

Audubon Area Community Services, Inc.
Administrative Support Committee Meeting
MINUTES

February 5, 2008

At 12:05 a.m., following lunch, Judge Whitaker called to order the February 5, 2008, meeting of the Administrative Support Committee of the AACCS, Inc. Board of Directors.

Members Present (5 Members/5 Voting):

Ms. Daisy James	Ms. Betty J. Rucker	Ms. Jaime Rafferty
Rev. Jesse Johnson	<i>Mr. Keith Sanders</i>	Ms. Allison Stull
Mr. Jerry Manning	<i>Mr. Doug Smith</i>	Hon. Larry Whitaker
	Mr. M. Douglas Smith	

Alternates Present with Member:

Rev. David Combs

Staff Present:

Ms. Cheryl Gatton, HR Director	Ms. Denise Marcum, Executive Assistant
Mr. Dennis Hagan, IT Director	Mr. Terry Payne, Chief Financial Officer
Mr. Ronald Logsdon, Executive Director	

Others Present:

Mr. Jesse Mountjoy, AACCS Attorney
Mr. David Vickery, Wabuck Attorney

NEW BUSINESS

Report from the Audit Review Committee – FY2007 Organization-wide Audit. Mr. Whitaker asked Mr. Manning to give an Audit Committee report to the Administrative Support Committee, what was reviewed, decided and discussed during the Audit Review Committee earlier in the morning. Mr. Manning informed the Committee that the independent auditor, Jennifer Estes, CPA, Alexander & Company, was present and in some detail went over things her audit review and draft report. She said that there was nothing significant, although there will be few recommendations in a Management Letter, which will provide some needs, recommendations and modifications her firm will be looking for from AACCS. Mr. Payne will on behalf of the agency give a response to that Management Letter.

Mr. Logsdon stated that the audit itself was perfectly “clean.” There was only one “finding” that had to do with a short-term segregation of duties issue — a short period of time when Mr. Payne was without a full staff (down one staff person) and he did the reconciliations. As the Chairman mentioned, any recommendations they are making are going to be in the Management Letter not in the audit itself. There was, he said, a nice discussion about that letter and he thought most of this is going to be resolved with the agency’s response to their letter.

Mr. Whitaker informed the Committee that there was a recommended motion from the Audit Committee as well to accept the FY2007 organization-wide audit. Mr. Manning then stated there was a motion from the Audit Committee to again bid out the FY2008 audits. Chairman Whitaker asked if there were any questions or comments from anyone pertaining to the Audit Review Committee

Mr. M. Douglas Smith also informed the Committee that the person now doing the reconciling is Ms. Mary Ann Mountain and she has a lot of experience. It looks like a very good situation to take care of any potential segregation of duties problems we have, he said.

Mr. M. Douglas Smith made a motion to accept the recommendations from the Audit Review Committee and recommend Board approval of the FY2007 Organization-wide Audit as well as the Lincolnshire Apartments and Lincolnshire North Apartments FY2007 audits, and to proceed with bidding out the FY2008 audit work. Ms. Betty Rucker seconded the motion. Motion approved.

FY2008 Indirect Cost Plan Projections. Mr. Payne advised the Committee that he has done the preliminary calculations for the FY2008 Indirect cost rate. In case some members did not know what the indirect cost rate was, he briefly explained it: AACS applies for what is called an *indirect cost rate* through the Department of Health and Human Services (DHHS). DHHS allows AACS to use the approved percentage to charge administrative expenses, or to run the Indirect department, i.e., Mr. Logsdon's Management & General department, the Finance Department, Ms. Gatton's Human Resources Department, and Mr. Hagan's "IT" department. That indirect cost rate is calculated annually. The rate for FY2007 is 14.1% of programmatic salaries paid in the agency. The new rate as provisionally calculated, said Mr. Payne based on his calculations earlier in the day, is about 14.6%. So it is not going to substantially change, he said. Mr. Payne pointed out that this is a really good number. If you talk to other or look at other non-profit organizations, generally the target is to keep general administrative expenses below 20%. For us to do 14% or 15%, Mr. Payne stated, it speaks a lot to AACS' ability to do better with its money. Mr. Logsdon added that it's even better than that because we're only talking about 14.6% of the *salary/wage base*, so it's more like 7% of the total budgets, but certainly well below 10%.

Mr. Whitaker noted that the "organization-wide" audit does not state the total funds administered through AACS. Mr. Logsdon informed the Committee that the audit accounted for just over \$23 million, but that does not take into consideration a virtually equivalent amount of Child Care Assistance Program (CCAP) that is paid through the state's MARS system, although a great deal of the discussion in the Audit Review Committee was about testing the accuracy of payments for that CCAP money. The audit also does not include the Lincolnshire audits, probably another \$2.5 million. Mr. Whitaker, therefore, informed the members that Audubon's total funding was in excess of \$50 million. Sometimes we move quickly, he said, and members don't get a true perspective of what the agency entails.

Mr. Logsdon stated that the Committee needs to recommend Board approval of the expected 14.6% FY2008 Indirect Cost Proposal, and hopefully by the time the Board meets on February 19th, Mr. Payne will have the final proposal worked with its final calculations. Mr. Payne advised that he had just that morning received the FY2007 audit, which must accompany the proposal and be built on its detail, but he could indeed work up the calculations and have the final FY2008 Indirect Cost Proposal by the Board meeting.

Judge Whitaker made a motion to recommend Board approval of the FY2008 Indirect cost proposal. Mr. M. Douglas Smith seconded the motion. Motion approved.

1700 West Fifth Street Building Project. Mr. Logsdon advised that he needed to advise the Board on the progress of the 1700 West Fifth Street building to be built on the 5¼ acre parcel on West 5th Street. The Board has previously authorized the building to be built at a cost up to \$5 million dollars, the parking lot already being built in. The architectural plans are now in final development and RBS, the architects, expect to go to bid on March 1st, 2008. The Committee is recommending to the Board to authorize the next step, i.e., bid the project. If the bids come in at or below \$5 million, Mr. Logsdon stated, he would presume that the standing action of the Board would include a go ahead to proceed with building the project. If the bids materialize in excess of \$5 million, the Board might want to talk at the February

Board meeting about some kind of contingency action, for example, calling the Executive Committee to make a decision.

The Daviess County Fiscal Court's bond issue which will finance the project is \$5.5 million. That has already been approved, said Mr. Logsdon. The AACS Board authorized \$5 million; the bond issue allows for an additional \$.5 million. Of course, there are some things AACS is proposing to do with that extra \$1/2 million. Mr. Hagan, for example, estimates about \$300,000 for tubing, wiring, and all kinds of IT-related infrastructure for the building which will not be bid out. Presently, the Board is asked for approval to move straight ahead to the bid phase so as to get this building underway, said Mr. Logsdon.

Ms. Rucker made a motion to recommend to the Board that it proceed with the bids and if the project comes in at or under \$5 million to proceed with the construction of the new AACS office building at 1700 West Fifth Street and if the bids come in over \$5 million to call an Executive Committee meeting, to either approve the project going forward or not. Mr. M. Douglas Smith seconded the motion. Motion approved.

Mr. M. Douglas Smith stated that if it comes below the \$5 million that the executive director go forward with the approval to build. Mr. Whitaker clarified the motion/action as: to proceed with the bids and if the successful bid is less than \$5 million, then proceed. The only question, he said, would be who would qualify the bidders? He expressed the concern whether the Board could award the contract, after the fact or before the fact, not knowing 1) what the ultimate successful bid amount is, and 2) whether or not the bids that do come in from bidders are "qualified" bidders.

Mr. Logsdon asked if the Committee could amend the motion and state that an Executive Committee meeting would be called when the bids come in. The Executive Committee will determine if the bids are acceptable and whether to approve the apparent successful bidder and award a construction contract.

Without objection, the Committee agreed to the clarification.

Mr. Payne stated that he wanted to update the Committee on the bond issue. He said he had estimated repayment based on a 6% rate of interest. However, the actual interest rate on the bond issue came in about 4.75%, which will yield an approximate \$800,000 savings for the life of the lease with the Daviess County Fiscal Court.

Agency Departments' Implementation Goals for the Agency's 2008 Strategic Work Plan. Mr. Logsdon reminded the Committee that the December Board meeting approved the overarching 2008 strategic plan and then gave a charge to all of the departments and the agency to develop their own implementation of that plan under that overarching structure. What members see in the expanded plan with all the departments now listed is how each one of the AACS departments proposed to carry out each respective element of the Board-approved plan. Mr. Logsdon said that the senior leadership team thinks this is very exciting. For the first time in the history of the agency, the annual strategic work plan is going to effect more than the central core of the agency; it's actually going to be implemented within each and every department of the agency. And that's exactly what the Board instructed staff to do, each department figure out how it is going to implement it. Mr. Logsdon said that he asked the Committee to recommend Board approval of this final 2008 plan. Mr. M. Douglas Smith asked if the plan now affects every aspect of AACS' services. Mr. Logsdon replied yes, *every* AACS department.

Mr. M. Douglas Smith made a motion to recommend Board approval of the departmentally-augmented 2008 Strategic Work Plan. Mr. Whitaker seconded the motion. Motion approved.

Personnel Policy Revisions. Mr. Logsdon mentioned to the members that there were two items for personnel policy changes. One is in the salary/hourly classification charts; the other is in Head Start's

policy chapter with respect to its credentialing requirements. Mr. Logsdon asked Ms. Gatton to give the details.

Personnel Policy Revision – Wage and Salary Classification Charts. Ms. Gatton informed the Committee members that the salary/wage classification charts need updating with respect to positions no longer in use or to add new positions and to make needed position name changes. This policy change reflects, primarily, different position name changes, she said. GRITS has added a couple of staff positions and those also need to be included. Mr. Logsdon noted there are *two* (2) charts, one for salaried staff and the other for a number of positions in the agency that AACCS pays on an hourly basis.

Personnel Policy Revision – Section 13.7, Child Development Credentials for Head Start Teachers. Ms. Gatton stated that the rest of the changes would be the child development credential (CDA). The new Head Start Reauthorization contains some substantive changes and beefing up of credentialing requirements, so the Head Start program is now requesting the Teachers and Teachers Associate to get their Child Development Accreditation (CDA) within a year instead of the previous two (2) years allowed. Mr. Logsdon emphasized that the driving force behind this enhancement and tightening up of the child development credential and policy is the new law that the President signed into law on December 17th, 2007. Federal law just made the credentialing requirements more stringent. We needed to tighten ours up as well, he said.

Mr. Manning made a motion to accept the Personnel Policy Revisions as presented. Ms. Rucker seconded the motion. Motion approved.

Extended FMLA Leave Request. Mr. Logsdon reminded the Committee that there was a similar FMLA leave request at the December annual Board meeting and this one was no different. He reminded the Board that his authority to extend an FMLA leave when it has expired and the employee no longer has any accumulated paid leave is limited to that period of time between when the employee's paid leave expires and when the Board meets. Mr. Logsdon's authorization is still in effect until this February 19th Board meeting. But he was asking the Committee to recommend Board approval of Ms. Randolph's FMLA unpaid leave extension.

Ms. Gatton explained that Ms. Judy Randolph has been with AACCS for many years. She had surgery and there were complications in the surgery so she is going to have to have a follow up. She is an excellent employee. Ms. Randolph is going to need an extra month up to March 14th, 2008 of leave, but she is not expected to need to stay off any longer.

Mr. M. Douglas Smith asked if this will retain her position and there won't be any problems. Ms. Gatton said yes. It will be in unpaid status, but we're letting her know that it's unpaid and that AACCS will hold her position. A question was asked if when an employee is out on leave, does AACCS pay for their health insurance or do they pay? Ms. Gatton stated that the employee on unpaid leave of any type has to pay their own insurance.

Mr. M. Douglas Smith made a motion to recommend Board approval to extend Ms. Randolph's leave through March 14, 2008, and to retain her position until she returns. Ms. Betty Rucker seconded the motion. Motion approved.

FY2007 Weatherization Budget Update. Mr. Logsdon advised the Committee that in the back of the handout packet, the last two pages, there is a Weatherization Assistance Program (WAP) budget workup that Housing Services director Ms. Sheila Boling had put together. The increase in WAP funding is tied together with the Low-Income Home Energy Assistance Program (LIHEAP) supplemental that the President released on January 10th, 2008, he said. Kentucky got somewhere in the neighborhood of \$7 million additional LIHEAP funding. The Commonwealth has always had the option of allocating 15% of

its LIHEAP funding to Weatherization. The Commonwealth of Kentucky has consistently done that, he said, and they did that again this year. Somewhere in the neighborhood of \$5 million went to LIHEAP benefits and then the remaining sum of money (well in excess of \$1.7 million) went to Weatherization. Audubon's share of that was just over \$100,000. Mr. Logsdon said that AACS' WAP funding went from \$214,000 to \$333,621. Normally, the Community Support Committee would have approved this rebudgeting, but this supplement came in after Mr. Hatfield's Community Support Committee had met, so Mr. Logsdon said that he was asking the Administrative Support Committee to recommend approval of the new funding and revised WAP budget to the Board.

Mr. M. Douglas made a motion to recommend Board approval of the new Weatherization Assistance Program funding and budget to the Board. Mr. Marshall Hatfield seconded the motion. Motion approved.

Mr. Logsdon stated that he knew that AACS' attorney, Mr. Mountjoy, said he would be late. The other person(s) is coming from Leitchfield. He said he did estimate that the Executive Committee would start about 12:45, so they may be pointing their time frame to that. We will need to go back and pick up The Learning Villa item, he said. The Executive Committee does need to have the Corporate Resolution authorized and following that there will be a need to sign certain documents. Until those people get here, Mr. Logsdon, said, he doesn't think he's in a position to say much more.

At this point in the meeting the Committee awaited the arrival of two attorneys who were going to address urgent action needed for The Learning Villa. Chairman Whitaker asked the staff to proceed with reports until the attorneys arrived and The Learning Villa business could proceed.

STAFF REPORTS

Chairman Whitaker asked Mr. Logsdon to proceed with his reports.

General Administration. Mr. Logsdon advised the Committee that the packet contained Chairman Manning's 2008 Board committee appointments. Since Mr. Manning's term is a carry-over from the previous year, he did not make substantial changes in the listing from last year, but rather tended to place the new people on the Board in this slot where their predecessor served last year. There might have been slight variations to that, but in general, that's the way it went. It is the Chairman's prerogative to make these appointments with the proviso that if someone simply doesn't like the Committee to which they have been appointed they need to let the Chairman know about it, and Mr. Logsdon said he is sure the Chairman will do his best to try to work that out.

WellPoint Stock. Mr. Logsdon stated that the WellPoint Stock has been up and down like a rollercoaster, as anyone who has been following the stock market knows. About mid-December, he said, the AACS WellPoint portfolio was looking at \$3.5 million dollars in stock value when AACS was in the midst of the Daviess Fiscal Court bond issue. Everything looked great, then the bottom fell out, he said. Since that time, of course, the President and Congress and the "Fed" have all been trying to prop up the economy and promising *economic stimulus*, so the market has rebounded a little bit. Mr. Payne stated that WellPoint was at \$78 per share that morning. (Mr. Logsdon said that it had gotten up to right at \$90 in December.) It's current portfolio value is probably about \$3.2 million, something in that neighborhood, not doing too bad, he said.

Mr. Logsdon said that he and the CFO discussed the WellPoint portfolio last week, and that he was somewhat concerned about it. Judge Whitaker, he said, has been suggesting for at least a couple of years now that the agency might need to start looking at maybe diversifying AACS' portfolio a little bit. When the Chairman of WellPoint starts selling large blocks of his stock (as he did in December 2007), Mr. Logsdon said, that made him nervous. The WellPoint stock value went from \$90 to the mid \$70's overnight. It has since rebounded a bit.

Mr. Payne stated that analysts still state that WellPoint has a \$100 per share target. Mr. Logsdon mentioned that \$100 target has always been his reason for holding with WellPoint and why he has delayed diversifying the portfolio. Mr. Logsdon stated that he now thinks AACS does need to get a professional to take a look at the portfolio and give some advice on it. Chairman Whitaker asked about the Investment/Oversight Committee. Mr. Logsdon answered yes, the Investment Oversight Committee, which includes Ms. James, Judge Whitaker and himself — with Mr. Manning and Mr. Logsdon and Mr. Payne as ex-officio members — probably does need to meet soon. Judge Whitaker asked if there could be a meeting of that committee later this month in order to explore what options AACS has. Mr. Logsdon agreed.

Mr. Logsdon said that he did know that the portfolio issue ties in directly to the new 1700 West 5th Street building. While AACS will not sell any stock immediately, over the coming years the revenues that will come in from programs' lease payments is not quite enough to payoff the annual payment on the note. And as proposed through the preceding years, AACS will from time to time sell a small portion of the stock portfolio each year in order to make up the difference. So AACS wants to make sure to maintain a roughly \$3 million portfolio pool — and grow it if we can, he said.

LIHEAP/Weatherization Funding Updates. Mr. Logsdon reminded the Committee of the Weatherization funding already discussed and went over the LIHEAP direct energy assistance supplemental that was received in mid January. The agency's 2007-2008 LIHEAP total will now be just over \$1 million in energy assistance that AACS will be providing this year. Mr. Logsdon stated that there have been very few years in the time that he has been at AACS that the amount has been over \$1 million.

Parking Garage Update/Bid Status. Mr. Logsdon informed the Committee that there will be a Bid Opening meeting at 1:30 p.m. later that day in the Board room and anyone who wants to stay is welcome. AACS will be receiving bids on GRITS' downtown parking garage. Mr. Logsdon stated that he talked with Mr. Lanham last Friday and that Mr. Lanham was "sweating bullets" because he thinks the bids are going to be coming in for more money than the grant provides. Mr. Logsdon stated that he doesn't know what to do if that happens. He said that he did know that when the pre-bid conference was held one of the prospective bidders suggested that AACS needed more money.

If the bids come in for more than we have, a couple of options are available to us. One is to go back to the state and see if they can come up with any more money, but this was an "earmarked" appropriation that came through Senator Bunning's service on the Transportation Committee. AACS knows nothing more will be coming through from the feds, not in the current environment. And whether or not the state has any available funds to help us, he said he just didn't know. The other thing is that at one point along the way the City of Owensboro, out of its \$40 million riverfront development money, was going to provide \$5 million to add two (2) stories to the garage. The thing that is, what's really costing right now is having to build the foundation so that it can later be built up to four (4) stories. Perhaps AACS can go back to the City of Owensboro and say, "We put the foundation in just because we wanted to make it expandable for you, so can you give us some money?" The other thing is that AACS can take that added cost out of the foundation and not ever plan to build a four (4) story structure; then the project could probably be built within the money that AACS has. Mr. Logsdon said he didn't know how it was going to play out. Mr. Logsdon invited all of the Committee members to the 1:30 p.m. meeting.

Transportation Cabinet's "New Freedom", Job Access Reverse Commute (JARC), Capital Assistance Awards. Mr. Logsdon informed the Committee that AACS has received new funding and it is listed on the agenda. Also received was the federal and state share, Job Access Reverse

Commute (JARC) and the Capital Assistance funds. AACS has all of that now. It had been promised for months and months and it finally came along.

Owensboro Regional Recovery Update. Mr. Logsdon advised that ground has been broken and there were pictures in the handout packet. That is about all that has as yet happened out there, he said. AACS is trying to get that project moving along. Hopefully, construction will actually be starting very soon. So that project appears to be moving along, he said, although slowly at this point.

Green River / Barren River Human Services Transportation Delivery (HSTD) Medicaid Brokerages. Mr. Logsdon said for those newer Board members on the Board that 2½ years ago AACS lost its Medicaid brokerage in the Green River region. For that period of time, an agency out of Hazard, Kentucky, LKLP, has been actually operating the “brokerage” services. But GRITS had continued throughout to provide the actual transportation services under a subcontract with them. This award means that AACS/GRITS will now, as of July 2008, again take over both the services and the brokering of those services in the 7-county Green River region. It means somewhere between \$750,000, perhaps even \$1.5 million, more dollars for GRITS to actually be the broker as opposed to being the service subcontractor.

AACS, in partnership with RTEC, also got the contract award for Barren River Area, a 12-county region from Bowling Green to Glasgow. AACS will be the headquarters and operating fiscal agent for that region, so, he presumed, the money will flow through AACS and it will actually pay RTEC their share on a month in, month out basis.

LogistiCare Appeal Update. For those Committee members who didn’t know Mr. Mountjoy, Mr. Logsdon introduced AACS’ attorney, who had just entered the meeting. Mr. Mountjoy has been handling the lawsuit for AACS. Based on the Board’s action at the annual meeting, an appeal was filed.

Mr. Mountjoy told the Committee that the LogistiCare suit is just “laying in the Court of Appeals” at this point. Mr. Mountjoy stated that his conversations with the co-appellant Transportation Cabinet’s attorney is sending him strong signals that the “new powers” are probably going to withdraw that appeal because it technically is so mute. Mr. Mountjoy thinks AACS’ view has always been that as long as the Transportation Cabinet feels like they should appeal, then we will go along with them. But we are sort of deferring to the Cabinet because AACS really doesn’t need to be on its own with respect to an appeal. Mr. Mountjoy said that he fully expects that something will be worked out with the LogistiCare’s attorneys so far as what they’re going to do with the issuance of *temporary* operating authority certificates, which, practically speaking, is of little significance. It is so minor it’s laughable, almost, he said. Mr. Mountjoy also expects that AACS will join with the Transportation Cabinet in asking the Court of Appeals to dismiss the appeal. Even with temporary operating authority, LogistiCare only has until June 30th, 2008, within which to do whatever it thinks it wants to do, before on July 1st, 2008, AACS take over anyway. He said that what he didn’t know is the legitimacy or grounds for LogistiCare to appeal as to the FY2009 bid itself, the present bid in which AACS was awarded the Green River and Barren River HSTD regions.

Mr. Logsdon stated that Mr. Lanham told him as of the previous Friday that LogistiCare’s appeal of the bid award had not yet been resolved. The Transportation cabinet had thought it was going to be resolved within two (2) weeks, but it was not. Mr. Logsdon also stated that he doesn’t know what the implications of that are. Mr. Whitaker asked of what was their standing, adding, “I assume they bid.” Mr. Logsdon said that LogistiCare bid all six (6) regions in the western end of the state and lost every one of them. Mr. Mountjoy stated that they protested that.

Board of Directors Training at the February Board Meeting. Mr. Logsdon informed the Committee that at the February Board meeting, he will ask that the Board race through its business so

as to provide substantial Board training time. That's why Committee meetings are so important and useful. Any kind of discussion that members want, the committee is the place to have it. But February 19th in particular, the emphasis is going to be to race through the business so fast as to "make one's head spin," he said.

Most of the time that we're going to spend at the February 2008 Board meeting is going to be involved in Board training, particularly important for the Board's newer members. The training will be very beneficial to everyone, but certainly for other continuing members. It should be beneficial for long-term members as well just to be reminded of a lot of things. There is a new law for Head Start, which has placed some imposing new requirements on the Governing Board of a Head Start grantee. Everyone needs to attend and hear about this topic and general Board member responsibilities. Ms. **Colleen Mendel** from Western Kentucky University, a nationally known and respected authority on non-profit boards and an expert in Head Start governance will be the trainer.

2007/2008 Needs Assessment for Board of Directors. Mr. Logsdon stated that Counseling Services director Cathy Lamar is asking that all of the Board members provide some input for the Community Service Block Grant (CSBG) refunding proposal. Mr. Logsdon asked that before leaving the meeting that members go through the survey form and check the things that apply and those places to make comments or to perhaps just quickly jot something down. The survey was sent out earlier to the Committee members and Mr. Logsdon said that he hoped that each member took a look at it.

Pathways to Excellence (Self Study) Update. Mr. Logsdon advised the members that the Self Study is proceeding on track according to the planned schedule for finishing an agency-wide *draft* self study by the end of the month. The Senior Staff is actually a little bit ahead of target, he said, so the agency should be able to meet that timeline. By the time of the Board meeting on February 19th, the staff will be even further along.

"Rooting out Poverty" Study and Campaign. Mr. Logsdon told the Committee that if anybody would like copies of the national "Rooting Out Poverty" campaign material, he has all of it in electronic format. Just let him know; he can provide all of it.

2008 Head Start Self Assessment. Mr. Logsdon stated that Head Start has underway a pretty large-scale self-assessment, this being the year prior to our federal review. We really want to engage Board members as well as Head Start associates of all types in that review. Listed is the schedule of what's being reviewed, where they're doing the review and if anyone is available and interested in participating in any of that to call Mr. Aubrey Nehring or his secretary, Ms. Amy Rafferty. The Head Start number is **686-1649**. Let them know that you're interested in participating.

Finance. Mr. Payne stated that AACS just finished up the organization-wide audit. Within the next several months, he'll be implementing a few things suggested by that audit. The agency will be looking at implementing whatever recommendations that Alexander & Company comes forward with and that AACS needs to make changes on. We're going to be spending a large amount of time preparing for the new audit year where there is going to be significant changes in audit standards, he said. We are going to be getting prepared for that and it will take quite a bit of time. Staff are going to be preparing some internal control modules, manuals, and rewriting our financial procedures manuals, he said.

Personnel. Ms. Gatton stated that her department finished sending out to each of the locations the 2008 OSHA forms. She also said that she had worked up current turnover percentages. Over the last three (3) years, the turnover has slowly gone down, she said. Still, it remains around 25%. Mr. Logsdon asked if most of that was in Head Start. Ms. Gatton answered yes. Mr. Logsdon mentioned to the Committee that Head Start operates a schedule like the schools do. So there is a big block of time each summer where field staff are not working and Head Start loses a bunch of employees then.

Mr. Logsdon mentioned that Ms. Gatton's department is experiencing some staff changes. Ms. Gatton stated that one of her personnel assistants, Ms. Barbara Feldpausch, is retiring at the end of February after eleven years. Her position has been posted.

Information Systems/Information Technologies. Mr. Hagan stated that his "IT" department is working very hard on the strategic plan and how involved the IT department is in the strategic plan. The emphasis is on communications. One major point that they're focusing on is in the voice communications arena. The IT staff is finishing a project for GRITS. The ultimate objective is to integrate the entire agency's phone system with the new technologies. That is one theme of the departmental strategic plan, he said — focusing as a group on looking at things agency-wide and each individual program and all staff can work together through better communication mechanisms, such as being able to dial each other via four digits from wherever, or being able to e-mail every staff member/associate in the organization. A Web component will enable each employee to log into AACS' intranet and have a "tailored" environment so that if there are new HR postings or other informational items of note it will be there close at hand for every employee/associate. The current-year IT plan has three (3) elements in the communications arena that the IT staff is very excited about, he said, they're interested in any input.

The Committee turned its attention to the two attorneys, Jesse Mountjoy, AACS' attorney, and David Vickery, Wabuck Development's attorney, who were going to address the action needed for The Learning Villa partnership.

The Administrative Support Committee will first hear the business to be conducted and make its recommendation to the Executive Committee, which will convene immediately following the adjournment of the Administrative Support Committee to formally approve the Corporate Resolution and related documents needed to complete the AACS-Wabuck General Partnership.

Mr. Logsdon told the Committee that perhaps many thought with the passed resolutions in November 2007 concerning The Learning Villa and which were ratified at the December Annual Board meeting that AACS was done with The Learning Villa-related actions. Well, it turned out **not** to be the case, he said. There remain certain documents that have to be executed having to do with the equity-providing limited partner, a group called Ohio Capital. There are numerous documents that have to be approved, including a Corporate Resolution.

Mr. Logsdon turned the discussion over to the attorneys, asking exactly how much needed to be done in the administrative meeting and how much needed to be done in the Executive Committee. We could probably do it all here and recommend it from this Committee. The agreement achieved was to handle the entire business, except for actual document signing, in the Administrative Support Committee, had that committee make its recommendation to the Executive Committee, which would in its own meeting to follow approve in behalf of the Board the actions needed.

Mr. Mountjoy introduced Mr. David Vickery, an attorney from Leitchfield who represents Garry Watkins, president of Wabuck Development, AACS' Co-General Partner in the low-income housing tax-credit partnership known as The Learning Villa. Mr. Mountjoy stated that he would give a general outline and mentioned that he had made a "flowchart" (which was passed out) to help clarify all the interwoven entities in this project. It's just a basic structural flowchart, he said, as to who the parties are and what exactly they are entering into and the purposes of what they are actually going to be doing in this partnership over the 32-unit, four-acre project in southeast Owensboro. AACS stepped in to assume Brescia University's original involvement with Wabuck, acting as a co-general partner for this investment opportunity. AACS is in to the extent of a 100% single-member limited liability company (LLC) controlled and owned by Audubon called Audubon Learning Villa, LLC.

Mr. Mountjoy said that AACS, a Kentucky not-for-profit corporation, has formed for liability protection purposes a separate entity called Audubon Learning Villa, LLC. It will be a co-general partnership

owning ½ of 1% of this limited partnership called Learning Villa Limited, which is the limited partnership. The 99.9% owner of the limited partnership and the limited partner as opposed to Mr. Vickery's client and Audubon Learning Villa will be what Mr. Vickery identified as **Ohio Equity Fund for Housing Limited Partnership XVII** of Columbus, Ohio. So AACS, Inc. is a 100% owner of *Audubon Learning Villa, LLC* and then Mr. Gary Watkins and Wabuck affiliate, the *Learning Villa Holding LLC* are together the co-general partners.

This is a Kentucky limited partnership which is managed by the co-general partners. The Ohio Equity Fund is a *limited* partner. Under Kentucky law, a *limited* partner is in it for something other than managing and doing it for the investment. In this case, they're in it by paying front-end dollars for the privilege of taking tax credits on their federal income tax returns. A "tax credit" is a dollar enhanced. If Ohio Equity Fund has one dollar tax due it is now able to offset that dollar of tax owed with whatever it bought from Learning Villa Limited via these tax credits.

That's the opportunity that non-profits and profit companies to join together to build low-income housing like this and get private sector funding. Instead of giving them an ordinary "rate of return" on traditional investments, the non-profit says, "You go in with us and we'll make a bunch of money for you." By doing that, they're creating an entity that actually qualifies under the Internal Revenue Code for various tax credits and they're paying front-end dollars for the tax credit coverage period of fifteen (15) years.

The other part of the flow chart, said Mr. Mountjoy, Mr. Vickery would be able to expound on. You will see that the Learning Villa Limited owns the land and the project site. Wabuck Development Co. has a construction contract with the co-general partners to build the facility. There is a Guaranty Agreement that Wabuck has — Mr. Mountjoy pointed out a footnote on the chart — for project completion, occupancy, tax credits, tax flows, cash flows and recovery provisions. That Guaranty Agreement is not from AACS; it is from Wabuck. Finally, you will see a Development Services Agreement, under which AACS, the same AACS from the top of the flowchart.

AACS is due development fees. This is part of the Kentucky Housing Corporation (KHC) funding plan the way it is structured. AACS is due a development fee and it turns around and loans that development fee back to the partnership and gets a note secured by a mortgage on the real estate, which, according to KHC, is the way to go and which will firm up AACS' purchase option at the end of the 15-year tax credit compliance period. And with that, my knowledge is finished, said Mr. Mountjoy.

Mr. Vickery informed the Committee the way that worked is that KHC allowed the partnership to add the development fee to the basis. That's the bottom line and that's what it is. That's exactly what this scheme that KHC came up with. It's legitimate. They increased the basis by this amount, by this development fee, so that what the syndicators is actually putting in is dollars that you get back on your tax returns. They were able to inject into the project an additional \$1 million plus, you will put into the project. It's kind of a convoluted way to do it, but that's what they came up with.

Mr. Mountjoy mentioned that AACS wants to make sure that it's clear as to the fee it earns, but that it doesn't presently get to keep it. AACVS loans it back, which is fine with AACS, because it's dollars that AACS wasn't looking at receiving now anyway.

Mr. Vickery asked if there will be some benefit from that loan back to the partnership. Yes, there will be. At the end of the compliance period, and thirty years is the way Wabuck structured this deal, that note and mortgage will be due and payable to AACS. But the end of the compliance period, under Section 42 of the Internal Revenue Code shows this project can be offered for sale, but there will be no qualified buyers except for AACS. AACS can purchase it. It will be offered to AACS at the appraised value, but the AACS loan will go in as a debt against this project. The \$1 million plus will go as a debt against this project. That means if AACS wants, which surely it will want, either AACS will receive the money or the project itself for a nominal amount. Nobody else is going to buy it. AACS will basically get the

project for “little of nothing,” except that you have been involved all this period of time. That’s the bottom line. Mr. Mountjoy stated that it is important that the said debt be factored in when AACS finally buys the project outright. The debt is to yourself. Mr. Vickery added that it does make an added plus.

Mr. Logsdon asked the attorneys what the Administrative Support Committee and the Executive Committee needed to do. Mr. Mountjoy stated that since the Administrative Support Committee and the Executive Committee were, in effect, presently meeting jointly that the Administrative Support Committee should recommend approval to the Executive Committee then adjourn. He said that he just want all questions to be answered. The main thing that Mr. Vickery is wanting is a Resolution from the Executive Committee, which it can approve at its session immediately following the Administrative Support Committee session.

Mr. Mountjoy advised the members that the Resolution that was printed and contained in the Administrative Support Committee’s meeting packet was missing one paragraph that Mr. Vicjery had added and that he looked at and he believes is right. That one added paragraph that Mr. Vickery added and Mr. Mountjoy approved was information to the effect that prior actions of Audubon, which are in the vested in persons with appropriate powers and authority as set forth, “are hereby ratified.” Mr. Mountjoy informed the Committee that he has approved the paragraph and it is not anything other than a ratification of whatever has been done in previous times.

Mr. Vickery stated that there is no liability to the Audubon group. You have formed a limited liability company and are in a position so there is no debt in this instance. There will be no debt to you. There has to be recourse to someone, though, because someone has to guarantee the tax credits. With respect to The Learning Villa project, Wabuck guarantees eligible occupancy, it guarantees that the project is built, it guarantees its project plans and specifications according to the syndicators’ requirements. They do check all of this and audit it monthly throughout the project. Wabuck has to issue provide those guarantees. Mr. Watkins has pointed out before because of that, Mr. Watkins’ entity will be the managing partner that will do these things and they will bear the brunt of the guarantee and the built in of the project just like Mr. Mountjoy said.

Rev. Combs asked that at the end of those fifteen (15) years, those tax credits, do those come back to the organization or if they are only for fifteen years. Mr. Vickery stated that the tax credits are only for that period of time. After fifteen years those tax credits are fully spent.

Mr. Mountjoy informed that this was all that was available from this project and they have used them all and there is nothing else. The syndicators (equity providers) got what they paid for; the tax credits, they’re used. Mr. Vickery stated that there are, however, under the IRS Code, are some restrictions with regards for use of the project and that’s the reason they have to be continued on as extended use provision by virtue of being able to use this program under the law and so that’s the reason it runs longer than the tax credit of the actual fifteen-year period.

Mr. Whitaker asked if there were any questions. There were none.

Mr. Mountjoy stated that there were a number of documents that Mr. Logsdon will have to sign either as executive director on behalf of AACS or on behalf of AACS’ fully owned LLC. There are also a couple of documents Chairman Manning and Board Secretary M. Douglas Smith will have to sign as Chair and Secretary. This Committee’s action (recommendation) begins the formal action that will be culminated today by the Executive Committee with that required Resolution, and everything else will flow from that.

Mr. Marshall Hatfield made a motion to recommend to the AACS Executive Committee its approval of the Corporate Resolution and related documents pertaining to AACS being a co-general partner in The Learning Villa and to authorize the signing of the documents required by

The Learning Villa's equity providers, Ohio Equity Fund. Ms. Betty Rucker seconded the motion. Motion approved.

Executive Director's 2008 Performance Review. Mr. Logsdon stated that the Committee agenda was sent out before he knew that there was a need to have an Executive Committee following. Somehow or another, the executive director needed to receive performance review, he said. He said that he had talked with Chairman Manning about it. It is the Chair's prerogative as to how he does it, but it needs to be done. If the Committee wants to "weigh in" on any insights, suggestions or comment on the executive director's performance or the lack thereof, the opportunist is here, said Mr. Logsdon.

Mr. Whitaker advised the Committee that he would entertain a motion appropriate for the Committee to recognize a commendation for Mr. Logsdon's service in the areas and his performance with respect to the Administrative Support Committee, providing a favorable commendation to the Chairman.

Mr. M. Douglas Smith made a motion to commend to the Board and the Chair the Executive Director's performance for 2007-2008. Mr. Manning seconded the motion. Motion approved.

ADJOURNMENT

There being no further business,

Mr. Manning made a motion to adjourn the Administrative Support Committee meeting. Mr. M. Douglas Smith seconded the motion. Motion carried.

The Committee meeting adjourned at 1:05 p.m.

Hon. Larry B. Whitaker
Committee Chairperson