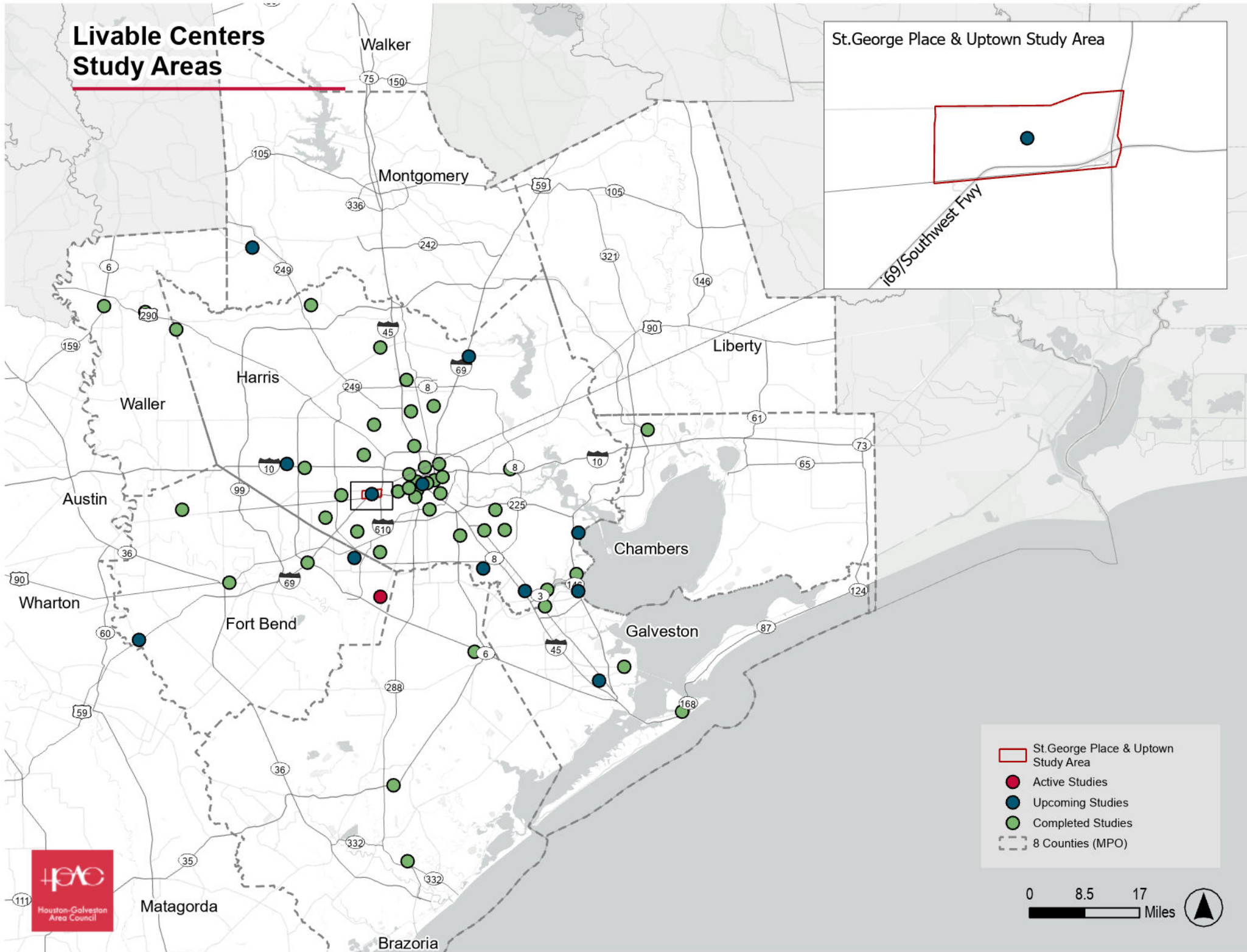
Request authorization to contract with firms in order ranked to conduct the St George Place and Uptown Centers Study, for a total contract amount not to exceed \$250,000. (Staff Contact: Sarai Osorio)

**ATTACHMENTS:**

Description	Type
 St George Place and Uptown Livable Center Study Boundary	Exhibit

# Livable Centers Study Areas

St. George Place & Uptown Study Area



## NORTH HOUSTON COMMUNITIES TRANSPORTATION PRIORITIES PLAN

### Background

In 2019, H-GAC's Transportation Policy Council (TPC) committed \$1.5 million to support transportation planning activities to identify and prioritize transportation needs in communities adjacent to Segment 2 of the Texas Department of Transportation's (TxDOT) North Houston Highway Improvement Project (NHHIP), as well as \$50 million to implement the recommendations resulting from the planning efforts. Through a robust and comprehensive community-based public engagement process, the North Houston Communities Transportation Priorities Plan (NHCTPP) will work with the community and relevant agencies to identify transportation needs and priorities, including active transportation and transit infrastructure investment, in these communities.

### Current Situation

H-GAC issued a competitive, sealed solicitation seeking qualified contractors for the services requested under Project ID: RFP-TRN25-13. Six responsive submissions were received and thoroughly evaluated by a committee of H-GAC representatives. Based on the committee's scoring and evaluation of the proposal responses, the recommendation and rankings are presented below:

Rank	Company Name	Score
1	Transcend Engineers & Planners, LLC	84
2	Isani Consultants	80
3	Ardurra Group, Inc.	76
4	GFT Infrastructure, Inc.	74
5	T J K M	68
6	Woolpert	62

Evaluation Criteria: Study Methodology; Qualifications, Experience, and Capability; Challenge, Opportunity and Success Statement; Schedule and Level of Effort by Task.

### Funding Source

Federal; Surface Transportation Block Grant

### Budgeted

Yes

### Action Requested

Request authorization to enter into a 12-month contract with the consulting firms in the order presented, in the amount of \$800,000 for the planning effort of North Houston Communities Transportation Priorities Plan. (Staff Contact: Yetunde Oyewale)





## FISCAL YEAR 2025 ANNUAL AUDIT ENGAGEMENT

### Background

In October 2023, with the Board's approval, H-GAC selected the external CPA audit firm, Whitley Penn to perform the FY2023 annual audit. The scope of the engagement included an audit of H-GAC's financial records, The H-GAC Employee Retirement Plan, and the Local Development Corporation financial records. The FY2023 annual audit was completed in May 2024. During which time, Whitley Penn presented the finalized Annual Comprehensive Financial Report to the Board for approval. Board Members and H-GAC Management have been satisfied with the services of Whitley Penn since that time and recommend continuing their external audit services for the upcoming audit.

### Current Situation

H-GAC management and the Finance Division are preparing for the fiscal year 2025 annual audit. H-GAC is proposing to engage Whitley Penn's services in October 2025 to complete interim testing on the first eight months of fiscal year 2025. Much of the required compliance and internal control testing will be performed during this portion of the engagement. The auditors will come back in March 2026 to perform final fieldwork and finalize the audit. Whitley Penn will also audit the Employee Retirement Plan and the Local Development Corporation.

### Funding Source

Indirect

### Budgeted

Yes

### Action Requested

Request authorization to engage the services of Whitley Penn for the fiscal year 2025 annual audit which includes the Employee Retirement Plan and the Local Development Corporation, not to exceed \$127,400. (Staff Contact: Christina Ordonez-Campos)

### ATTACHMENTS:

	Description	Type
	FY2025 Audit Engagement	Cover Memo

July 14, 2025

To Charles Wemple, Executive Director  
and Cristina Ordonez-Campos, CFO  
Houston-Galveston Area Council

You have requested that we audit the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Houston-Galveston Area Council ("H-GAC"), as of December 31, 2025, and for the year then ending, and the related notes to the financial statements, which collectively comprise H-GAC's basic financial statements as listed in the table of contents.

In addition, we will audit H-GAC's compliance over major federal and state award programs for the year ending December 31, 2025. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audits will be conducted with the objectives of our expressing an opinion on each opinion unit and an opinion on compliance regarding H-GAC's major federal and state award programs. The objectives of our audit of the financial statements are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

The objectives of our compliance audit are to obtain sufficient appropriate audit evidence to form an opinion and report at the level specified in the governmental audit requirement about whether H-GAC complied in all material respects with the applicable compliance requirements and identify audit and reporting requirements specified in the governmental audit requirement that are supplementary to GAAS and *Government Auditing Standards*, if any, and perform procedures to address those requirements.

Accounting principles generally accepted in the United States of America require that certain information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America. This RSI will be subjected to certain limited procedures but will not be audited:

- 1) Management's Discussion and Analysis.

Supplementary information other than RSI will accompany H-GAC's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

- 1) Supplementary Schedule of Indirect Costs,
- 2) Supplementary Schedule of H-GAC Employee Benefits
- 3) Schedule of Expenditures of Federal Awards and State Awards.

Also, the document we submit to you will include the following other additional information that will not be subjected to the auditing procedures applied in our audit of the financial statements:

- Introductory Section
- Statistical Section

#### **Data Collection Form**

Prior to the completion of our engagement, we will complete the sections of the Data Collection Form that are our responsibility. The form will summarize our audit findings, amounts and conclusions. It is management's responsibility to submit a reporting package including financial statements, schedule of expenditure of federal awards, summary schedule of prior audit findings and corrective action plan along with the Data Collection Form to the federal audit clearinghouse. The financial reporting package must be text searchable, unencrypted, and unlocked. Otherwise, the reporting package will not be accepted by the federal audit clearinghouse. We will assist you in the electronic submission and certification. You may request from us copies of our report for you to include with the reporting package submitted to pass-through entities.

The Data Collection Form is required to be submitted within the earlier of 30 days after receipt of our auditors' reports or nine months after the end of the audit period, unless specifically waived by a federal cognizant or oversight agency for audits. Data Collection Forms submitted untimely are one of the factors in assessing programs at a higher risk.

#### **Audit of the Financial Statements**

We will conduct our audit in accordance with GAAS, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and, where applicable, the audit requirements of the State of Texas *Uniform Grant Management Standards* (UGMS) or the Texas Grant Management Standards (TxGMS). As part of an audit of financial statements in accordance with GAAS and in accordance with *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of H-GAC's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about H-GAC's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America. Please note that the determination of abuse is subjective and *Government Auditing Standards* does not require auditors to detect abuse.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

We will issue a written report upon completion of our audit of H-GAC's basic financial statements. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s) to our auditor's report, or if necessary, withdraw from the engagement. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

### **Audit of Major Program Compliance**

Our audit of H-GAC's major federal and state award program(s) compliance will be conducted in accordance with the requirements of the Single Audit Act, as amended; the Uniform Guidance; and, where applicable, the UGMS or the TxGMS, and will include tests of accounting records, a determination of major programs in accordance with the Uniform Guidance and, where applicable, the UGMS and the TxGMS and other procedures we consider necessary to enable us to express such an opinion on major federal and state award program compliance and to render the required reports. We cannot provide assurance that an unmodified opinion on compliance will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or withdraw from the engagement.

The Uniform Guidance and, where applicable, the UGMS or the TxGMS requires that we also plan and perform the audit to obtain reasonable assurance about whether material noncompliance with applicable laws and regulations, the provisions of contracts and grant agreements applicable to major federal and state award programs, and the applicable compliance requirements occurred, whether due to fraud or error, and express an opinion on H-GAC's compliance based on the audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and, where applicable, the UGMS or the TxGMS will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about H-GAC's compliance with the requirements of the federal and state programs as a whole.

As part of a compliance audit in accordance with GAAS and in accordance with *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit. We also identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks.

Our procedures will consist of determining major federal and state programs and, performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of H-GAC's major programs, and performing such other procedures as we considers necessary in the circumstances. The purpose of those procedures will be to express an opinion on H-GAC's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance and, where applicable, the UGMS or the TxGMS.

Also, as required by the Uniform Guidance and, where applicable, the UGMS or the TxGMS, we will obtain an understanding of H-GAC's internal control over compliance relevant to the audit in order to design and perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of H-GAC's major federal and state award programs. Our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report. However, we will communicate to you, regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we have identified during the audit.

We will issue a report on compliance that will include an opinion or disclaimer of opinion regarding H-GAC's major federal and state programs, and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control.

### **Management's Responsibilities**

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
3. For identifying, in its accounts, all federal and state awards received and expended during the period and the federal and state programs under which they were received;
4. For maintaining records that adequately identify the source and application of funds for federally and state funded activities;
5. For preparing the schedule of expenditures of federal and state awards (including notes and noncash assistance received) in accordance with the Uniform Guidance and, where applicable, the UGMS or the TxGMS;
6. For the design, implementation, and maintenance of internal control over federal and state awards that provides reasonable assurance that H-GAC is managing federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions of the federal and state awards;
7. For identifying and ensuring that H-GAC complies with federal and state laws, statutes, regulations, rules, provisions of contracts or grant agreements, and the terms and conditions of federal and state award programs, and implementing systems designed to achieve compliance with applicable federal and state statutes, regulations, and the terms and conditions of federal and state award programs;
8. For disclosing accurately, currently, and completely the financial results of each federal and state award in accordance with the requirements of the award;
9. For identifying and providing report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented;
10. For taking prompt action when instances of noncompliance are identified;



11. For addressing the findings and recommendations of auditors, for establishing and maintaining a process to track the status of such findings and recommendations and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
12. For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
13. For submitting the reporting package and data collection form to the appropriate parties;
14. For making the auditor aware of any significant contractor relationships where the contractor is responsible for program compliance;
15. To provide us with:
  - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, and relevant to federal and state award programs, such as records, documentation, and other matters;
  - b. Additional information that we may request from management for the purpose of the audit;
  - c. Unrestricted access to persons within H-GAC from whom we determine it necessary to obtain audit evidence;
  - d. A written acknowledgement of all the documents that management expects to issue that will be included in the annual report and the planned timing and method of issuance of that annual report; and
  - e. A final version of the annual report (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor's report.
16. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;
17. For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
18. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
19. For informing us of any known or suspected fraud affecting H-GAC involving management, employees with significant role in internal control and others where fraud could have a material effect on compliance;
20. For the accuracy and completeness of all information provided;
21. For taking reasonable measures to safeguard protected personally identifiable and other sensitive information; and
22. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

With regard to the supplementary information (including the schedule of expenditures of federal awards and schedule of expenditures of state awards) referred to above, you acknowledge and understand your responsibility (a) for the preparation of the supplementary information in accordance with the applicable criteria such as the Uniform Guidance, and where applicable, the UGMS or the TxGMS, (b) to provide us with the appropriate written representations regarding supplementary information, (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information, and (d) to present the supplementary information with the audited financial statements, or if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

### Nonattest Services

Nonattest services will include assistance with the preparation of the H-GAC Retirement Plan audit report, and the preparation of the data collection form and its submission to the Federal Audit Clearinghouse. We will also assist with the implementation of GASB Statement No. 101 *Compensated Absences*. We will not assume management responsibilities on behalf of H-GAC. However, we will provide advice and recommendations to assist management of H-GAC in performing its responsibilities.

H-GAC's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Our responsibilities and limitations of the nonattest services are described below:

The nonattest services are limited to the services we described above. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries. Our firm will advise H-GAC regarding these nonattest services, but H-GAC must make all decisions with regard to those matters.

### Fees and Timing

The timing of our audit will be scheduled for performance and completion as follows:

Document internal control and perform audit procedures	October 2025
Substantive Procedures	March 2026
Issue audit reports	May 2026 Board Meeting
Submission to the Federal Audit Clearinghouse	June 2026

We anticipate meeting these deadlines barring any delays.

Celina Cereceres, CPA, CFE is the engagement partner for the audit services specified in this letter. Her responsibilities include supervising Whitley Penn, LLP's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fee for the audit services will be based on the amount of time required and the difficulty of the work. Below is the breakdown of our fee:

Area	Fee
Financial Statement and Single Audits	\$ 108,000
Separate Report for H-GAC Retirement Plan Report	10,500
Assistance with Compensated Absences, if necessary	2,000
Total Fees	\$ 120,500

A separate engagement letter for the Retirement Plan will be issued.

The fee estimate for the audit is based on anticipated cooperation from H-GAC's personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will keep you informed of any problems we encounter and our fees will be adjusted accordingly.

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation and payment is due in Tarrant County. You agree to pay reasonable attorney fees and collection costs incurred relating to collection of fees for services performed under the terms of this engagement. In accordance with Whitley Penn, LLP policy, work may be suspended if your account becomes 30 days or more past due and will not resume until your account is paid in full. In addition, invoices not paid in full by the last day of the month will be assessed interest at a rate of one percent per month. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been complete even if we have not issued our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination. Our final auditors' report will be released upon final payment of any outstanding invoices.

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you concerning the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

We would like to make the following comments regarding the fee estimates:

1. Our fee estimates have not considered the effects of any changes to auditing standards and accounting principles, which may be promulgated by the AICPA, Congress, or any other regulatory body in the future and are unknown to us at this time. If significant additional time is necessary resulting in increased fees, we will endeavor to notify you of any such circumstances as they are assessed.
2. H-GAC's personnel are responsible for the preparation of all items requested in the Prepared by Client ("PBC") listing and received by the date requested. Any delays caused by not preparing the items when requested may result in additional fees, as well as the possibility of postponing our fieldwork. The PBC listing will be provided to you during the planning process of the engagement.
3. Time incurred for audit adjustments identified during our audit and the related additional testing required has not been considered in our fee estimates. Prior to performing any additional testing, we will notify you of the exceptions and obtain approval for any additional fees which may be incurred.
4. Our fee estimates are based on the assumption that we will be able to obtain internal control reports from H-GAC's payroll service provider (where necessary), more commonly referred to as a SOC 1 Report and that we will be able to place reliance on these reports for internal control purposes in conjunction with the internal controls present in the administration of H-GAC. Any weaknesses noted in the internal control may affect the nature, timing, and extent of our procedures and accordingly our fees will be adjusted to reflect such changes.
5. Our fee estimates are based on all general ledger sub ledgers being reconciled to the general ledger balance and any adjustment necessary should be recorded to the general ledger prior to our fieldwork start date.

The ethics of our profession prohibit the rendering of professional services where the fee for such services is contingent, or has the appearance of being contingent, upon the results of such services. Accordingly, it is important that our bills be paid promptly when received. If a situation arises in which it may appear that our independence would be questioned because of significant unpaid bills, we may be prohibited from issuing our auditors' report.

In the unlikely event that differences concerning our services or fees should arise that are not resolved by mutual agreement, to facilitate judicial resolution and save time and expense of both parties, H-GAC and Whitley Penn agree not to demand a trial by jury in any action, proceeding, or counterclaim arising out of or relating to our services and fees for this engagement.

Any controversy, dispute, or questions arising out of or in connection with this agreement or our engagement shall be determined by arbitration conducted in accordance with the rules of the American Arbitration Association, and any decision rendered by the American Arbitration Association shall be binding on both parties to this agreement. The costs of any arbitration shall be borne equally by the parties. Any and all claims in arbitration relating to or arising out of this contract/agreement shall be governed by the laws of the State of Texas and to the extent any issue regarding the arbitration is submitted to a court, including the appointment of arbitrators or confirmation of an award, H-GAC courts in Harris County shall have exclusive jurisdiction. Any action arising out of this agreement or the services provided shall be initiated within two years of the service provided.

This letter replaces and supersedes any previous proposals, correspondence and understanding, whether written or oral. The agreements contained in this engagement letter shall survive the completion or termination of this engagement.

To ensure that Whitley Penn, LLP's independence is not impaired under the AICPA Code of Professional Conduct, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel.

#### **Other Matters**

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

In the course of our services, our firm may transmit confidential information that you provided us to third parties in order to facilitate our services. As applicable, we require confidentiality agreements with all our service providers to maintain the confidentiality of your information and additionally the firm will take reasonable precautions to determine that our service providers have the appropriate procedures in place to prevent the unauthorized release of confidential information to others. We will remain ultimately responsible for the work provided by any third-party service providers used under this agreement. By your signature below, you consent to having confidential information transmitted to entities outside the firm. Please feel free to inquire if you would like additional information regarding the transmission of confidential information to entities outside the firm.

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Professional standards prohibit us from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

In the event we are required by government regulation, required by subpoena or other legal process to produce information or our personnel for interviews or depositions in relation to a matter involving H-GAC, H-GAC will, so long as we are not a party or the focus of the proceeding or inquiry in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The audit documentation for this engagement is the property of Whitley Penn, LLP and constitutes confidential information. However, we may be requested to make certain audit documentation available to your pass-through regulatory entity, federal agencies, state agencies, and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision Whitley Penn, LLP's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

H-GAC may wish to include our report on these financial statements in an exempt offering document. H-GAC agrees that the aforementioned auditor's report, or reference to our Firm, will not be included in such offering document without prior permission or consent. Any agreement to perform work in connection with an exempt offering document, including an agreement to provide permission or consent, will be a separate engagement letter. For exempt offerings for which we are not involved, you will clearly indicate that we were not involved with the contents of such offering document and a disclosure as shown below will be included in the exempt offering:

"Whitley Penn, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Whitley Penn also has not performed any procedures relating to this offering document."

Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

We agree to retain our audit documentation or work papers for a period of seven years from the date of our report.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

At the conclusion of our audit engagement, we will communicate to the Audit Committee, the Executive Director and CFO the following significant findings from the audit:

- Our view about the qualitative aspects of H-GAC's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

In accordance with the requirements of *Government Auditing Standards*, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements compliance over major federal and state award programs including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Respectfully,

The image shows a handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas



\*\*\*\*\*

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of Houston-Galveston Area Council by:

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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



CliftonLarsonAllen LLP  
CLAconnect.com

## REPORT ON THE FIRM'S SYSTEM OF QUALITY CONTROL

September 13, 2024

To the Partners of Whitley Penn LLP  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Whitley Penn LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2024. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review as described in the Standards may be found at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary). The summary also includes an explanation of how engagements identified as not performed or reported on in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

### ***Firm's Responsibility***

The firm is responsible for designing and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

### ***Peer Reviewer's Responsibility***

Our responsibility is to express an opinion on the design of and compliance with the firm's system of quality control based on our review.

### ***Required Selections and Considerations***

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans; audits performed under FDICIA; and an examination of service organizations (SOC 2® engagement).

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

***Opinion***

In our opinion, the system of quality control for the accounting and auditing practice of Whitley Penn LLP, applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2024, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Whitley Penn LLP has received a peer review rating of *pass*.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

## HGACBUY-PUBLIC WORKS EQUIPMENT

### Background

The H-GAC Cooperative Purchasing Program (HGACBuy) establishes contracts for a variety of products and services through competitive solicitations. Member governments are able to use the contracts to make purchases. HGACBuy received and opened thirty (30) proposals for public works equipment on July 17, 2025. The following companies submitted a response:

Anderson Hydra Platforms, LLC	York, SC
Anderson Machinery Company, Inc.	San Antonio, TX
Asphalt Zipper, Inc.	Pleasant Grove, UT
Shannon Chastain Enterprises, Inc. dba BASIC Equipment	Eatonton, GA
Bergkamp Incorporated	Salina, KS
C&C Manufacturing, LLC dba S2 Manufacturing	Ottumwa, IA
Cyclone Technology, LLC	Phoenix, AZ
Alta Enterprises, LLC dba Ecoverse, LLC	Avon, OH
Earle Kinlaw & Associates, Inc., dba EKA	Monroe, GA
HD Hyundai Construction Equipment North America Inc.	Norcross, GA
H.D. Industries, Inc.	Jacksonville, TX
Humdinger Equipment, Ltd.	Lubbock, TX
Karcher Municipal North America Corporation	Dedham, MA
Mark Rite Lines Equipment Company, Inc.; Federal Signal Corporation dba FSC Highlander LLC*	Billings, MT; Downers Grove, IL
M-B Co, Inc. dba M-B Companies, Inc.	New Holstein, WI
Sakai America Inc.	Adairsville, GA
SB Manufacturing, Inc.	Wichita, KS
ThorWorks Industries, Inc. dba SealMaster	Sandusky, OH
SmithCo Mfg., Inc.	Le Mars, IA
Linda Kwapis dba Spaulding Mfg. Inc.	Saginaw, MI
Standard Equipment, LLC	Fulshear, TX
Takeuchi Mfg. (U.S.), Ltd.	Pendergrass, GA
Tenco Inc.	Quebec, CAN
Top 5 Equipment, LLC	Houston, TX
Triverus, LLC	Palmer, AK
Vogel Traffic Services, Inc. dba EZLiner Industries	Orange City, IA
Wastewater Operations, LLC dba Waste Water Solutions	Lakeway, TX
Wastewater Solutions, LLC	Stuart, FL
Pearce Industries. Inc. dba Waukesha-Pearce Industries, LLC	Houston, TX
Wausau Equipment Company LLC	Seguin, TX

\* Joint response

**Current Situation**

This contract is a combination of two existing contracts in our portfolio (SM10-20 Street Maintenance Equipment and EM06-19 Earth Moving Equipment) consisting of various types of public works equipment. All proposal responses have been evaluated by H-GAC staff. The responses from Karcher Municipal North America Corporation, Tenco Inc., Wastewater Operations, LLC dba Waste Water Solutions, Wastewater Solutions, LLC, and Wausau Equipment Company LLC were deemed non-responsive. Twenty-five (25) proposals are being recommended for award. Request authorization for contracts with each respondent listed in the Contract Award Recommendation Table, and as may be applicable, to extend contract assignments to other authorized entities during the contract period.

**Funding Source**

Participating local government purchasers.

**Budgeted**

N/A

**Action Requested**

Request authorization for contracts with the respondents listed in the Contract Award Recommendation Table for Public Works Equipment. (Staff Contact: Ronnie Barnes)

**ATTACHMENTS:**

	Description	Type
	PW10-25 AWARD RECOMMENDATION TABLE	PDF

**HGACBuy**  
**Contract Award Recommendation Table**  
**PW10-25: Public Works Equipment**

<b>Award Recommendations</b>	<b>Equipment Categories</b>
Anderson Hydra Platforms, LLC	B
Anderson Machinery Company, Inc.	A, B, C
Asphalt Zipper, Inc.	B
Shannon Chastain Enterprises, Inc. dba BASIC Equipment	B
Bergkamp Incorporated	B
C&C Manufacturing, LLC dba S2 Manufacturing	B
Cyclone Technology, LLC	E
Alta Enterprises, LLC dba Ecoverse, LLC	E
Earle Kinlaw & Associates, Inc., dba EKA	A, B
HD Hyundai Construction Equipment North America Inc.	A
H.D. Industries, Inc.	B
Humdinger Equipment, Ltd.	A, B
Mark Rite Lines Equipment Company, Inc.; Federal Signal Corporation dba FSC Highlander LLC*	B
M-B Co, Inc. dba M-B Companies, Inc.	B
Sakai America Inc.	B
SB Manufacturing, Inc.	B
ThorWorks Industries, Inc. dba SealMaster	B
SmithCo Mfg., Inc.	A, B, C
Linda Kwapis dba Spaulding Mfg. Inc.	B
Standard Equipment, LLC	A
Takeuchi Mfg. (U.S.), Ltd.	A
Top 5 Equipment, LLC	A
Triverus, LLC	B
Vogel Traffic Services, Inc. dba EZLiner Industries	B
Pearce Industries. Inc. dba Waukesha-Pearce Industries, LLC	A
Equipment Categories	
A – Earth Moving and Excavation Equipment	
B – Roadway and Street Construction/Maintenance Equipment	
C – Roadway and Street Snow and Ice Removal Equipment	
D – Maintenance and Service Plans	
E - Parts	

MONTHLY FINANCIAL REPORT - JULY 2025

Background

N/A

Current Situation

N/A

Funding Source

N/A

Budgeted

N/A

Action Requested

Request approval of the monthly financial report ending July 31, 2025. (Staff Contact: Christina Ordonez-Campos)

ATTACHMENTS:

	Description	Type
1	Monthly Financial Report - July 2025	Cover Memo



# HOUSTON GALVESTON AREA COUNCIL (H-GAC)



## FY25 Monthly Financial Report

For Month Ending July 31, 2025

Prepared on August 5, 2025

Esteemed H-GAC Board of Directors and Executive Director Wemple, please find attached the financial report for last month. The information contained within is intended for managerial reporting purposes. All figures are unaudited and subject to change. Should you have any questions, please feel free to let me or a member of my staff know. Respectfully submitted, Christina Ordóñez-Campos, CPA - Chief Financial Officer.

### SUMMARY OF KEY CHANGES

#### REVENUES

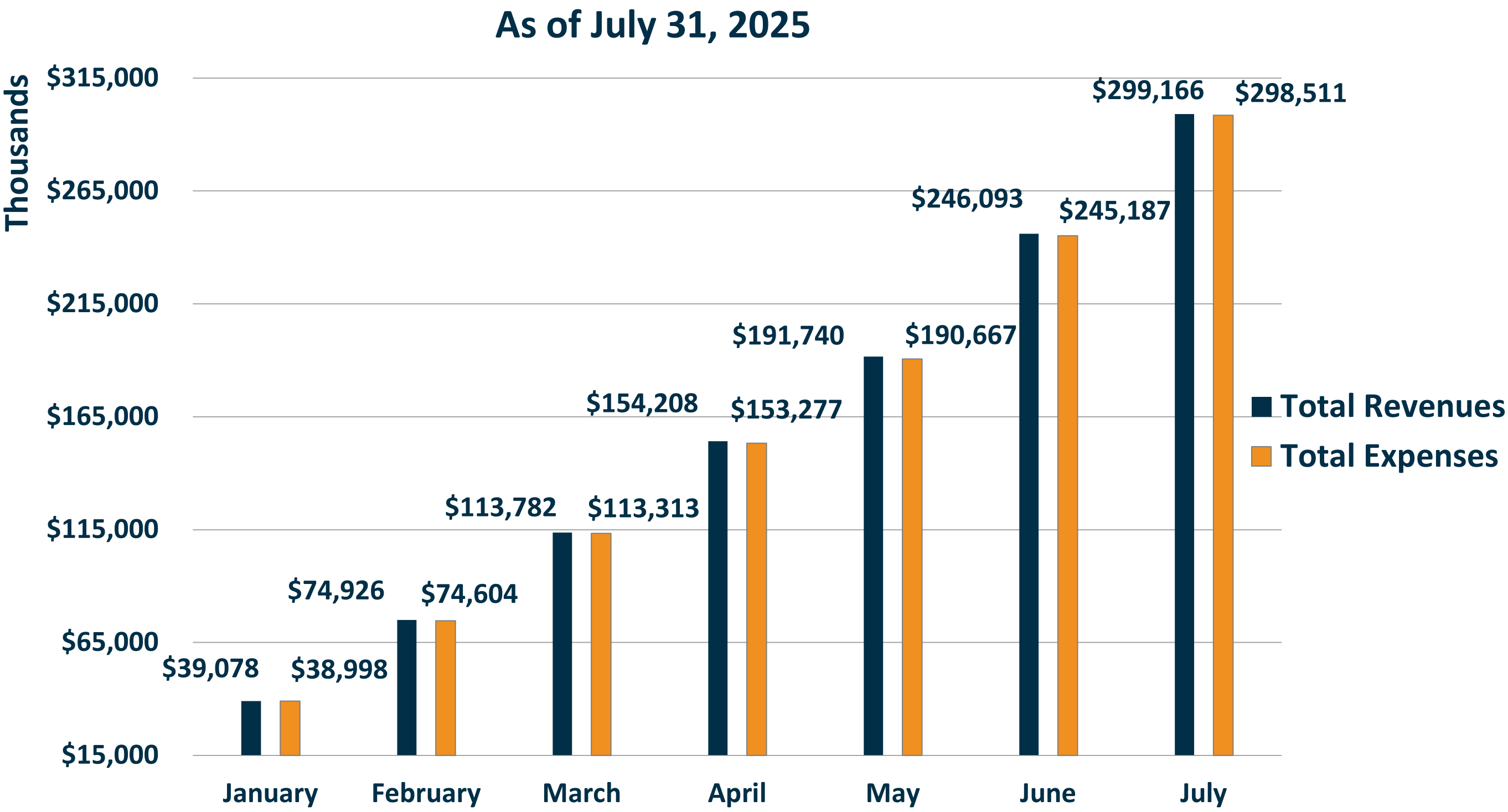
- > As of the end of July, a total of 307K in membership dues has been collected, of which 5.5K pertains to outstanding dues from the 2024 membership year that were recognized in the current year. Currently, We have 155K outstanding, and are diligently coordinating with our members to ensure collection.
- > As of the end of July, interest income has reached 82% of the annual budget, significantly exceeding projections. During the mid-year budget revision, we increased the interest income budget by an additional 200K to better align with anticipated results.
- > In July 2025, the cooperative purchasing revenue tracked higher than July 2024—at 48% and 45%, respectively. Last year’s July cooperative monthly revenue was 358K, while this year it stands at 589K.

#### EXPENDITURES

- > Personnel expenditures are at 47% of budget, while 58.33% of the year has elapsed. We currently have 421 employees compared to 350 in July 2024.
- > Pass-through expenses (53% in 2025) are currently below projections but remain consistent with last year’s spending patterns (55% in 2024).
- > Year-to-date expenditures for consultant and contract services are currently under budget at 29%. To better align with actual spending, we reduced the consultant budget by 20% during the mid-year budget revision.

\*\*\* Please note: the financial activity outlined above and in the report falls within the past trends observed in H-GAC's operations and is not out of the ordinary. \*\*\*

Monthly Trends Chart



# HOUSTON GALVESTON AREA COUNCIL (H-GAC)

## FY25 Monthly Trends Report

For Month Ending July 31, 2025

	January 2025	February 2025	March 2025	April 2025	May 2025	June 2025	July 2025
<b>Revenues</b>							
<b>General &amp; Enterprise Fund Revenues</b>							
Membership Dues	\$ -	\$ -	\$ -	\$ 106,065	\$ 10,284	\$ 189,246	\$ 1,850
HGAC Energy Corporation	7,717	5,117	11,474	11,788	6,346	11,227	11,745
Cooperative Purchasing Fees	333,326	576,612	166,092	743,821	371,832	433,284	589,909
Gulf Coast Regional 911 Fees	327,668	384,194	333,500	738,018	518,790	510,681	473,504
Interest Income	32,271	148,962	233,354	98,060	96,532	94,695	112,676
Other Revenues	175,158	153,458	113,386	484,824	152,194	384,184	133,472
<b>Total General &amp; Enterprise Fund Revenues</b>	<b>\$ 876,140</b>	<b>\$ 1,268,343</b>	<b>\$ 857,807</b>	<b>\$ 2,182,577</b>	<b>\$ 1,155,977</b>	<b>\$ 1,623,316</b>	<b>\$ 1,323,158</b>
<b>Special Revenue Fund</b>							
Federal Grants	\$ 11,608	\$ 17,191	\$ 52,377	\$ 32,807	\$ 18,789	\$ 17,116	\$ 29,674
State Grants	38,190,394	34,562,137	37,945,983	38,210,641	\$ 36,357,417	\$ 52,712,629	51,720,074
<b>Total Special Revenue Fund Revenues</b>	<b>\$ 38,202,002</b>	<b>\$ 34,579,328</b>	<b>\$ 37,998,359</b>	<b>\$ 38,243,448</b>	<b>\$ 36,376,206</b>	<b>\$ 52,729,745</b>	<b>\$ 51,749,748</b>
<b>Total Revenues</b>	<b>\$ 39,078,142</b>	<b>\$ 35,847,671</b>	<b>\$ 38,856,167</b>	<b>\$ 40,426,025</b>	<b>\$ 37,532,184</b>	<b>\$ 54,353,061</b>	<b>\$ 53,072,905</b>
<b>Expenditures</b>							
Personnel	\$ 3,268,715	\$ 3,361,995	\$ 3,529,778	\$ 3,728,298	\$ 3,644,811	\$ 4,130,436	\$ 4,254,196
Pass-through Funds - Grant	34,905,968	30,929,587	33,629,396	34,519,569	31,917,739	48,609,574	46,948,353
Consultant and Contract Services	133,856	710,131	1,035,209	967,884	1,078,611	982,750	973,735
Lease of Office Space	121,103	127,746	126,566	126,555	126,811	124,510	126,739
Equipment	91,509	29,489	25,888	42,127	23,747	43,941	92,447
Travel	6,081	48,615	44,477	32,228	63,796	64,127	53,014
Other Expenses	471,070	398,528	317,584	547,381	534,353	564,410	875,353
<b>Total Expenditures</b>	<b>\$ 38,998,301</b>	<b>\$ 35,606,091</b>	<b>\$ 38,708,898</b>	<b>\$ 39,964,044</b>	<b>\$ 37,389,868</b>	<b>\$ 54,519,749</b>	<b>\$ 53,323,837</b>
<b>Excess of Revenues Over(Under) Expenditures</b>	<b>\$ 79,841</b>	<b>\$ 241,580</b>	<b>\$ 147,269</b>	<b>\$ 461,981</b>	<b>\$ 142,315</b>	<b>\$ (166,688)</b>	<b>\$ (250,932)</b>

# HOUSTON GALVESTON AREA COUNCIL (H-GAC)

## FY25 Budget to Actual Report - All Funds

For Month Ending July 31, 2025

58.33% of Year Elapsed

	FY25 Budget	FY25 Year-to-Date Actuals	FY25 % of Actuals to Budget	FY24 Budget	FY24 Year-to-Date Actuals	FY24 % of Actuals to Budget
Revenues						
General & Enterprise Fund Revenues						
	FY25 Budget	FY25 Year-to-Date Actuals	FY25 % of Actuals to Budget	FY24 Budget	FY24 Year-to-Date Actuals	FY24 % of Actuals to Budget
Membership Dues	\$ 462,937	\$ 307,445	66%	\$ 462,137	\$ 320,517	69%
HGAC Energy Purchasing Corporation	130,000	65,414	50%	80,000	73,064	91%
Cooperative Purchasing Fees	6,704,157	3,214,876	48%	5,640,451	2,552,909	45%
Gulf Coast Regional 911 Fees	5,793,623	3,286,356	57%	2,767,797	2,917,129	105%
Interest Income	1,000,000	816,550	82%	1,200,000	894,895	75%
Other Revenues	8,713,867	1,596,677	18%	7,173,876	3,535,560	49%
Total General & Enterprise Fund Revenues	\$ 22,804,584	\$ 9,287,318	41%	\$ 17,324,261	\$ 10,294,074	59%
Special Revenue Fund						
	FY25 Budget	FY25 Year-to-Date Actuals	FY25 % of Actuals to Budget	FY24 Budget	FY24 Year-to-Date Actuals	FY24 % of Actuals to Budget
Federal Grant	\$ 695,000	\$ 179,561	26%	\$ 695,000	\$ 219,962	32%
State Grants	571,145,162	289,699,275	51%	523,305,764	285,592,669	55%
Total Special Revenue Fund Revenues	\$ 571,840,162	\$ 289,878,836	51%	\$ 524,000,764	\$ 285,812,631	55%
Total Revenues	\$ 594,644,746	\$ 299,166,153	50%	\$ 541,325,025	\$ 296,106,705	55%
Expenditures						
	FY25 Budget	FY25 Year-to-Date Actuals	FY25 % of Actuals to Budget	FY24 Budget	FY24 Year-to-Date Actuals	FY24 % of Actuals to Budget
Personnel	\$ 55,702,282	\$ 25,918,230	47%	\$ 39,263,214	\$ 20,907,868	53%
Pass-through Funds - Grant	497,596,133	261,460,185	53%	478,270,303	262,847,305	55%
Consultant and Contract Services	20,414,078	5,882,177	29%	14,691,223	6,064,052	41%
Lease of Office Space	2,525,527	880,030	35%	1,461,237	854,622	58%
Equipment	5,765,834	349,148	6%	602,696	482,469	80%
Travel	909,870	312,338	34%	700,865	237,948	34%
Other Expenses	11,731,022	3,708,680	32%	6,754,873	2,700,482	40%
Total Expenditures	\$ 594,644,746	\$ 298,510,787	50%	\$ 541,744,411	\$ 294,094,746	54%
Excess of Revenues Over(Under) Expenditures	\$ -	\$ 655,366		\$ (419,386)	\$ 2,011,959	
Beginning Fund Balance (all funds) - Jan. 1 (1)	\$ 45,454,933	\$ 48,127,368		\$ 43,468,636	\$ 43,468,636	
Ending Fund Balance (all funds) - July 31 (2)	\$ 45,454,933	\$ 48,782,734		\$ 43,049,250	\$ 45,480,595	

(1) All beginning fund balances are as of January 1 for each year. Jan. 1, 2025 beginning fund balance is based on the 2024 ACFR which was presented during the May 2025 Board.

(2) All ending fund balances are as of end of July 31st for each year.

## **AUTOMATION OF REVENUE RECOGNITION AND ENHANCEMENTS TO BOARD-LEVEL MONTHLY FINANCIAL REPORTING**

### **Background**

H-GAC engaged audit firm, Whitley Penn to identify best practices and propose feasible solutions in streamlining revenue recognition processes and improve the timeliness and accuracy of the monthly financial reporting to the Board of Directors and internal stakeholders.

### **Current Situation**

Discussion of the procedures performed, observations and recommendations of the revenue recognition process.

### **Funding Source**

N/A

### **Budgeted**

N/A

### **Action Requested**

No action required. Information only. (Staff Contact: Christina Ordonez-Campos)

### **ATTACHMENTS:**

	Description	Type
	H-GAC Revenue Report Summary	Cover Memo



# **Houston- Galveston Area Council**

## **Automated Revenue Recognition and Budgeting Observations and Recommendations**



**Houston-Galveston  
Area Council**

Christina Ordonez-Campos  
Chief Financial Officer  
Houston-Galveston Area Council

This report presents our observations and recommendations for the Houston-Galveston Area Council (H-GAC) regarding the automation of revenue recognition and enhancements to board-level monthly financial reporting. The objective of our engagement was to identify best practices and propose feasible solutions to support H-GAC's efforts in streamlining revenue recognition processes and improving the timeliness and accuracy of monthly financial reporting to the Board of Directors and internal stakeholders.

To achieve this objective, we conducted discussions with the H-GAC Finance Division, reviewed internal procedures, and analyzed financial reporting practices from peer Councils of Governments across the state.

Our procedures were performed based on guidelines provided by H-GAC management and in accordance with Statement on Standards for Consulting Services issued by the American Institute of Certified Public Accountants Management Consulting Services Executive Committee. We were not engaged to, and did not perform an audit, in which the objective would be the expression of an opinion on the financial statements of H-GAC. Accordingly, we do not express such an opinion.

This report is intended solely for the use of H-GAC management and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. The following pages summarize the procedures performed, observations and recommendations.

A handwritten signature in black ink that reads "Whitley Penn LLP".

July 11, 2025  
Houston, Texas



## **Executive Summary**

### **Organizational Background**

Houston-Galveston Area Council (H-GAC) was established in 1966 to address regional challenges and promote planning across the 13-county area in Southeast Texas, including major counties such as Harris, Fort Bend, Galveston, and Montgomery.

The December 31, 2024 financial statement and single audits reported that H-GAC managed a total of \$508.3 million in federal and state grants. The grants operate on a reimbursement basis, where H-GAC must incur the expenditures first prior to requesting reimbursement from the federal and/or state granting agencies. H-GAC is not a taxing entity, but revenues are generated for general operations based on membership dues. These are assessed on the federal 10-year census and are calculated based on population. The budget is based on the most recent census and is consistent with the budgeted amount in 2024.

H-GAC prepares an annual budget and service plan development that outlines projected revenues, expenditures and programmatic goals for the fiscal year. H-GAC prepares a mid-year and annual report to the Board of Directors, providing analysis of the services delivered, outcomes achieved, consistency with budgeted goals.

The 2025 budget reported a unified budget of \$594.6 million, or a \$52.9 million increase from the prior year. It is important to note that 83.7% or \$497.6 million of the budgeted expenditures are pass-through. That is, H-GAC reimburses entities that qualify under OMB 2 CFR 200 as a subrecipient. These are all grant related.

The budget is prepared by the H-GAC Finance Division, led by the Chief Financial Officer and supported by a team of analysts, accountants, and coordinators who ensure fiscal discipline and regulatory compliance.

The Finance Division is exploring ways to automate the revenue recognition in its Enterprise Resource Planning (ERP) software to reduce the number of manual journal entries. In addition, the budget-to-actual reports are provided monthly by the Finance Division to the Board budget & finance committee. The goal of the automation is to provide timely internal financial reporting for H-GAC revenues and expenditures/expenses. H-GAC's revenue recognition in general is in accordance with generally accepted accounting principles.

### **Methodology and Approach**

We performed the following procedures to develop our observations and recommendations:

- We met with the Finance Division to discuss the current process in place to present the budget-to-actual financial reports presented to the Board budget & finance committee.
- We discussed the ERP software abilities with the Finance Division, who reached out to its ERP software representative for possible solutions.
- We researched other Council of Governments' budgeting process across the State of Texas to determine best practices or glean from those entities.

### **Key Observations**

#### **ERP Software Limitations**

The Finance Division's team had several discussions with its ERP software representatives regarding the potential to create an automated revenue journal entry. The Finance Division team envisioned a monthly revenue journal entry based on the expenditures recorded in the ERP software. The ERP software representative informed H-GAC's Finance Division that fully automated revenue journal entries are not currently supported. However, the ERP software can generate an invoice through the accounts receivable module, which would create a receivable and offset it with a deferred inflow of resources. Revenue would only be recognized once reimbursement from the grantor is received or deemed collectible.

## Key Observations (continued)

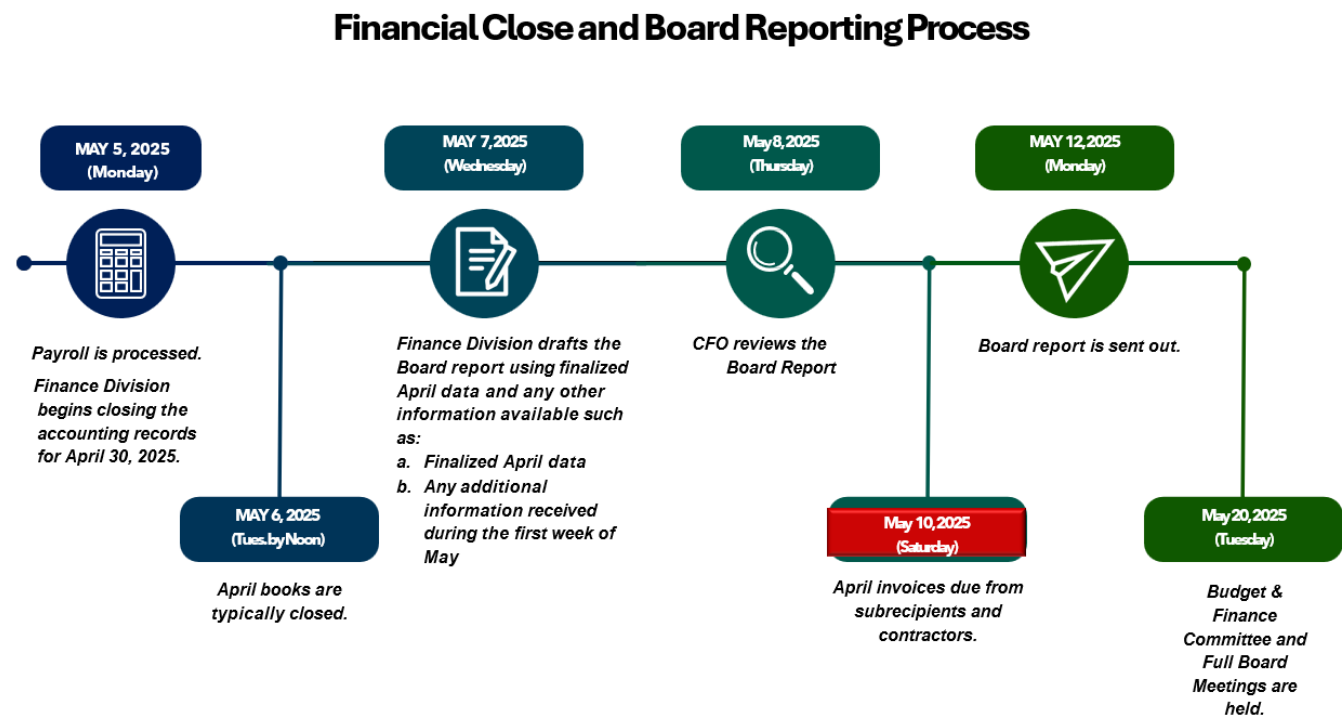
### ERP Software Limitations (continued)

This approach is not suitable for H-GAC due to the specific structure of its programs and grants. The Accounts Receivable Generated Invoice method does not meet the Finance Division's objective of improving the timeliness of budget-to-actual financial reporting, as it delays revenue recognition until reimbursement occurs. Instead, the Finance Division requires revenue recognition to align directly with recorded expenditures and already employs a process to determine monthly drawdown amounts.

### Financial Reporting Timeline and Budget-to-Actual Process

Using the May 20, 2025 Board of Directors meeting as an example, we have illustrated in Figure 1 the internal financial reporting process necessary to meet the Board packet deadlines.

Figure 1



The financial data presented in the May 2025 board reports reflects only a partial view of April 2025's actual revenues and expenditures. A significant portion of the reported figures pertains to March 2025, due to delays in receiving invoices from subrecipients and subcontractors. Given that approximately 83.7% of H-GAC's budgeted expenditures are associated with these entities, the majority of monthly reported expenditures typically correspond to the prior month. Specifically, the May 20, 2025 board report includes only 17% of April 2025 expenditures, with the remaining 83% representing financial activity through March 2025.

The subcontractor and subrecipient invoices are due May 10, 2025, which is too late in the monthly close process to capture these expenditures in the monthly board report. As such, even if the Finance Division automates the revenue recognition process, the expenditures will not be recorded timely for the ERP software to capture the expenditures or revenues.

**Key Observations (continued)**

**Financial Reporting Timeline and Budget-to-Actual Process (continued)**

Furthermore, there are certain grantors that require H-GAC to record the expenditures in the month of service noted on the invoice regardless of when H-GAC disbursed the funds to the subrecipient. In accordance with 2 CFR 200.502 (a)(2) *Basis for Determining Federal Awards Expended* pass-through entities (e.g. H-GAC) which states the following:

The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. Generally, the activity related to the Federal award pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as the *disbursement of funds to subrecipients*.

To illustrate the current practice, H-GAC may receive a delayed invoice from a subrecipient on April 20, 2025, for services rendered in February 2025. Although payment to the subrecipient is made on April 30, 2025, grantor requirements mandate that the related expenditure be recorded in February, the month in which the services were performed. This practice does not align with 2 CFR 200.502, which stipulates that expenditures must be recognized based on when the disbursement is made to the subrecipient. Consequently, H-GAC must routinely post expenditures to accounting periods that have already been closed. As a result, the financial data presented in monthly board reports may not align with the internal accounting records for that same period. Final reconciliation of these differences is performed during the year-end close process.

**Peer Council of Governments Budget Process Review**

We reviewed the budgeting processes for the following Council of Governments (COGs) to determine best practices that could be implemented by H-GAC.

- Alamo Area Council of Governments
- Capital Area Council of Governments
- Central Texas Council of Governments
- Metropolitan Transportation Commission
- Metropolitan Washington Council of Governments
- North Central Texas Council of Governments
- Southern California Association of Governments

Certain COGs use software that may automate the accounts receivable process but based on our review of internal control memos for large COGs in Texas, the grant accounts receivable invoicing process is primarily a manual process. Currently, H-GAC must record revenue based on expenditures with an offset to the accounts receivable account. Automating revenue recognition for grants on a daily basis would create difficulties in the draw down reconciliation process when requesting funds from the grantor and subsequent credits to the accounts receivable subledgers.

We also reviewed the board of directors meeting minutes and financial reports posted on each COG's website. Certain CFO monthly reports for the other COGs, such the CFO Monthly Reports for Southern California Association of Governments, reflected revenue and expenditures pertaining to the latest closed month (i.e. two months prior). That is, the monthly reports were not for the immediate previous month due to timing of the reports and the month-end close process.

Month of Report to the Executive Committee	YTD Activity Date
February 6, 2025	December 31, 2025
March 3, 2025	January 31, 2025
April 3, 2025	February 28, 2025

## **Key Observations (continued)**

### **Peer Council of Governments Budget Process Review (continued)**

The March 3, 2025 CFO report, for example reported the revenue and expenditure activity as of January 31, 2025 and not February 28, 2025. The February 6, 2025 CFO report included activity through December 31, 2025, only.

As such, we recommend that H-GAC's budget-to-actual financial reports reflect the month's activity that presents the most complete month of activity. By doing so, H-GAC's financial report will reflect financial activity for all types of expenditure categories (personnel, non-personnel, and pass-through) covering the same period. Currently, and referring back to the background information on pages 1 and 2, H-GAC's monthly financial reports will include current month activity as well as the prior month's activity. The settle-up process will not occur until the annual close after December 31, 2025.

## **Recommendations**

### **Enhance ERP Utilization with Custom Workarounds**

Work with the ERP vendor to explore custom configurations or third-party integrations that could simulate automated revenue recognition based on expenditure data, even if full automation is not natively supported. While the current ERP system cannot automate revenue journal entries directly, tailored solutions (e.g., scheduled scripts or middleware) may bridge the gap between expenditure posting and revenue recognition.

### **Implement a Revenue Accrual Estimation Process**

H-GAC should develop a standardized accrual methodology to estimate monthly revenues based on recorded expenditures, with adjustments made during the year-end close. This would allow for more timely and consistent budget-to-actual financial reporting, even when actual reimbursements are delayed.

### **Adjust Financial Reporting Periods for Greater Accuracy**

We recommend adopting a financial reporting model that reflects financial activity from the most complete prior month, similar to practices used by peer COGs, such as the Southern California Association of Governments. This would ensure that the majority of expenditures—especially pass-through costs—are accurately captured and aligned with internal accounting records, reducing discrepancies in board reports.

### **Improve Invoice Submission Timelines**

Establish stricter deadlines or incentives for subrecipients and subcontractors to submit invoices earlier in the month. Earlier invoice submission would allow more current data to be included in monthly reports, improving the timeliness and accuracy of financial reporting.

### **Document and Communicate Financial Reporting Limitations**

H-GAC should include a standard disclosure in monthly board reports explaining the timing limitations and the proportion of prior-month data included. This promotes transparency and helps stakeholders interpret financial reports with appropriate context.

### **Benchmark and Collaborate with Peer COGs**

H-GAC should continue to engage with peer COGs to share best practices, particularly around ERP customization, reporting timelines, and grant management automation. Learning from similar organizations can help H-GAC identify practical, tested solutions that align with its operational and regulatory environment.

## **SPEND DOWN UPDATE - AGING**

### **Background**

An overview of the H-GAC Spend Down Policy was provided to the Board by Chuck Wemple during the August 2024 Board Meeting.

### **Current Situation**

Staff will be providing an update on the spend down process for Aging contracts.

### **Funding Source**

N/A

### **Budgeted**

N/A

### **Action Requested**

No action required. Information only. (Staff Contact: Christina Ordonez-Campos)

## BENEFITS INSURANCE COVERAGE RENEWAL 2025-2026 PLAN YEAR

### Background

The Houston-Galveston Area Council (H-GAC) analyzes its employee benefits package on an annual basis to provide the best coverage available, while also competing for the best rates possible. Historically, the H-GAC Board has approved medical, dental, vision, voluntary life, and long-term disability coverage for employees. Recognizing that employees have a wide range of needs when purchasing health care benefits, H-GAC has traditionally provided three plans from which to choose. H-GAC employees are requested to contribute nominally to their coverage for two of the plans available.

### Current Situation

#### Medical Coverage

H-GAC solicited proposals for health care benefits for its employees with the assistance of Alliant Insurance Services. H-GAC's claim rates have increased in recent years, and the inflation of medical care costs has impacted the rate quotes from all carriers. H-GAC received proposals from Blue Cross Blue Shield of Texas, its current carrier, as well as Cigna, and UnitedHealthcare.

All proposers offered different plan designs and three tiers of coverage. All providers also quoted rates with the current plan design and a modified plan design. Switching carriers would result in disruption of doctors and prescription plans.

#### Dental Coverage

H-GAC received proposals from five carriers for dental coverage. These carriers include MetLife, Delta Dental, Humana, LFG, and Cigna. Our current provider, MetLife, proposed a significantly higher renewal rate. We engaged with Alliant to review more competitive carriers while maintaining similar coverage options.

The following charts outline the proposals for the medical and dental renewal rates:

#### Medical Coverage

	BCBSTX Current	BCBSTX Renewal/Proposal
<b>Total Annual Cost</b>	\$4,354,803	\$4,889,123
<b>Employer Cost</b>	\$3,391,461	\$3,862,402
<b>Employee Cost</b>	\$963,342	\$1,026,721

#### Dental Coverage

	MetLife Current	Delta Dental Proposal
<b>Total Annual Cost</b>	\$229,661	\$288,868
<b>Employer Cost</b>	\$130,861	\$190,068
<b>Employee Cost</b>	\$98,800	\$98,799

#### Medical & Dental Contributions (in dollars by month)

Plan	Employee Only (Current)	Employee Only (Proposed)	Employee + Spouse (Current)	Employee + Spouse (Proposed)	Employee + Children (Current)	Employee + Children (Proposed)	Employee + Family (Current)	Employee + Family (Proposed)
<b>PPO</b>	\$104	\$122	\$978	\$1,008	\$499	\$504	\$1,159	\$1,211
<b>CDHP</b>	-	-	\$932	\$956	\$496	\$501	\$1,145	\$1,194
<b>HMO</b>	\$22	\$33	\$774	\$806	\$388	\$394	\$906	\$945
<b>Dental PPO</b>	-	-	\$62	\$62	\$58	\$58	\$129	\$129
<b>Dental HMO</b>	-	-	\$16	\$16	\$13	\$13	\$29	\$29

**Funding Source**

N/A

**Budgeted**

Yes

**Action Requested**

Request approval for the Executive Director to negotiate renewal for benefit coverages with the following providers as noted above, with no changes to medical, vision or life and disability coverage, and a change in carriers for dental. (Staff Contact: Laura Tomlinson)



## GULF COAST WORKFORCE BOARD 2026 CONTRACT AWARDS

### Background

Workforce Solutions Gulf Coast operates as a comprehensive workforce development system serving the Houston-Galveston region. Its primary goal is to connect employers with qualified job seekers and to provide individuals with the resources they need to achieve and sustain employment.

Each year we contract with service providers for the operation of Workforce Solutions, the Gulf Coast Workforce Board's operating affiliate. These contracts are competitively procured, and the Workforce Board can authorize annual contracts with organizations for up to four years. Contract renewals depend upon performance, availability of dollars, and authorization from both the Workforce Board and the H-GAC Board of Directors.

At its August 5th meeting, the Workforce Board approved contracts with the providers listed in the attached chart. These contracts cover operations for Career Services, the Financial Aid Payment Office, Financial Aid Support Center, Communications and Outreach services, Vocational Rehabilitation Payrolling Services, Family Engagement and Home-based Provider Services, and an office sublease.

Service Provider	Contract Request Amount
<i>I. Career Services</i>	
<b>BakerRipley</b>	\$23,000,000
<b>EDSI</b>	\$14,500,000
<b>SERCO</b>	\$18,500,000
<i>II. Financial Aid Payment Office</i>	
<b>BakerRipley</b>	\$380,500,000
<i>III. Financial Aid Support Center</i>	
<b>Equus</b>	\$11,500,000
<i>IV. Communication and Outreach</i>	
<b>Outreach Strategists</b>	\$950,000
<i>V. Vocational Rehabilitation Payrolling and Employer of Record</i>	
<b>ProSource Solutions</b>	\$1,225,000
<i>VI. Family Engagement and Home-based Provider Services</i>	
<b>United Way of Greater Houston</b>	\$360,000
<i>VII. Office Sublease</i>	
<b>Schlumberger Technology Corporation</b>	\$600,000
<b>TOTAL</b>	<b>\$451,135,000</b>

### Current Situation

#### I. CAREER SERVICES

Under the Workforce Innovation and Opportunity Act (WIOA), Local Workforce Development Boards (LWDBs) are required to competitively procure One-Stop Operators to manage American Job Centers—locally known as Career Offices. These services may be contracted to a single

organization or a consortium of partners. Our most recent procurement for Career Offices was conducted in 2021 and it was time to reprocurse this service. Currently, there are three Career Office operators serving our area: BakerRipley, Interfaith of the Woodlands, and Equus.

Beginning in early 2025, the Gulf Coast Workforce Board launched a comprehensive integration of career services and employer engagement to form a more responsive, regionally aligned system. This model replaces the legacy structure of fixed-location Career Offices with a flexible regional framework encompassing physical sites, mobile units, virtual platforms, and other innovative service delivery mechanisms. The new model is designed to improve access, expand employer involvement, and provide more tailored services that reflect the region's economic conditions.

In April 2025, Workforce staff released RFP-HS-WKF-CAREERSVCS-04-2025, inviting proposals from qualified providers to deliver integrated career services in the West, North, and East regions. Respondents were given the flexibility to propose for one or multiple service regions.

A total of twelve (12) proposals were received. The proposals were scored based on organizational qualifications, service delivery methodology, budget and staffing plans, past performance, and financial stability.

<b>Proposer</b>	<b>Rank</b>
BakerRipley	1
Educational Data Systems, Inc. (EDSI)	2
SERCO of Texas, Inc. (SERCO)	3
Arbor E&T LLC dba Equus Workforce Solutions	4
Interfaith of the Woodlands	5
In the Door, LLC	6
United Way of Greater Houston	7
SER-Jobs for Progress of the Texas Gulf Coast, Inc.	8
Rupani Foundation	9
TD Scott Enterprise, LLC	10
Diversity Cyber Council	11
Avilo, Inc.	12

The top five ranked proposers advanced to the interview phase for further evaluation.

<b>Proposer</b>	<b>Final Score</b>	<b>West</b>	<b>North</b>	<b>East</b>
BakerRipley	143.71	X		X
Educational Data Systems, Inc. (EDSI)	134.42	X		
SERCO of Texas, Inc. (SERCO)	133.88	X	X	X
Arbor E&T LLC dba Equus Workforce Solutions	121.17	X	X	X
Interfaith of the Woodlands	119.42		X	

Following interviews and final scoring, the top three organizations—BakerRipley, EDSI, and SERCO—were recommended and approved by the Gulf Coast Workforce Board.

BakerRipley will serve the East Region with a proposed contract amount of \$23,000,000. EDSI

will serve the West Region with a proposed contract amount of \$14,500,000. SERCO will serve the North Region with a proposed contract amount of \$18,500,000.

We propose executing contracts with BakerRipley, EDSI, and SERCO in alignment with the proposed amounts not to exceed \$56,000,000.

## **II. FINANCIAL AID PAYMENT OFFICE**

The Financial Aid Payment Office (FAPO) plays a central role in ensuring timely, accurate, and compliant financial aid payments across the workforce system. It handles vendor agreements, billing, and disbursements for childcare services, training providers, and work-based learning participants.

BakerRipley currently operates FAPO and has supported recent system transitions, including implementation of the state's new TX3C system and adoption of centralized payroll support services.

Despite certain areas of operational effectiveness, BakerRipley has experienced recent management challenges. In June 2025, the organization was placed on a Performance Improvement Plan (PIP) due to issues related to financial reporting, communications, and project management. Corrective actions are underway, and the Workforce staff have increased oversight to mitigate risks.

Staff recommends maintaining the contract with BakerRipley for the final renewal year, with continued enhanced monitoring and performance accountability measures in place. This approach minimizes service disruption while preparing for the next competitive procurement process beginning in early 2026.

### **Proposed Funding**

- Financial Aid Disbursements: \$375,000,000
- Operations: \$5,500,000
- Total Not-to-Exceed: \$380,500,000

We propose executing a contract with BakerRipley for Financial Aid Payment Office for an amount not to exceed \$380,500,000.

## **III. FINANCIAL AID SUPPORT CENTER**

The Financial Aid Support Center (FASC), operated by Equus, provides centralized customer support for all financial aid activities, including processing applications, managing childcare enrollments, and handling appeals and exceptions. Since its establishment in 2022, the FASC has maintained strong operational performance and compliance with state standards, particularly amid the transition to TX3C.

From October 2024 to June 2025, the FASC averaged 34,500 children in care, consistently achieving approximately 97% of the state-mandated performance benchmark. Equus has demonstrated adaptability, customer responsiveness, and technical accuracy.

We propose executing a contract with Equus for Financial Aid Support Center for an amount not to exceed \$11,500,000.

## **IV. COMMUNICATION AND OUTREACH**

In 2024, Outreach Strategists was competitively selected to lead communication and outreach efforts for the Workforce Board. Their role includes strategic planning, brand development, collateral

Over the past year, Outreach Strategists successfully:

- Drafted the Board's Strategic and Local Plans.
- Facilitated community roundtables.
- Led marketing for the "Hire Gulf Coast Youth" initiative.
- Produced all materials for "Who's Hiring" events and Board events.

Their contributions have improved public awareness and stakeholder engagement across the region. Staff recommends a renewal of the Outreach Strategists contract to maintain continuity and momentum.

We propose executing a contract with Outreach Strategists for an amount not to exceed \$950,000.

## **V. VOCATIONAL REHABILITATION PAYROLLING AND EMPLOYER OF RECORD**

ProSource Solutions III, Inc. provides payroll services and acts as the employer of record for youth engaged in vocational rehabilitation work experiences. ProSource ensures wage payments, tax compliance, and reporting under this year-round program.

Between October 2024 and June 2025, ProSource received 257 referrals and met all service delivery expectations. Their fee structure is tiered, with payroll markups ranging from 16% to 21%, depending on enrollment volume.

We propose executing a one-year renewal contract with ProSource Solutions III, Inc. for an amount not to exceed \$1,225,000.

## **VI. FAMILY ENGAGEMENT & HOME-BASED PROVIDER INITIATIVE**

This initiative is designed to improve the quality and accessibility of early childhood education. Services support both families and home-based providers, enhancing caregiver skills, strengthening small business practices, and improving family engagement.

United Way of Greater Houston currently operates the program, providing training, outreach, and community connections for underserved families and caregivers. The initial contract year focused on ramp-up and staffing. Despite early implementation delays, United Way has since demonstrated effective performance and program alignment.

We propose increasing the contract amount by \$360,000 and extending the contract with United Way of Greater Houston through September 30, 2026, for a total amount not to exceed \$2,121,754.

## **VII. WORKFORCE SOLUTIONS OFFICE SUBLEASE**

The Gulf Coast Workforce Board receives funding through the Texas Workforce Commission to support the Texas Rising Star (TRS) Mentors Program. This funding is designated for activities that improve the quality of child care, including professional development, mentoring, quality incentives, and scholarships. This program was previously operated by a subcontractor. However, administration of the program has since transitioned in-house. As a result, the Workforce staff have taken on direct responsibility for program operations, leading to increased staffing and space requirements.

Due to the need to house approximately 80 additional staff, Gulf Coast Workforce Board staff

engaged with the Houston-Galveston Area Council facilities management to coordinate with the Houston-Galveston Area Council procurement department to procure a licensed commercial real estate broker to assist in seeking properties that meet the scope of the request made by the ECE staff for additional space. We conducted a lease analysis and received a market survey and ultimately found a space suitable to house 80 staff.

We propose negotiating a sublease with Schlumberger Technology Corporation for space located at 5599 San Felipe, Houston Texas 77056, in an amount not to exceed \$600,000. This space includes 22,382 rentable square feet and is a fully furnished office space. The proposed lease would be effective September 1, 2025, through July 31, 2027.

**Funding Source**

State; Texas Workforce Commission

**Budgeted**

Yes

**Action Requested**

Request approval to negotiate and execute contracts in accordance with the funding amounts, providers, and program purposes outlined not to exceed \$451,135,000. (Staff Contact: AJ Dean)

## 2025 MID-YEAR BUDGET STATUS UPDATE

### **Background**

N/A

### **Current Situation**

N/A

### **Funding Source**

N/A

### **Budgeted**

N/A

### **Action Requested**

For information only. No action requested. (Staff Contact: Chuck Wemple)

## **EXECUTIVE DIRECTOR'S REPORT**

### **Background**

N/A

### **Current Situation**

N/A

### **Funding Source**

N/A

### **Budgeted**

N/A

### **Action Requested**

Report on current and upcoming H-GAC activities. (Staff Contact: Chuck Wemple)

## **EXECUTIVE SESSION – EVALUATION OF H-GAC EXECUTIVE DIRECTOR**

### **Background**

In April 2018, a committee composed of Board officers, Election Committee members, Past Chairs, and representatives from Cities/Counties appointed Chuck Wemple as Executive Director of the Houston-Galveston Area Council.

### **Current Situation**

Chuck Wemple has completed his seventh year of service as Executive Director. The Board of Directors conducts an annual evaluation of the Executive Director's performance. A survey was sent to all Board members to complete Chuck Wemple's performance review.

### **Funding Source**

N/A

### **Budgeted**

N/A

### **Action Requested**

The Board of Directors will hold an Executive Session to conduct an annual evaluation of the Executive Director in accordance with Government Code, Title 5, Section 551.074. (Contact: Vice Chair Judge Ty Prause)



## EVALUATION OF H-GAC EXECUTIVE DIRECTOR

### Background

Chuck Wemple has completed his seventh year of service as Executive Director. The Board of Directors conducts an annual evaluation of the Executive Director's performance. A survey was sent to all Board members to complete Chuck Wemple's performance review.

### Current Situation

The Chair of the Finance and Budget Committee, Judge Ty Prause, sent a memorandum and performance survey to all Board members. Following a duly called closed session, the H-GAC Board may take action in open session regarding the Executive Director's performance and any adjustments to compensation.

### Funding Source

N/A

### Budgeted

N/A

### Action Requested

Discuss and possibly take action following Executive Session to evaluate performance of H-GAC's Executive Director. (Contact: Vice Chair Judge Ty Prause)