

Audubon Area Community Services, Inc.
Board of Directors Meeting

MINUTES
October 21, 2008

The AACS, Inc. Board of Directors gathered at 5:15 p.m. on Tuesday, October 21, 2008, at the Central Office in Owensboro. At 6:00 p.m., following dinner, AACS, Inc. Board Chairperson Mr. Manning called the meeting to order and welcomed the Board, and staff.

Members Present (14 Members/ 14 Voting):

Rev. David Combs*	Mr. Paul Lashbrooke	Mr. M. Douglas Smith
Hon. Reid Haire	Mr. Jerry Manning	Ms. Vickie Tinsley
Mr. Paul Hart	Ms. Debbie McClanahan*	Ms. Charlotte Vandgrift **
Mr. Marshall Hatfield	Mr. Thomas Platt	Hon. Larry Whitaker
Ms. Joanne Kendall **	Ms. Betty Rucker	

Key: **Bold** = Officer/Executive Committee Member *Italics* = Ex-Officio Member
*Alternate – Member not present **New Board Member

Alternates Present with Member (3):

Mr. Frank Craig	Ms. Jeanette Manning	Ms. Sandra Obilade
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Ex-Officio (3):

<i>Mr. J. D. Meyer</i>	<i>Mr. Keith Sanders</i>	<i>Ms. Nelda Barnett</i>
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Staff Present :

Ms. Carrie Blackham	Ms. Cathy Lamar	Ms. Robyn Mattingly
Ms. Cheryl Gatton	Mr. Ronald Logsdon	Mr. Byron Mayes
Mr. Dan Lanham	Ms. Denise Marcum	Mr. Aubrey Nehring

Guests Present:

Mr. Jesse Mountjoy, AACS Attorney

Mr. Manning introduced two new board members, Ms. Charlotte Vandgrift and Ms. Joanne Kendall. He also introduced the new Chief Financial Officer, Mr. Byron Mayes. Mr. Manning thanked everyone for attending.

CONSENT AGENDA

The Consent Agenda included the September 2008 Financial Statement and the August 19th Board meeting minutes. Mr. Logsdon noted a mistake in the August Board meeting minutes concerning the dismissal of the Chief Financial Officer. Also, the last page of the minutes, under SCP, FGP, SSC concerning the celebration of the volunteers' efforts, the dates given for the respective celebrations need to be exactly reversed.

Mr. Smith made a motion to approve the August 19th Board meeting minutes and the September 2008 Financial Statement. Mr. Paul Hart seconded the motion. Motion approved.

Mr. Manning expressed sympathy to Judge Whitaker, his mother having recently passed away. Mr. Logsdon noted to the Board that Ms. Whitaker's obituary was located in the back of the handout packet.

ADMINISTRATIVE SUPPORT COMMITTEE

The Administrative Support Committee met September 29th and formulated its recommendations for the October Board meeting. Copies of the Committee's minutes were included in the October Board Booklet.

Financial Policies and Procedures Manual. Mr. Logsdon reminded the Board members that during the August 2008 Board meeting the draft Financial Policies and Procedures Manual was first presented for approval. There was an objection to approving it that night because there had not been sufficient time to read it fully. The Vice Chair was particularly concerned about that, so action to approve the manual was deferred until the October meeting. Within the next week, Judge Haire read the whole manual and met with a couple of key staff people. He and they came up with several revisions. And it has gone through other revisions. Due to the two-month delay and the ongoing work on the manual, said Mr. Logsdon, he felt the manual now presented was a much better set of procedures. Copies of the Financial Manual had been posted on the agency's Web site for members' prior review and printed copies were provided to all members present. A lot of eyes have looked at it since then and all apparently believe that it is ready to be approved.

Judge Haire made a motion to approve the Financial Policies and Procedures Manual. Mr. Hatfield seconded the motion. Motion approved.

Mr. Logsdon reminded the members that the Financial Manual was posted on Audubon's Web site; anyone can download it. Too, the electronic version was searchable, making it very easy to find whatever one wanted to access.

AACS Board By-Laws, Revised. Mr. Logsdon stated the Administrative Support Committee had spent some three hours going through the By-Laws and making a few recommended changes. In the October Board Booklet, the Committee tried to clearly present those changes for members to see what they were. Mr. Logsdon pointed out a "key" at the top of the By-Laws (page 47 in the booklet). The items that were underlined are being added with this proposed revision.

The proposed changes were very minimal, he said. One of those changes that the Committee recommended to be struck out was the fact that representatives should "not be elected on the Sabbath Day." Too, the Administrative Committee recommended a very slight alteration with respect to the Election Committee, specifying the addition of a "when necessary" provision, because the Committee didn't think *every* election necessarily needed to have such a committee appointed.

The Administrative Committee suggested that the Board should "take a very liberal approach" regarding the representatives that come from the public sector. Right now, the agency practice is that two (2) public sector seats entail getting an appointment from the mayors of the cities of Henderson and Owensboro. But, if one really reads the printed text more openly and more broadly, it already gives the agency a lot more latitude than what has been exercised when filling those public seats. The Committee thought AACS didn't need to change the By-Laws necessarily, just needed to have a much broader understanding of the current By-Laws as they were written. That, as written, permits the agency to seek elected public representatives other than the two cities' mayors or their appointees.

The Committee recommends several changes with respect to the office of Board Secretary. The Treasurer duties had been removed from this position some time ago, but the By-Laws were never fully cleaned up, so now that section, as proposed, is “clean” — and all the stated duties of the Secretary are appropriate.

The Committee proposes changes on all of the Board committees that have oversight of *programs*. Mr. Logsdon referred to the pertinent By-Laws sections, showing the example for the Board Committee for Child and Family Services. Text has been stricken that referred to the Head Start PRISM, which no longer exists, and added information that concerns the new (December 2007) Head Start law, the Improving Head Start for School Readiness Act of 2007, which is current.

Mr. Logsdon also referred the members to where the Committee added a whole new Article X on Conflicts of Interest. That was a material weakness in the current By-Laws, he said. The agency did not have that stated prohibition in its By-Laws. He also advised that the proposed new Article was consistent with those requirements stated the newly approved Financial Policies and Procedures Manual.

Mr. Logsdon did advise the Board that the Administrative Support Committee had said it wanted to come back at a later date, look at the By-Laws anew, and perhaps make additional recommendations for changes. But the currently proposed By-Laws, as drafted and sent out to all members in accordance with the amendment requirements stated in the By-Laws were proposed by the Committee for the Board’s approval.

Judge Whitaker, chair of the Administrative Support Committee, made a motion to accept the proposed changes to the current By-Laws and approve the newly revised AACS By-Laws as drafted. Mr. M. Douglas Smith seconded the motion. Motion approved.

OTHER BOARD COMMITTEES:

The Child and Family Committee met September 3rd. Its work was oversight only. No recommendations were brought forward from this Committee for Board action. Copies of the Committee’s minutes were included in the October Board Booklet.

The Community Support Committee met September 30th. Its work also was oversight only. No recommendations were brought forward from this Committee for Board action. Copies of the Committee’s minutes were included in the October Board Booklet.

The Community Services Committee met September 16th. Its work, too, was oversight only. No recommendations were brought forward from this Committee for Board action. Copies of the Committee’s minutes were included in the October Board Booklet.

Other New Business

Owensboro Regional Recovery Center. October 2007, AACS’ Board first approved AACS’ “go-forward” to develop its potential Owensboro Regional Recovery Center (ORR) partnership with Lighthouse Recovery, Inc. That initiative has now come to fruition. The matter is now brought back for final Board approval.

Limited Partnership Agreement. Mr. Logsdon informed the Board that these new items of business have *not* been reviewed by a Board Committee. He reminded the Board that one year ago this month, AACS was asked to join in with Lighthouse Recovery, Inc. and be a co-general partner in the Owensboro Regional Recovery Center, one of the state’s ten regional recovery centers conceived under the Fletcher Administration. At that time, the Board agreed to do that, but also passed a Resolution that before this deal becomes final Mr. Logsdon would come back to the Board and ask

for approval to proceed. Those October 2007 minutes reflected Mr. Mountjoy's rephrased motion to authorize the executive director and the Executive Committee, with the assistance of counsel, to proceed to negotiate a tentative partnership agreement subject to final approval by the Executive Committee and/or the Board of Directors.

So tonight the director and counsel come with what they think is pretty final, although there might be a word or two that is going to be changed even tomorrow at the scheduled closing with National City Bank, the tax credit equity provider. Every member has been provided a copy of the proposed Limited Partnership Agreement (LPA) for this project. Mr. Logsdon also pointed out the colored flow charts that graphically depict how the deal/project works. Too, he noted that an e-mail was sent out to all members for whom the agency had e-mail addresses — and in the Board booklet told members where to go look for it when it became available, which was this past Monday. Tonight, a printed copy of it is available for everyone to have the printed Limited Partnership Agreement between the two co-general partners, together one-tenth of 1% "owners." And National City Bank Community Development Association, the equity provider and the 99.9% 15-year-owner of the facility.

Mr. Logsdon advised the Board members of further conference call discussions earlier in the day and that some minor changes were yet going to be made to Section 10.4.b. These deal with potential direct payments to the partnership and that they are going to be handled in accordance with certain terms. By and large, those payments were necessarily going to become subject to revision.

Memorandum of Understanding – AACS, Inc. and Lighthouse Recovery, Inc. There are two documents that relate to this co-general partnership and each entity's role. One is listed in Section 10.4.b. of the LPA and the other one is in the Memorandum of Understanding (MoU) with Lighthouse. The MoU also has to do with what each partner will receive as an agency. AACS will, for example, receive indirect costs on the staff employed at the Center and will receive an 8% housing management fee for its work with the assisted-housing side of the project. Lighthouse Recovery will receive stated revenues in support of its work in the drug-recovery *service* side of the project.

Funding Agreement. Mr. Logsdon noted to the Board the Funding Agreement that was attached to the Memorandum of Understanding. This tells how the monies are actually going to flow from the two (2) banks and how the monies are going to be applied. Mr. Logsdon reminded everyone about the flow chart that Mr. Mountjoy devised about a year ago to explain all of the different players and sources of funds.

Certificate of Corporate Resolutions. In the handout packet there was a Resolution that Mr. Logsdon asked Mr. Mountjoy to explain. Mr. Logsdon advised the Board that one just like it had already been done and executed by the Lighthouse Regional Recovery.

Mr. Mountjoy stated that the focal point of tonight's requested Board action is the thing called Certificate of Corporate Resolutions. Before anyone gets confused, he said, understand that there are two entities that are going into this thing, one being Audubon Area Community Services, Inc. and the other being Audubon Area's wholly owned subsidiary, "Audubon ORR, LLC." That second entity is going to be the co-general partner with Lighthouse's subsidiary. Mr. Mountjoy referred everyone to the flow chart. It is important for everyone to understand the general concept, he said.

Look at that organizational flow chart and see that at the top you have Audubon Area Community Services and Lighthouse Recovery, both of which have a corporate subsidiary called an LLC. Those are going to be a total of 1/10 of 1% partnership interest in this entity called Owensboro Regional Recovery, LTD, a limited partnership. Audubon and Lighthouse are the co-general partners. National City Bank Development Corporation Association (NCB-CDA) is the investment and the

capital equity under National City Bank. They are the 99.99% owner of this, even though they are a “limited” partner. In other words, *management* control is with the two (2) co-general partners. Under certain circumstances as set forth in the Limited Partnership Agreement, the limited partner can come in and take over the operation if a/the co-general(s) are not doing a good job from a tax-credit delivery perspective. They’re in it because they want the return on investment. National City is in it for the housing *tax credits*, and that’s how the general operation works.

Again, the focal point is of these Resolutions is for the Board tonight to authorize this Corporate Resolution, which not only goes to Audubon but also goes to Audubon ORR, the wholly owned subsidiary. The important thing is that this goes back to Judge Haire’s comments months and months ago that Audubon is *guaranteeing* the performance of this general partner. It is effectively guaranteeing that this operation will go well. The parent corporations are guaranteeing the obligations and performance of their subsidiaries, which are the co-general partners.

Mr. Logsdon has been wise and smart to circulate most of the contracts to you, he said. If you’ll read that subsidiary corporate resolution, it generally says, we hereby approve everything and give Mr. Logsdon authority to sign all of those contracts — and he has given you the contract that he will sign on behalf of AACS. And those are what? There’s a Property Management Agreement that Audubon, not Audubon’s subsidiary, will execute with the “limited partnership.” Lighthouse, too, has a contract with the partnership.

Again, we’re talking about a number of different hats that if you lose sight of one hat, you really get confused. We have a “limited partnership” — that is an entity that is operated by the co-general partners (and overseen by the “limited partner,” NCB-CDA), and they in turn have some contracts for the construction and operation of Owensboro Regional Recovery. For example, PDC Construction of Little Rock, Arkansas, has the construction contract with the limited partnership. The two co-general partners have their respective Property Management Agreement (AACS) and Service Agreement (Lighthouse).

At the end of a 15-year term, at which point NCB-CDA will want to get out of the partnership, you will see an Option and Sale Agreement. That’s where the two co-general partners, Lighthouse and Audubon, have the right to purchase the property when National City has gotten all the use it wants out of it. They (NCB-CDA) will get their dollar-for-dollar tax credits for ten (10) years and then at the fifteenth year there will be an option for them to exit the partnership.

You will also see the previously mentioned Memorandum of Understanding between Lighthouse and Audubon that defines the rights and obligations and parameters of Lighthouse and Audubon. Mr. Mountjoy stated that Mr. Meyer did a really good job as far as making the final changes and setting it out.

Discussion. Mr. Logsdon said that the only thing that he wanted to reference was captured in the handwritten charts. Having done the required due diligence and negotiating favorable tax-credit-delivery terms, AACS firmly believe that this is a doable and manageable program, he said. AACS is basically guaranteeing \$5 million in *delivered* tax credits to National City Bank over the next ten (10) years.

What existed in the LPA a month ago was a contract that would have required ORR to begin delivering the tax credits mid year of next year (July 2009), and that was *not* doable. AACS staff knew that because of two (2) tax credit specialist certification trainings to better understand this tax-credit thing. That proposed deal was not doable because the project can’t even be constructed by that time. If construction started this month the facility would at the earliest be constructed yet a year from now. Staff don’t think that’s even likely. Construction will probably carry toward the end of next year or maybe early in 2010.

The current LPA agreement has changed to where ORR will have to start delivering tax credits in April 2010. That provides nine (9) months in the year 2010 to fully lease up the Owensboro Regional Recovery

Center according to all of the eligibility requirements that have to be dealt with. If you do the first year right, and you do the lease up correctly on the first year, it's pretty smooth sailing after that, he said. The most critical year that you're going to face is that very *first* year, just like at The Learning Villa. If you have any ineligible people that you place in there that first year, you jeopardize the tax credits on that particular unit.

ORR is also going to employ a couple of consultants to help on all of the tax-credit-delivery requirements to be sure that the initial lease-ups are done correctly. Staff at Audubon are going to be managing the housing side of that operation, said Logsdon, and he's confident that this is a very doable and workable project. One of those handwritten charts shows the kind of liability that ORR, its subsidiaries and guarantors face if they fail to do it the right way. If ORR doesn't deliver the tax credits, then guess what, National City Bank wants the equivalent return in cash money.

In terms of the ongoing operational expenses, the partners and staff have taken a careful look at the projected expenses and revenues, and think this is a very workable project. This is not the first one of these drug recovery centers of this particular model in Kentucky. There is one in Henderson. There is one northern Kentucky and one in Richmond that have already gone operational. There are eventually going to be ten in Kentucky, and these have the firm backing of Kentucky Housing Corporation, which is the Kentucky state agency that issues tax credits and monitors their compliance according to IRS and Treasury rules.

Even though some want to make a case for a lot of risks and liabilities, Mr. Logsdon said that he thought that all of that has been considered and, quite frankly, he said, the staff is comfortable with it — and, he assumed, Lighthouse feels the same way. Staff, board members, and attorneys from both organizations have worked hard in the past year to bring the decision to this point.

Mr. Manning asked if there were any questions.

Judge Haire asked who was going to be the fiscal agent. Mr. Logsdon stated that Audubon was the fiscal agent for ORR. Judge Haire then asked if there was going to be an annual audit. Mr. Logsdon said yes. Judge Haire stated that because of the potential risk, if it would be possible for the Board to get periodic financial statements detailing the financial analysis. Mr. Logsdon stated that Mr. Mayes would see to it.

Mr. Meyer said that GRADD is also a fiscal agent with respect to the Community Development Block Grant (CDBG) funds awarded through the Governors Office of Local Government. They will provide another set of eyes at least for that portion of the operation. Judge Haire asked if there were two (2) fiscal agents. Mr. Logsdon replied yes, but GRADD's role encompassed just the CDBG funding.

Mr. Meyer stated that AACS will oversee everything and every dime. Judge Haire asked if things will go through GRADD, but really come to AACS. Mr. Logsdon said that after GRADD pays the CDBG funds to Owensboro Regional Recovery AACS will handle it in ORR's name. Mr. Logsdon also said that not every bit of this facility is covered under the tax credits. Some of these are being purchased by the Department of Corrections (DoC). They have indicated that DoC will contract for thirty (30) units.

Mr. Meyer stated that most of the majority of the individuals in the facility will qualify for the Section 8 housing as well as qualify for the low income housing guidelines under the Federal Home Loan Banks.

Mr. Logsdon stated that ORR will likely seek two (2) contractors for AACS to work with, particularly in the early stages of qualifying the units for tax credits, are **1)** Wabuck Development (and its tax credit management subsidiary, Homeland), which is already running one of Kentucky's regional drug recovery facilities in Henderson. They know a lot of the pitfalls that pertain to Kentucky Recovery, he said. The second proposed contractor is ORR's developer, **2)** the PDC Companies, Little Rock, Arkansas. Under its Developers Agreement PDC will be assisting the agency. The agency (AACS) will be utmost careful because that's what determines the delivery of the tax credits. The key to the delivery of tax credits is that it is all done on a *strict compliance basis*. If you do it compliant with the federal tax credit law, the

tax credits are valid and they are available to the investors, said Mr. Logsdon. It's only when its not done right that the tax credits are jeopardized. KHC will also be closely "over the shoulder" as well, he said.

Judge Haire asked if a business plan was presented that showed what the projected revenue and expenditures were going to be. Mr. Logsdon said no, but PDC had done a revised pro-forma in August after the new tax credit law was passed. Mr. Logsdon informed the Board that the NCB-CDA closing was scheduled for tomorrow at 2:00 p.m. There are some final revisions that are being made to some documents.

Judge Haire asked if the anticipated and operating deficit reserve of \$34,000 annually as stated on the August pro-forma was correct. Mr. Logsdon said that he didn't recall the final numbers that way. During a conference call earlier that afternoon, there were some discussions about the *reserves* that were expected to be generated because of the new 9% tax rate. Mr. Logsdon stated that it had been discussed in the telephone conference earlier that day in terms of the surplus that was expected to be generated. Mr. Meyer advised that just from the rental assistance and Section 8 assistance alone, they're anticipating a \$50,000 surplus. Mr. Meyer pointed out to Judge Haire and the Board that part of that August schedule's number does not take into account the increase monthly Section 8 allowance. The surplus number that Mr. Logsdon was talking about is based upon an income pro-form generated and approved by KHC in their underwriting process when they issued the new 2008 tax credits for the project.

Judge Haire pointed out an annual operating expense of about \$600,000. You're anticipating CDBG funds, Department of Corrections funds, and other sources of funding. What if those don't materialize? Mr. Meyer said that he had discussed that with KHC and that it was prepared to increase its subsidy payments should the loss of CDBG eventuality occur.

Mr. Mountjoy stated not according to the numbers that had developed since August. It's a combination of financing the 9% credit and they're looking at the numbers some more. Mr. Meyer added that what happened when Mr. Logsdon referred to the change in the tax credit law in August, the federal government altered the way the tax credits are allocated. As a result of that, there was an additional \$600,000 or \$700,000 put in to this project by National City Bank. As the project comes out of construction, as anticipated now, ORR will have excess funds to fund an operating reserve. ORR will have \$190,000 in the bank in a reserve account from day one from the allocated construction fund. Once it starts operating, of course there will be operating revenues that are all anticipated to come in, so the hope is that that money will stay there and will be invested and grow so ORR won't have to tap into that \$190,000. But at least there is a safety net there, whereas under the old pro-form that budget reserve was only \$60,000.

Ms. Tinsley asked in the worst case scenario if that happens, if Audubon ORR would be the buffer. Mr. Mountjoy said there is no buffer. The agency wanted a buffer and tried to get a buffer. But this will ultimately all fall back on Audubon if operational funding or tax credit delivery goes awry, he said. Mr. Manning asked if there were any more questions. There were none.

Mr. Logsdon advised the Board that he inserted in the Board Booklet that AACS is not the only Community Action Agency that is doing one of the regional drug recovery centers. The newly opened Liberty Place in Richmond, Kentucky is also being done by a sister Community Action Agency; AACS will be the second CAA participating in the "Kentucky Recovery" program.

Mr. Manning asked if everyone understood what Mr. Logsdon, Mr. Meyer and Mr. Mountjoy were asking the Board to do, to accept the resolution and to give Mr. Logsdon and Mr. Mountjoy the authority to go ahead on the project.

Mr. Hart made a motion to approve the Certificate of Corporate Resolutions, the AACS and Lighthouse Memorandum of Understanding and the co-general partners' Funding Agreement. Mr. Smith seconded the motion. Motion approved.

Presidents Place – Proposal Documents Signatory Authority. Mr. Logsdon informed the Board of a new *proposed* tax credit project AACS is working on, a facility configured and managed in association with Wabuck Development just like The Learning Villa. It is a 60-unit senior project with a community facility to be located on Highway 54 East behind The Springs. As with other projects through Wabuck, they are to be the tax-credit-delivery guarantors. AACS doesn't really have the financial risk on this one.

Several resolutions have been already signed and sent to Wabuck for the proposal submission. Yesterday was the deadline to get the application in, said Logsdon.

Board approval is needed on this particular project and all of the documents are included in the handout packet, and they have all been signed. The Management Agent Certification Form, the Personal and/or Business Credit Report Certification, the Applicant/Developer Certification, the Consultant Certification, and the Contract for Consultation Services have all been signed. Mr. Logsdon said he also included in the packet the Presidents Place Articles of Incorporation that are ready to be filed.

Mr. Smith made a motion to accept the Presidents Place proposal and authorize the executive director to sign all its proposal-required documents. Ms. Tinsley seconded the motion. Motion approved.

Foster Grandparents' Yeager Charitable Trust Grant Application. Mr. Logsdon advised the Board that the agency's Senior Service Corps (SSC) had submitted a proposal to the Yeager Charitable Trust. Ms. Mattingly stated that the Yeager Application is two (2) different issues. First, SSC has applied for funding to provide meals for some of her Foster Grandparent (FGP) volunteers in schools. Ms. Mattingly also stated that her department is finding that some of the schools are having difficulty in providing those meals. She is also hoping to get funding through the Yeager Charitable Trust for other support for the volunteers.

“Mentoring Children of Incarcerated Parents”. The Mentoring Children of Incarcerated Parents is actually only a work in progress, said Ms. Mattingly. The SSC staff has as yet heard very little about that. There hasn't been any paperwork just some correspondence back and forth but AACS' SSC has found out that it will be approved to receive funds for every child that has been matched with a foster grandparent if the child has an incarcerated parent. Right now, it looks like SSC is going to be getting \$900 “per match,” she said, and there are eleven (11) expected matches. There is nothing to yet present to the Board on this matter.

Ms. Rucker made the motion to approve the AACS FGP applying FGP Yeager Charitable Trust Grant funding as proposed. Ms. Tinsley seconded the motion. Motion approved.

Personnel Manual Revision – “Group Insurance,” Section 4.2, (5) “Wellness Program”. Mr. Logsdon stated this policy had already been brought to the Board a couple times to get approvals on this new benefit. The HR Department now sees fit to come back with a modification to the policy allowing “deviations” from customary and usual “wellness” offerings *if* pre-approved by HR. Ms. Gatton stated that revisions have been made and had to go away from the previous twice-a-week policy requirement.

Army Child Care in Your Neighborhood (ACCYN) — Budget Update. Mr. Logsdon advised the ACCYN budget was provided in the evening's handout packet. Ms. Blackham stated that the National Association of Child Care Resource and Referral Agencies (NACCRRRA) and their grantor, the Defense department, has asked AACS to develop additional twenty-five (25) AACYN child care slots in the Christian County area around Fort Campbell. AACS currently contracts to develop seventy-five (75)

slots, so this will bring the total to one hundred (100) AACYN-funded slots. Ms. Blackham stated that she needs to submit a revised budget for an additional \$26,000 for the current year.

Mr. Hart made a motion for approval for submitting the revised budget for an additional \$26,000 and twenty-five new slots for the Army Child Care In Your Neighborhood. Mr. Smith seconded the motion. Motion approved.

FY2009 Child Nutrition Program (Head Start) Application. Mr. Logsdon stated the Department of Education had requirements that Head Start *must* show in its Board minutes that its Child care Food application was approved. Information provided by staff person Michele Smith explained what the Board was agreeing to. Basically, this funding helps to subsidize the meal costs in the Head Start program. Without Board approval AACS Head Start can not be approved to receive those funds. Mr. Nehring informed the Board that the reimbursement for all of the meals and all of the children are eligible is about \$400,000 a year just in reimbursements just for the Head Start program alone.

Ms. Rucker made a motion to approve the FY2009 Child Nutrition Program (Head Start) Application. Mr. Hart seconded the motion. Motion approved.

403(B) Tax-Deferred Annuity Plan, Certification and Resolution. Mr. Logsdon said he received information from Mutual of America (MoA) — and he'd received a call today from their representative in northern Kentucky — advising that AACS really needs to adopt this IRS-required Resolution that MoA had sent to AACS. There was a copy of MoA's sample Resolution in the handout packet. Mr. Logsdon also said that although he hadn't actually filled it out, the Resolution and its related new 403(b) regulations need to be adopted.

Mr. Logsdon said that to the best of his knowledge there were three people in the whole agency that were still in the MoA program, and only two (2) are currently contributing. Mr. Logsdon stated he was one of the three, but he no longer contributes to the 403(b) program. It's a tax deferred annuity program (TDA).

When the agency converted to the state retirement system back in 1991, several people in the agency had 403(b). Although there's only three (3) staff in the program, as long as AACS has one it still has to do these changes. Mutual of America has sent this information to AACS and asks that the Board execute it and send it back to them. Mr. Logsdon confessed that he didn't understand the details of it but he has been advised by Mutual of America to do it. Mr. M. Douglas Smith asked if there was any cost or liability. Mr. Manning said no.

Mr. Smith made a motion to approve and adopt the 403(B) Tax-Deferred Annuity Plan, Certification and Resolution. Mr. Hart seconded the motion. Motion accepted.

EITC Letter of Agreement, FY2009 – AACS/CAK. Mr. Logsdon stated he received from Community Action Kentucky (CAK), formerly KACA, that the AACS was again going to receive \$1,000 to help support and subsidize its Earned Income Tax Credit (EITC) program. At this point, Mr. Logsdon recognized Mr. Keith Sanders for a presentation on the local coalition under which AACS provides its EITC services.

Green River Asset Building Coalition. Mr. Sanders distributed material on what his foundation, the Hager Educational Foundation, is doing through the asset-building coalition in which Audubon is a partner. Mr. Sanders stated what he passed out was an invitation for individuals to volunteer and be a part of this coalition. The coalition was formerly known as the Owensboro-Daviess County Asset Building Coalition, but has now been expanded to several Green River Area counties. It is an exclusively volunteer driven initiative which provides free income tax preparation services for low and moderate income working families. There has been considerable success in its four year history.

This service began in Owensboro-Daviess County and in over a period of two years, the coalition will be operating sites in the 2009 tax year season in Daviess, McLean, Ohio, and Henderson counties. It is expanding this year from eight (8) to thirteen (13) tax preparation sites. During the 2007-2008 tax season, the Coalition served 2,038 families. Mr. Sanders said that he was pleased to say that Judge Whitaker helped out. The Coalition is going to be opening a new site at the Career Center in Calhoun. The Coalition also will have a new site at the Career Center in Ohio County and there will be two sites opening in Henderson. We also have a site at Bellevue Baptist Church and it's going to be exclusively focused on the Hispanic population in the community. To make this work, it takes volunteers. The Coalition continues to need volunteers. Please share the brochures around and have them call the Hager Foundation, he said. Audubon has been a wonderful partner in this in using their building.

Ms. Tinsley asked if a volunteer had to be an accountant. Mr. Sanders said no, you just have to have an orderly and disciplined mind. You will also need to have computer literacy, and we'll also need volunteers for greeters and screeners.

Mr. Smith made a motion to approve the EITC Letter of Agreement with Community Action Kentucky for FY2009. Ms. Rucker seconded the motion. Motion approved.

OTHER BUSINESS

Annual Meeting – December 16th, 2008. Mr. Logsdon reminded the Board that due to the Executive Inn shutting down the December Annual Meeting would be held at Owensboro Christian Church on New Hartford Road (U.S. 231 South). The church has a really nice Community Room in the center part of the complex. Mr. Logsdon encouraged every member to bring their spouse or significant other to the December Annual Meeting, which he promised to be a festive event.

Nominating Committee – Chairman's Appointments. Mr. Logsdon advised that the October meeting is when and where the Board Chairman normally would appoint one (1) member from each of the three Board sectors to serve on a Nominating Committee. That Committee will meet sometime between now and December 16 and come up with a slate of recommended officers to present to the Board at the December Annual Meeting. This is really not hard work, he assured. Mr. Manning said that he would like volunteers or he can appoint them. Mr. Logsdon advised that he would have some recommendations for the Nominating Committee and they will have a listing of who is in all of the different sectors. Mr. Logsdon also said that if anyone was interested in serving, please do so.

Ms. Vicki Tinsley volunteered to serve on the Committee. Mr. Manning asked and then appointed Ms. Betty Rucker and Rev. David Combs to serve on the Nominating Committee.

2009 Strategic Work Plan (Draft) – Submitted for Feedback & Input. Mr. Logsdon stated there was a draft copy of the 2009 Strategic Plan in the Board Booklet. The staff was still working to flush that out with one "wildly important goal" per department. He and the staff wanted to go ahead and get what has thus far been done out to the Board so that any member that wants to offer any input or suggestions will still have time and opportunity to do that. The staff is working on bringing a recommended 2009 Strategic Work Plan to the Board at the December Annual Meeting, he said.

REPORTS

Keith Sanders' Reappointment to the Early Childhood Development Authority. Mr. Manning noted Mr. Sanders' reappointment to the Authority on which he'd served since its inception.

But Mr. Sanders said he wanted to clarify that. He said whimsically that his term had actually expired and he was “reappointed” to the Authority for a term that lasted for only about two weeks — until such time he received a second letter saying that his term of service had, in fact, expired. So he is no longer on the Kentucky Early Childhood Development Authority, having served eight (8) years ... and enjoying it.

Lincolnshires’ Boards Meet. Mr. Logsdon informed the Board that the Lincolnshire Boards had met the previous week and their minutes were included in the handout packet.

Directors and Officers Liability Policy Renewal. The Directors and Officers Liability Policy renewal came back since the Board Booklet was sent out. Mr. Logsdon noted that he had included the entire policy in the handout packet so that members could review it for themselves.

WellPoint Stock Portfolio. Mr. Logsdon said that since the Board Booklet went out a week ago Friday, AACS had gained \$200,000 in its WellPoint portfolio. The stock market seemed for the moment to be doing a lot better, he said.

New Head Start Law Summary/Overview by WKU T/TAS. Mr. Logsdon advised the Board there was a 4-page listing of documents that the federal triennial review (Head Start protocol review) team will be looking for when Audubon’s review comes up after New Years.

GRITS’ Congestion Mitigation Air Quality (CMAQ) Grant. Mr. Logsdon said that GRITS has received a new grant and he thinks they are going to buy some new hybrid vehicles.

Revised IRS “990” – Update. Mr. Logsdon stated that Mr. Manning is always talking with the Board about the “990” report including the changes and so forth. Mr. Logsdon also stated he wanted to give the Board an update with the newsletter he had received.

BB&T Collateralization of AACS Accounts. Mr. Logsdon stated that BB&T is constantly changing its collateralization of the agency’s account and he tries to keep the Board posted on those.

SENIOR STAFF ORAL REPORTS

Senior Service Corps — SCP, RSVP, FGP — Ms. Mattingly. Ms. Mattingly reminded the Board that the Volunteer Recognition for the Daviess, Hancock, Ohio and McLean Counties was to be held the following day. It will be at Our Lady of Lourdes Parrish Hall in Owensboro. Registration will begin at 9 a.m. and the program will start at 9:30 a.m. On October 30th, there will be another Volunteer Recognition Program for the volunteers of Henderson, Union and Webster Counties. The RSVP volunteers that are involved with the Asset Building Coalition are involved as well.

She advised that the AACS FGP was recently named one of the **Top 12** volunteer programs in the country. Ms. Mattingly said that her department will be receiving an *Award of Achievement* through Metlife Foundation and the National Association of Agencies on Aging. It is the same award her older volunteers of the Senior Companion Program won last year. Ms. Mattingly said that next year they were going for RVSP to win it!

Finance — Mr. Mayes. Mr. Mayes was asked to introduce himself to the Board. He said that he is a native of Owensboro and had spent the last twelve years in accounting and is bringing that knowledge to the agency. Mr. Mayes also said that as he has noticed tonight, there is a lot of information he will be looking into and break down. He has been visiting with the staff and getting to know them and their programs. Mr. Mayes commended Mr. Logsdon and the Board for bringing the staff aboard with them being very fine people. Mr. Mayes stated his goal is to review the processes and get familiar with them

and develop programs to strengthen the internal controls. Mr. Mayes also stated that if anyone had any questions to please feel free to call him.

Child Care Assistance Program (CCAP), Resource & Referral, Senior Community Service Employment Program (Title V), and *KentuckyWorks*. Ms. Blackham said that she had nothing further to report.

Community Service Block Grant (CSBG), Low-Income Home Energy Assistance Program (LIHEAP), Family Preservation (FPP)/Family Reunification (FRP) programs, and the Kentucky Intensive Services Program (KISP) — Ms. Lamar. Ms. Lamar said she had been developing a training schedule for her department. She also advised the Board of the Lighthouse Recovery fundraiser dinner at 6:00 p.m. on November 11th. It will be held at Saints. Joseph and Paul Parrish Hall in Owensboro. Corey Crowder will be the guest speaker. He played basketball for Kentucky Wesleyan College and now runs a light coach company in Florida. She also advised the Community Services Committee members that their meeting next month was changed from Ms. Mattingly's office to her office at 1300 East Ninth Street, Owensboro.

Human Resources — Ms. Gatton. Ms. Gatton once again announced the 2008 agency-wide Health Fair to be held Friday of that week at the Owensboro Sportscenter. Flu shots will be available and a blood drive will also be featured, she said.

Head Start — Mr. Nehring. Mr. Nehring informed the Board that the next two days will be the annual Policy Council retreat, which will be meeting this year at The Learning Villa. Mr. Nehring stated that the next thing he wanted to mention again is that AACCS Head Start is scheduled for a federal review this administrative year. Mr. Nehring also stated that his department knows at this point the federal review team will come some time after January 1st, 2009. Even though the FY2009 reviews started in October, all of those that are going to be reviewed from October through December have already been notified.

The new review instrument had been released this week. There have been a number of changes in the review process and there are a lot of things that are similar to the past review process because of the new Head Start Act. The Act has many new items and requirements in it and they are incorporating that into the new federal review instrument. This will be a new challenge. Mr. Nehring advised the Board that Head Start will be sharing with the Board's Child and Family Committee at its next meeting an update on the FY2009 review instrument.

Mr. Nehring also advised the Board that Head Start's current *Program for Excellence* recognition expires in 2009, but Head Start will apply to renew it by December 1st, 2008. Mr. Nehring said Head Start is planning on applying for seeking that renewal for the next three years.

Green River Intra-county Transit System (GRITS). Mr. Lanham said that Bowling Green Medicaid Brokerage is going much better and is a lot smoother now. The service has improved. The State of Kentucky just went through a tri-annual audit with the Federal Transportation Administration (FTA). The Office of Transportation Delivery (OTD), Kentucky Transportation Cabinet, was able to go through that audit with zero exceptions, which Mr. Lanham was told that is rare in the United States. Mr. Lanham said that GRITS didn't get reviewed individually but the information has been on file. GRITS had to supply them information to "keep their noses clean."

As for the CMAQ grant, Mr. Lanham said that the bad news was that Daviess County and Hancock County are in the part of the state that has poor air quality. The good news about that is GRITS gets money to help improve that. GRITS has applied for a grant to purchase three hybrid vehicles to replace three Ford Escort 1999 models. Mr. Lanham said he is hoping the new vehicles will be Ford Escape hybrids because they are probably the best hybrids on the market. Mr. Lanham said he will probably be

talking about this for the next six months and then finally get the money to get to spend it. The OTD has sent GRITS a letter of award which is included in the packet.

Parking Garage. Mr. Manning asked about the progress of the parking garage. Mr. Lanham stated that the parking garage is finally starting to look like something, but it looks like a ramp right now. They finally do have most of the concrete poured on the ramp portion of the building. They have started putting the earth in the ramp and the pre-caster will probably be in the next two to three weeks and will actually start looking like a building. We have put a lot of concrete in the ground.

Chief Financial Officer – Fraud Update. Mr. Logsdon referred to page 26 of the Board Booklet and for everyone to see that the auditors have uncovered five (5) additional instances of fraud, bringing the total known theft committed by former CFO Terry Payne to \$15,159.04. Subtract out that initially discovered “big one” that was repaid, there is still an outstanding un-recovered balance of \$7,747.34 for which restitution has not yet been made. The attorney did send Mr. Payne a demand letter for that amount, but there has been no response to that. Mr. Logsdon stated that he had heard by way of the grapevine that Mr. Payne is contesting that three of those five additional ones, but AACS has the documentation and undoubtedly those additional sums went to Mr. Payne’s accounts. Mr. Logsdon informed the Board that the investigative authorities call him from time to time and that he does know that criminal defense counsel has been retained by Mr. Payne.

Mr. Mountjoy stated that AACS stands ready to cooperate with law enforcement. Mr. Manning asked if Mr. Payne was given a time limit. Mr. Mountjoy said no, and the time limit was as soon as possible. The agency recognizes that this is part of any criminal procedure and there usually is a restitution portion that takes place in any criminal process. Mr. Logsdon informed the Board that the auditors are still digging.

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

ADJOURNMENT

There being no further business ...

Ms. Rucker made a motion to adjourn the October Board meeting. Mr. Hart seconded the motion.

Without objection, the meeting adjourned at 7:35 p.m.

Mr. Jerry Manning
Chairperson of the Board