

Audubon Area Community Services, Inc.
Executive Committee Meeting
MINUTES
April 8, 2008

At 4:05 p.m., Mr. Jerry Manning, called to order the April 8, 2008, meeting of the Executive Committee of the AACCS, Inc. Board of Directors.

Members Present (9 Members/8 Voting):

Rev. David Combs
Rev. Jesse Johnson
Mr. Doug Smith

Mr. Marshall Hatfield
Mr. Jerry Manning
Mr. M. Douglas Smith
Ms. Vicki Tinsley

Ms. Daisy James
Ms. Jaime Rafferty
Ms. Allison Stull

Italicized = Ex-officio, non-voting member

Alternates Present with Member:

Mr. Frank Craig

Staff Present:

Ms. Cheryl Gatton, Human Resources Director
Mr. Dan Lanham, GRITS Director
Ms. Denise Marcum, Executive Assistant

Mr. Dennis Hagan, IT Director
Mr. Ronald Logsdon, Executive Director
Mr. Terry Payne, CPA, Chief Financial Officer

Guest Present:

Ms. Jeanie Cannon, Architect, RBS Design Group

NEW BUSINESS

Bids and Go-forward on 1700 West 5th Street Building. Mr. Logsdon stated that he had been “sweating bullets” because he feared the bids were going to come in like the parking garage, way over AACCS’ project budget. But, he said, the bids came in “marvelously.” At this point, Mr. Logsdon turned the proceedings over to Ms. Cannon, architect on the building.

Ms. Cannon distributed the sheet with the bid tabulations. She stated that she was delighted to be present and to pass along good news! There was really excellent coverage, she said. Ms. Cannon informed the Committee that she thinks this was a wonderful time to bid. There were eight plan holders, i.e., general contractors. One dropped out at the last minute because he had gotten another project approved this week, so there ended up being seven (7) bids on the AACCS office building turned in that afternoon at the 2:00 p.m. bid opening .

In reviewing the bid sheet, she said that the key number to be looking at was the summary under the “Total Base Bid” column. The low bid was submitted by Deig Brothers of Evansville, Indiana. She said that RBS’ engineers on the project had worked with Deig Brothers on many projects. Ms. Cannon stated that she has not personally worked with Deig Brothers, but everybody that she had talked to relating to mechanical, electrical, plumbing and all of the key subs say they’re quite good. She called and checked them out, she said, and “everything looks above normal.” The engineer and her “sub” consultant said that they have done many projects with them and they are a reputable firm. Deig Brothers says it is eager and ready to start just as soon as AACCS is ready to give them a contract.

Ms. Cannon said that RBS' initial target budget was \$4.4 million. But RBS had come to AACS several months and say, "This is not probably going to come in at that level and we need to ask for a greater authorization of money for the project." AACS then authorized up to \$5 million for the project, but it has now actually come in about where RBS originally projected it.

The successful bid worked out to \$154 per square foot. Ms. Cannon said that RBS had been bidding several remodeled projects in the \$185/foot and \$200/foot dollar range. This project had "great bid coverage." There were numerous "subs" (sub-contractors) and suppliers, all across the board. The excellent coverage showed in the bids today, she said. You can see that the bidders were all very, very close together, which I hope that means that the drawings communicated to everybody the same thing.

Ms. Cannon recommended to the Executive Committee to accept the low bid of Deig Brothers at the \$3,693,500 bid price. The two alternate bids had been included in the bid solicitation. First, the basic design had a standard stair rail setup at the front entrance. There are stairs that go to the second level. The first alternate bid is for a glass stair railing in the front lobby. So for \$4,700, she recommended that the Board take that alternate to make the front entrance much more attractive with that glass stair railing. Then the second alternate was to provide blinds for the building's windows. Right now, no window treatments are provided in the base bid. Ms. Cannon recommended that the Board go on and take this alternate, \$24,000 for window treatments (blinds). Since the project came in considerably under budget, Ms. Cannon recommended to the Board that it take both alternates and go with Deig Brothers to build the 1700 West Fifth Street office building.

Ms. Cannon then advised the Committee that there were *two* considerations that she had to tell the Committee before finalizing everything. First, Kentucky issued a new building code last year, and "special inspections" are required to be performed by someone other than the general contractor, although they have always been, to a degree, performed by an independent third party. What was done in the past is the testing of the concrete, testing of the rebar, and testing of the mortar. Those kinds of things were formerly done under the general contractors' bid, although the work was done by an independent party under them. The code no longer allows that.

Ms. Cannon said that she had advised Mr. Logsdon that RBS would need to get some additional proposals on "special inspections." So, on Friday of that week she will be taking quotes from about four businesses that will be quoting the special inspections. Ms. Cannon stated that she doesn't have a firm number to give, but she's thinking that it's likely to be an add-on cost in the \$75,000 range for those special inspections. This work has to be let out separately, and it has to be done under the owner's auspices. It can no longer be under the general contractor, included under the umbrella of the bidding. Formerly, it would have been under the bid, but now owners are paying for it separately.

Ms. Cannon advised the Committee that the last thing she needed to tell them about was one "irregularity" that she feels like the Board needed to act on in the way they felt best. In the specifications, she said, RBS required that the major subs and the general contractors be "plan holders." That would be electrical, mechanical, and sprinkler contractors, and those kinds of people; they were to be "plan holders." Being a "plan holder" meant that potential contractors and subs came to RBS' office, paid for and received a set of plans and specifications. This is customarily done only to ensure that RBS can personally guarantee that contractors and subs have the plans in their hands, know the documents, and, presumably, there's no way of missing information that's in the plans. That is why RBS typically requires bidders to be "plan holders."

But today after the bid opening, when RBS got a closer look at Deig Brothers' bid, RBS went through their "subs" list and found one contractor on there, the sprinkler contractor, that was *not* a plan holder on RBS' list.

The AACS Board can say “OK, we reject the bid, we’ll go to another bidder, another general contractor”. But, she said, that’s going to cost you \$100,000 to \$200,000 to go to the next one. This contractor lists as his sprinkler sub Sprinkler Contractor Inc. This firm has much done work in Evansville and has several jobs right now with RBS’ mechanical engineers, who say this firm is completely reputable, and they (the building’s mechanical engineers) have no trouble with them. Sprinkler Contractor, Inc. has an approved system, and their work looks very good.

Ms. Cannon also advised the Committee that she recommended going with Sprinkler Contractor, Inc. and that the Board waive the “irregularity.” It’s the way that we probably need to look at it, she said. Ms. Cannon stated that she feels very comfortable approaching the Committee and asking to do that, to allow Deig Brothers to go on and use that one contractor that did not actually pick up plans from RBS. Just because the firm did not pick up plans from RBS doesn’t mean that he didn’t *see* the plans. RBS has talked to him and feels comfortable with that recommendation.

There are always firms/agencies out there that provide all potential bidders access to plans to bid off of. It’s on the computer and they scan architects’ plans. Ms. Cannon also stated that she feels very comfortable that he *has* seen the building plans. He just didn’t submit RBS a deposit check and he did not come to RBS for a set of plans. That is an “irregularity,” but it’s a small minor detail. You could be “at will” to waive that and say, “Yes, let’s go on with the project as bid.”

Ms. Cannon said that she just wanted to be forthright with the Committee and let the Committee know that is the one and only “irregularity” noted. The possible “downside” of that decision is that if there is a sub not getting the work that Mr. Logsdon may get a call in a week or so saying, “Hey, I was a local contractor; I picked up plans, and I paid a deposit, and that person wasn’t listed”. There may be a little bit of that and that *could* happen. Mr. Logsdon may respond that the Board considered and waived this irregularity; the project bid has been approved by the Board, and the agency is going to go with the Deig Brothers bid. Period. We feel very comfortable with that. That is my recommendation to you, said Ms. Cannon. However, if you want to go with something different, RBS can certainly go another way.

Mr. Logsdon informed the Committee that he and Ms. Cannon have already discussed this and that he would be quite OK with handling that call, if it came. His recommendation would be the same as Ms. Cannon’s, to go with the Deig Brothers Construction bid.

Mr. Logsdon stated that he did want to advise the Committee of two things: **1)** The AACS Board had already approved a level of \$5 million for the construction of this building, and the bids are well under that — even with the two add-ons (alternates) and the approximate \$75,000 for special inspections. **2)** There will, though, be one more pretty substantial cost. That is, the AACS “IT” department is going to do all of the “IT” wiring for the new building. That is going to be a substantial amount of added cost beyond the Deig Brothers bid, plus the two alternates, and the special inspections costs.

Mr. Payne advised the Committee that there will also be architectural fees and perhaps a few other things in there that aren’t apparent in the bid. Still, he said, the building will be built for well under the \$5 million authorized level, but he is unable at present to tell how far under the authorization level.

Mr. Logsdon stated that the staff and architect simply wanted to be totally transparent and above board on all pertinent detail to make sure that the Board knows all of the numbers involved. But still, the agency will build the facility for well under the \$5 million threshold. With the Committee being fully advised of all of those details, he said that he joined Ms. Cannon in recommending that the Board approve Deig Brothers bid and authorize him to sign the contract, perhaps within the next week.

Mr. M. Douglas Smith moved to accept Deig Brothers bid, plus the two alternate bids, that the Board waive the “plan holder irregularity” of Sprinkler, Inc., and that the executive director be

authorized to sign the construction contract with Deig Brothers. Ms. Daisy James seconded the motion. Motion passed.

Bid & Options on GRITS Parking Garage (\$800k over funding). Mr. Logsdon stated that the construction bids versus AACS' GRITS parking garage FTA grant are \$800,000 dollars apart, that is, the bids are that much over the available grant budget. Actually, there simply was not enough "earmark" grant money. That's the long and the short of it, he said.

But the staff wished to make a proposal to the Board to bridge the \$800,000 gap. The proposal distributed to the Board members was, he said, actually written by Mr. Payne — probably in consultation with Mr. Lanham. Mr. Logsdon stated that he had input on it, but he'd like Mr. Payne to present it to the Board, and have Mr. Lanham to chime in at any point.

Mr. Payne informed the Committee that the first (preferred) option he would defer for the moment. In Option 2, though, GRITS would build the office portion of the structure, moving it all the way to Second Street and leaving no real estate for future development. AACS could lower the office-only cost by moving the office building there. Mr. Payne stated this option would essentially build a building and parking lot. Staff assure that the agency could do that with the money available, some \$1.7 million remaining in the "5309" Federal Transit Administration (FTA) grant. Option 3 would construct the office building as proposed and bid, plus put all of the proposed foundations in the ground so as to later on build a parking garage, which might rise up the three levels sometime in the future.

Option 4, which everyone believes would be the best option, except for the fact no one can yet come up with the required \$3.2 million to build it. Mr. Lanham said that he had talked to Transportation Cabinet officials and he has talked with city/county officials and other interested parties in the area to seek funding to build the entire parking garage. It's not likely to happen, he said; not now in the time frame and time constraints that the project faces. That's not an option.

Mr. Lanham stated that staff had met with the city, the county, and BB&T. In discussing options two and three, no one in the group really liked those options. If we have to do option two or three, which can be done within available funding, it's *not* what's best for the community. Nobody really wants to do option either two or three, he said. And the money for option four is beyond reach. So that only leaves Option one.

Still, the project is short \$800,000. Mr. Payne then referred Board members to the proposal's chart, saying, he'd bring them "up to speed" on how the project can get the needed \$800,000.

The FTA "earmark" grant was received \$2,184,465. The state actually has that money, which AACS can draw down to build its project. We paid \$248,000 for the land. "Environmental" expenses will be about \$70,000; architectural fees will be about \$102,000; and legal fees will be \$12,000 — then there's a little "contingency" for the unknown. That's \$483,000 to pay for everything but the construction, said Mr. Payne. That leaves \$1,701,024 to build the building — the office building and the parking garage, as designed.

The low bid to construct the designed facility was \$2,501,000. That leaves the project \$799,976 short, said the CFO. The staff management has talked with County Judge/Executive Reid Haire, who has agreed to recommend \$100,000 in funding from the County's FY2009 budget to his Commissioners. That's not money in hand, he said, but could get that approved in this spring's budget cycle, and the project won't need the money until this time next year, said Mr. Payne. The City wasn't quite as agreeable right off hand, but staff think that with the County's money they will be hard pressed not to put in their share. Mr. Payne said that he thinks the City will do so.

Mr. Logsdon noted hesitations based on newly initiated downtown development planning activity going forward under direction of Fred Reeves. Mr. Reeves told the staff after the meeting with the County Judge that he didn't see how the city would fail to come forward with their \$100,000. Mr. Payne stated the belief of AACS management that another \$100 could be secured in construction savings. Mr. Lanham stated that he believed he could get that commitment from the current contractor or through negotiations with the second lowest bidder.

Mr. Lanham added that he felt really good about those prospects that morning, but he had gotten a phone call a few minutes prior and didn't then feel quite as good as he did. Still, he thinks AACS can get the \$100,000 construction cost reduction. First of all, the project can eliminate the elevator. It's really just 1½ story building. If the facility goes to the three full floors at some point in time, it will have to have an elevator. At this point in time, however — because there are no services on the 2nd floor, just additional parking, an elevator is not required. There are no services on the 2nd floor that would deny use to anyone who has a disability. That elevator cost/saving is somewhere in the \$50,000-\$60,000 price range. That's a good chunk of the \$100,000 that we need to raise, said Mr. Lanham. Too, the cabinetry inside could be deferred. There was pretty extensive cabinet work proposed, he said, and GRITS eliminate those and go to furniture of some sort. In addition, changes in the floor coverings can be made. There are other things that can be deferred, deleted or changed to get some additional bucks out of it, he said, to get to that \$100,000 savings in construction cost.

Mr. Manning asked if the elevator *shaft* would still be there. Mr. Lanham said yes, but there would be no car and no mechanism. Mr. Manning then asked if Mr. Lanham thought it would be OK with ADA requirements. Mr. Lanham stated yes; he had checked on the ADA requirements, and they're OK with that.

Ms. James asked if anybody checked with Keith Free with Owensboro Community Development for funds. They've already submitted their first reading on FY2009 Community Development Block Grant (CDBG) funds, and the City is getting ready to finalize the proposal. Mr. Free is also on Kentucky Housing Corporation Board in Frankfort, she said. Too, this project is right downtown. That and Ms. James' membership on that Community and Development Advisory Council could help AACS, but it needs to get its "bid" in. AACS could ask for at least for \$150,000, she said, and the Advisory Council might look at that favorably. Mr. Lanham stated that he would certainly give Mr. Free a call.

Mr. Logsdon stated that at one point in their meeting with the Mayor said "we can handle that \$100,000 with no problem." He looked over to the City Finance Director and he, too, said "Yea, that would be no problem". Mr. Payne stated that the staff would continue seeking available funding. Any additional money that would be secured would diminish the amount of money taken out of the agency's share. Ms. James stated that the money she was talking about was not City tax money, but a different pot of money called Community Development.

Mr. M. Douglas Smith commented that since AACS was now able to build its West Fifth Street office building for much less than what it had thought, would there be any funds left from that \$5.5 million bond issue that could be used for the parking garage? Mr. Payne said that he would investigate that and try to get it done, but he didn't think that could be done because the bonds were specifically tied to the building for which that bond issue was raised. Perhaps AACS can go back to the bondholders and get their approval, he said. AACS will pursue that. Without question, that would be a fantastic place to get the needed money, he said. Mr. M. Douglas Smith agreed and that's why he was asking about it.

Mr. Payne said that AACS *can't* pay off any of the bonds early, or at least not for some period of time. The money that we don't spend for West Fifth Street construction is just going to sit in an account until AACS *can* pay it back to the bondholders; AACS is still going to be paying interest on it, and receive some interest on it, he said. If we can use it for the parking garage, that would be fantastic, he said. Mr.

M. Douglas Smith stated that the Board and Executive Committee appreciated what the RBS architect had achieved on the West Fifth Street office building.

Back to the staff proposal, Mr. Payne stated that in order to get the balance of needed funds for construction of the parking garage, AACS management was proposing to move the project forward by providing \$500,000 from agency resources. We would do that from the sale of a small share of the agency's WellPoint stock. AACS' money would be the *last* money to be paid the general contractor, and that would be at least twelve months down the road, he said. Over the next year, AACS would realize any stock gains between now and then.

Mr. Payne informed the Board members that over the next year staff would continue to look for additional funds — like Ms. James brought up. Anything that could be done in the next year to find additional funds to lower AACS' commitment, staff would do that. It would mean that the senior management would not stop looking for additional sources of revenue. Too, should the city and the county develop a Downtown TIF (Tax Increment Financing) project, including some kind of development that included a parking garage, AACS would seek funding to build the originally proposed 300-car parking garage, and AACS would seek to recoup its agency investment and get that investment back from the TIF. There's no guarantee that we'll ever get that money back, but that would be a way that AACS could recoup its money, he said.

Rev. Combs asked Mr. Payne the source of the \$500,000. Mr. Logsdon said that the WellPoint portfolio was presently valued at about \$1.9 million. That stock (and virtually all medical stocks) recently suffered a pretty sharp reduction in value. The health care industry, Humana, WellPoint, and all of them, were all affected the same way. The projections that Mr. Payne has been monitoring are that WellPoint will bounce back to where it was compared to where it is now. It's share value hovered for many months at around \$80 per share. Mr. Payne stated that stock analysts now estimate WellPoint's target price to get to \$65 per share. Mr. M. Douglas Smith stated that AACS had been hoping it would get up to \$100. Mr. Logsdon acknowledged that was correct, but the \$65 target is more realistic now.

Mr. Payne also acknowledged that he was planning to leverage payments on the office building with this stock in the years down the road. What he originally calculated in connection with that leveraging is still valid because the building's bond issue will be retired is over a 20-year period. There's going to be ups and downs along the way, said Mr. Payne, so he had calculated returns over time, not necessarily the return any given year. Even if it didn't go up \$1 from where it is today, and AACS takes the \$500,000 out to build the parking garage, AACS would be fifteen years down the road before the portfolio would run out of money. Mr. Manning asked Mr. Payne if he felt like anything would be in jeopardy. Mr. Payne said it would be the last money to go in.

Mr. Manning also asked if the project wouldn't start until next year. Mr. Lanham said construction would probably start in the next sixty to ninety days, but it won't be completed until probably one year from construction. Mr. Payne said that AACS wouldn't sell any stock until a year or so down that road. Mr. M. Douglas Smith asked if AACS was going to continue to look for other funding options. Mr. Payne stated that AACS would continue to look for other funding options.

Mr. Logsdon stated that he felt like AACS had to make a commitment as to what it was going to do as an organization. The agency *must* soon advise the Kentucky Transportation Cabinet, because they have to advise the FTA (Federal Transportation Administration). There is a June 30th, 2008, *expiration* on our current FTA grant. The Cabinet has to go back to FTA and get an extension, probably a one-year extension, in order for the project to be built. Mr. Logsdon also stated that he didn't feel like AACS would be in a safe position unless it had a definite plan to get the facility, as designed, built by June 30, 2009.

Mr. M. Douglas Smith suggested one other thing to consider is that there have recently been steep increases in building costs, so would the Congress grant additional funds? Mr. Logsdon said no. The “earmarks” are virtually dead.

Mr. Manning asked how long the Hartz construction particular bid was good? Ms. Cannon stated that bids are binding only for sixty days. Mr. Manning also asked when the bids were opened. Mr. Logsdon estimated that they were opened up about 45 days prior, so AACS doesn’t have a lot of time to act. (NOTE: It was later determined that the parking garage bids were opened February 5, 2008)

Mr. M. Douglas Smith moved to authorize up to \$500,000 last-dollar-in investment from the agency’s stock portfolio and to authorize the executive director to contract to proceed with the parking garage construction, as proposed under the CFO’s “Option 1” proposal. Ms. Betty Rucker seconded the motion.

Mr. Manning asked if everyone understood the motion and if anyone had any questions. There were none.

Motion passed.

PERSONNEL MANUAL REVISIONS

Mr. Logsdon advised the Committee that the next series of items had to do with several Personnel Manual revisions. He called on Ms. Gatton to review the proposed items with the Committee.

General Hiring Policies, Section 2.5 Sub-section (4), “Formal Education.” Ms. Gatton stated that relevant provisions the Head Start law concerning credentialing were recently changed. Now, certain staff will have only one (1) year to earn their CDA credentials, instead of prior two years.

Immigration Reform & Control Act, Section 2.8, Sub-section (4), “Immigration Reform and Control Act.” Ms. Gatton continued on with her review, stating that Section 2.8 relates to changes on the I-9’s and the kinds of documentation that the agency is allowed to accept for employment proofs required so that immigrants can work in the United States.

Holidays, Section 5.1, Sub-section (4), “Holidays for GRITS Hourly Employees.” Ms. Gatton stated there was an issue with GRITS and its employees who, because of the Human Services Transportation Delivery (HSTD) Medicaid “brokerage” guidelines, don’t get the same holidays as other AACS employees. The Transportation Cabinet specifies what vacation/ holidays HSTD staff can have.

Head Start Child Development Hiring Procedures, Section 13.4, Sub-sections (1) “Criminal Records Checks” and (3), Head Start Best Qualified Applicant.” The Head Start management is proposing, in accordance with the requirements of the new Head Start law, to require criminal background checks every three years. The “best qualified applicant” revision states that “if all else is equal, Head Start will grant preference to a parent or past parent,” that is, a *Head Start* parent. This, too, comes from the new Head Start law. Ms. Gatton stated that the proposed policy provided for a background check whenever a new employee first joined AACS/Head Start *plus* random background checks on all employees within the Head Start program every three years; *current* employees will be re-checked.

Rev. Combs stated that when he was reading the criminal records check revision that he had noticed that everything indicated a *Kentucky* criminal background check. He asked if there were any provisions for doing anything broader. What if someone comes in from another state? If they did something in Indiana, for example, and they come here and only a Kentucky background check is run, it’s not going to show anything. Rev. Combs stated that he didn’t see anything in the policy that

would provide for running a background check on somebody outside the state of Kentucky where they came from or had lived in another state. Mr. Logsdon said that he had no problem with enlarging that background search. AACS pays for the Kentucky reports; presumably, all of the states' background checks would be in line with each other on those charges. Mr. Logsdon also stated he doesn't have a problem with adding the expanded provision to cover applicants who come from or reported living in another state. Ms. Gatton agreed. Rev. Combs said that he thinks AACS needs to have that option.

Mr. M. Douglas Smith stated that he thought such background checks should go back the previous ten years of a new or prospective employee's residence. He also stated that now there is the "meth epidemic," and there are sexual exploitations to be concerned about. Mr. Logsdon stated that the Committee could vote on whether it wanted to recommend adding those changes to the proposed policy revision and put that in the motion.

Resident Services Coordinator – The Learning Villa Position Description – Grade 24/26, Salaried Position. A draft new position description for The Learning Villa was presented for approval at a range of Grade 24 to Grade 26, the exact grade placement to be later administratively determined. Mr. Logsdon advised the Committee that this was a position still under definition, and there will yet be changes to that job description they were seeing. Staff is still working with Ohio Capital, the equity provider. Mr. Logsdon said that they want some things added into the position description; because they are the investor their input must be considered. Ms. Gatton told the Committee that she just received recommendations from them the day before.

Mr. M. Douglas Smith asked why AACS was making this a *tentative* policy. Mr. Logsdon stated that the Committee was being asked to approve a broad range of where the position might go in terms of the pay; the final placement will depend on the job elements finally included, the qualifications required, and the amount of funding ultimately determined available to support the position. Mr. Logsdon stated that he expected the pay to start at approximately \$27,000 or \$28,000. Ms. Gatton also said the lower grade/range is right under \$27,000; but if the qualified employee starts out at Grade 26, their pay would be \$29,300.

Ms. James asked if AACS was advertising for the position. Ms. Gatton told Ms. James that the ad was out and that it closes on April 10th. Ms. Tinsley asked if the grade will depend on that person's experience. Mr. Logsdon said yes, and stated that the developer is contributing \$24,000, while Head Start is going to make up the difference. If the person selected is a particularly well-qualified person, everyone involved wants to pay them appropriately.

Assistant Housing Services Director – Grade 28, Salaried Position. Based on the recommendation of the Housing Services Director, this position is being re-graded downward. The position was formerly (and first) filled by an AACS employee of a higher pay rate. That employee has since left the agency. For budgetary reasons, the Housing Services Director requested the change.

Salaried Positions Classification Chart. The above positions of Resident services Coordinator (The Learning Villa) and Assistant Housing Services Director were added to the updated Position Classification Chart.

Mr. Manning asked if everyone understood all questions and if anyone had any questions. There were none.

Rev. Combs made a motion to approve the requested Personnel Manual and position description changes: 1) Section 2.5, Formal Education; 2) Section 2.8, Immigration Reform and Control Act; 3) Section 5.1, Holidays (GRITS); 4) Section 13.4(1), Criminal Records Checks; 5) Section 13.4(3), Best Qualified (Head Start) Applicant; 6) Resident Services Coordinator (The Learning

Villa); 7) Assistant Housing Services Director; 8) Salaried Positions Classification Chart; and further, that Section 13.4(1) contain a proviso that if an employee has had a previous residence outside the state of Kentucky (any of the previous ten years) to do a background check for each state in which that employee had resided. Mr. M. Douglas Smith seconded the motion. Motion passed.

REPORTS

WellPoint Stock Portfolio – Substantial Devaluation. Mr. Logsdon reminded the Committee that he had spoken earlier about the recent devaluation of the agency's WellPoint stock portfolio. Its current value was right at \$46 per share, whereas it had been at \$80.00 when the Board met in February. Its worth was approximately \$1.9 million the day of the meeting. We do expect that to evaluate and go up in the next year, he said.

Head Start FY2008 Appropriation – 0.15% Grant Reduction. Mr. Logsdon informed the Committee that AACS had previously received a notice on the after-the-granting reduction of the Head Start grant, but within the past 2-3 days word was received from the Department of Health and Human Services Administration for Children and Families that the Department was going to absorb that reduction. From what Mr. Logsdon understood from Mr. Nehring as of the prior day's Senior Staff meeting, the AACS Head Start FY2008 grant was *not* going to be reduced.

Motion to Dismiss KyTC/AACS Appeal of LogistiCare Order. Mr. Logsdon told the Committee that AACS had an appeal going against LogistiCare with respect to their operating authority, but AACS' attorney had filed a motion to dismiss that appeal. LogistiCare has been granted their operating authority.

HSTD Medicaid Brokerage Contracts to Proceed. Mr. Logsdon read an e-mail to the Committee that all FY2008 HSTD appeals had been denied. AACS can now go forward with the implementation of its *two* HSTD contracts. Mr. Logsdon asked Mr. Lanham to speak on the topic.

Mr. Lanham said that was good news and bad news. The good news is, this thing finally got resolved (after AACS working on it for two years). The bad news is, GRITS staff have six months worth of work to get done in only forty-five (45) days now. GRITS will start brokering HSTD rides July 1st. GRITS staff will start taking reservations June 1st. The staff has a long way to go, but a short time to get there, said Mr. Lanham. Staff had this all planned out. There was a nice six-month calendar laid out, now staff have only forty-five days! So, their going to have to go in a hurry! It's certainly great news and exciting. It is something we have worked on for over two years now, but now we have to get it done.

Mr. Manning asked what does the monetary thing amount to now. Mr. Lanham stated that basically GRITS will double its size. Right now, GRITS serves about 30,000 Medicaid eligibles in the Green River Region. When you add the six Barren River counties GRITS will be serving, that's another 30,000 Medicaid eligibles. So the HSTD will be twice the present operation's size. GRITS is collecting about \$150,000 to \$160,000 a month for Medicaid now; GRITS will be collecting about \$400,000 per month under the new post-July 1 operations. Mr. Logsdon said that annual total will be right at \$5 million per year. Mr. Manning told the Committee that he thinks the AACS staff should be commended for the hard work they have done. Mr. Lanham said that it has been a battle. There have been a lot of ups and downs along the way. Mr. Payne stated that AACS has a lot invested in the battle, too. Mr. Logsdon agreed: that achievement didn't come cheap!

Rev. Combs asked if GRITS has doubled its equipment. Mr. Lanham said no. That Barren River region will use a lot more subcontractors. In Green River, GRITS is basically the only provider. The Barren River region typically relies on subcontractors. Early on, GRITS had some contact with a couple of the subcontractors, but then as the protests got filed and GRITS was told it couldn't talk to anybody until the

appeals were resolved. So, nobody has been contacted since January 31st. Now GRITS has to get all of that going again and get back with those subcontractors.

GRITS will use multiple subcontractors in Barren River. But it will also take some of its own equipment there. The reason being, said Mr. Lanham, is that's the only way GRITS can guarantee that the service is right, i.e., that we have our equipment there to backup these subcontractors. Some of the issues we heard there were that clients were waiting two to three hours for their ride to be taken back home. I don't think we want to put our reputation on the line and deliver that kind of service, he said. "If we find out that somebody is waiting too long, we're going to take them ourselves. We're going to ensure that the services are good as they are here. We won't have to double our equipment."

Rev. Combs stated that since GRITS is doubling in size monetarily, was the equipment and everything else ready to go. Mr. Lanham said that fortunately with some of the grants GRITS received this past year, GRITS was able to secure some new equipment. GRITS will probably have to pick up some used vehicles to make sure that it can deliver the service at the level it needs to be done. Used buses aren't easy to come by, but a few have been located.

Mr. Manning stated that during one of the Community Support Committee meetings AACS had had that Mr. Lanham had said there were five (5) new mini-vans coming in. Mr. Lanham said yes, and those mini-vans have been delivered. Two more 16-passenger vans are on their way. But those vehicles are basically committed somewhat to a new service called "New Freedom," which will be transporting clients from outlying counties into Henderson two days a week and then into Owensboro three days a week. GRITS might be able to squeeze one of those out for some stuff. The mini-vans are just going into the fleet.

Mr. Manning asked Mr. Lanham if he wanted to talk about the grant request for a bus that will hold 10 wheelchairs. Mr. Lanham informed the Committee that when GRITS applied for the grant this year, we applied for a *New Freedom* grant again for a bus that will hold ten (10) wheelchairs. It's a very expensive bus. It "kneels" when it pulls up to the curb and it has a ramp that comes out. And the reason GRITS did that: **1)** Right now, GRITS only has the capability to transport four wheelchairs at a time. With this vehicle, GRITS can take ten (10) wheelchair clients at a time, which gives them the opportunity to socialize a lot more particularly during Christmas light touring night and recreational activities. **2)** The big thing, said Mr. Lanham in his opinion, was the safety factor involved. Right now, if there was a disaster at Wendell Foster Center, Red Banks Nursing Home, or any nursing home in GRITS' coverage area, wheelchair patients can only be evacuated four at a time. With the 10-wheelchair capacity vehicle, GRITS can take ten wheelchairs out at a time, plus with the "kneeling" ramp GRITS can load 75% faster than with a lift. That was a big factor. **3)** the restrictions on public transportation providers like us providing charter service have been eased considerably. Now GRITS can do some charters for some of the nursing homes and groups that we serve a lot easier. This vehicle, along with holding ten wheelchairs, will, with the seats flipped down, hold twenty-eight (28) passengers. That's why GRITS applied for the vehicle. They don't come cheap, he said.

Rev. Combs asked about the vehicle's capacity, whether 28 as *opposed* to 10 or 28 *with* the 10. Mr. Lanham said, 28 *opposed* to 10. Every time you flip a seat up to put a wheelchair in you lose about four seats. Ms. James stated that it will be more cost effective and to transport more at one time rather than a few here and a few there. Mr. Lanham said that especially for large group outings and things like that, it would really be a nice vehicle to have in the fleet.

Mr. Manning asked, wasn't the grant request for \$172,000? Mr. Lanham stated that it cost \$174,000. Ms. Tinsley asked if there was anything like that in the area. Mr. Lanham said no. Rev. Combs commented that with the ability to charter GRITS may get some of that money back. Mr. Lanham said

that was correct. Hopefully, the *New Freedom* grant will pay for it. GRITS won't be buying it with its own money. GRITS will have to match the federal grant with 10% of the cost, he said.

STAFF REPORTS/UPDATES

Financial Summaries. Mr. Payne, CFO, presented an update of his department's current priority initiatives.

FY2008 Audit Services Bid. Mr. Payne informed the Committee that AACS just conducted an audit bidders' conference. Five firms came in and he talked with them about the RFP and answered questions. Realistically, Mr. Payne said, he thought the agency would get three viable bids out of those five. The firms' representatives asked good questions. He said that he thought they had a good understanding of what AACS wanted. Plus, he said that he had some individual conversations with them as well. He emphasized the kind of relationship AACS needed.

Mr. Payne said that the relationship between the current firm and AACS has not been what it should be. Rev. Combs asked if the current auditor put in a bid. Mr. Payne stated that he was sure that they would.

The way this firm selection is going to work is with a score sheet, he said. The Audit Review Committee will grade each proposal with a score sheet of about ten criteria. Members will go through and score all of the applying firms. Mr. Payne stated that only when that scoring is done, he thinks, will AACS contemplate or consider the lowest price bid.

Mr. Logsdon noted that Mr. Payne mentioned that the bids were due a week from Friday. So he'll need to notify the Audit Review Committee as soon as possible. Mr. Payne stated that the agency didn't want to waste any time. AACS would like to get that work done and get the new auditor on board as quickly as possible. AACS must get 2008 engagement letters out to the state as soon as possible.

Rev. Combs asked if the Audit Review Committee had the option to speak to the applying firms' clients. Mr. Payne said one of the things that the firms *should* do is provide a list of clients that they're doing audits for now. Mr. Manning asked if the people that made the bids, they're auditing backgrounds, if it was done with the type of business as AACS. Mr. Payne said that he expects to get a bid from the people who are competitive.

FY2008-2009 Indirect Cost Agreement. Mr. Logsdon asked Mr. Payne to talk about the 2008-2009 Indirect Cost Agreement, the proposal which was included in the meeting's handout packet. Mr. Payne said that staff are always nervous about the DHHS/Division of Cost Allocation proposal and negotiations with DHHS (Department of Health and Human Services). What are "indirect costs"? It is a calculation done according to DHHS specifications. It determines how much of a grant can be used to pay administrative overhead costs. For example, this rate determines how much can AACS charge Head Start or any other AACS program for administrative services — for the executive director, the CFO, Finance, IT, HR and for all of those core administrative staff and operations. It is done based on a calculation that the federal government prescribes.

The agency's Indirect Cost Proposal was submitted for a rate of 14.2%. When the DHHS negotiator called, there were a couple of things that the Division of Cost Allocation disallowed. For example, they asked for a copy of the executive director's job description. In the cost principles, there are certain things for which grantees can't expend federal money; non-employment-related advertisement or "agency promotion." One of the little items in the executive director's job description says "to promote the agency." They calculated that percentage of that salary (less than 5%) was devoted to "promotion," so they disallowed that.

Mr. Payne said that “in the past, as part of the base calculation, we’ve been instructed to *include* in-kind contributions“. The way the Indirect calculation works is that total expenses represent the bottom portion of the equation, administrative expenses represent the top portion. The bigger that bottom number gets, the lower that calculated Indirect percentage gets. In the past, DHHS has instructed AACS to include in-kind in those total expenses on the bottom of the equation. That’s the way AACS has always done the calculations. This year, he said, the Cost Negotiator said they have been instructed *not* to include in-kind costs. When that sum is taken out, it makes that number smaller and the calculated rate naturally goes up. So, the rate that DHHS actually issued for 2008-2009 was a 15.5% rate, which is good for Indirect; it increases its budget.

Mr. Logsdon stated that the Indirect Cost Pool budget had been pretty “bare bones” for the past three years. Mr. Payne said that it will increase Indirect’s budget of course, that money will come from the program. They’re not as happy as we are. Mr. Logsdon also stated they did protest very little the day before when we presented it to them so he’s sure they may be unhappy about it.

Mr. Payne said that AACS is sensitive to the fact that, they’re essentially a customer to us and we have to provide services to earn that 15.5%. Indirect does the very best that it can to provide the very best of service so that the programs feel OK about whatever it is that they have to pay. Rev. Combs asked about the 15.5% and if that is what they will be charged and when they can be charged. Mr. Logsdon stated that it’s 15.5% of their personnel costs. In other words, it is salary and wages. You apply the 15.5% against that total figure. Fringes are not part of those calculations.

Mr. Payne told Rev. Combs that in answer to his question specifically, AACS could perhaps charge less. Typically, that’s not done, he said, but perhaps there’s no rule that says you couldn’t do that. Mr. Logsdon stated and the reason you don’t want to do it is because there are ramifications down the road on subsequent calculations. Mr. Payne said that if you start “monkeying” with that it has an adverse effect on next year’s calculation. The agency would get itself in a position where the rate kept going down, and artificially so.

Human Resources. Ms. Gatton stated the only thing that she had was all of the Personnel Manual changes that the Committee went through earlier. She did advise that Ms. Barbara Feldpausch had retired the previous month. She had been with the agency for over ten years. Human Resources now has a new employee that had replaced Ms. Feldpausch within a week of her retirement. Ms. Gatton advised that her department was “auditing” all of Head Start’s employees to make sure all their files are ready for the 2008-2009 federal “PRISM” review expected next year. HR and Head Start management are making sure that Head Start is confident with all of their employee files, she said. Ms. Gatton also stated that Mr. Lanham will keep her busy on getting the needed new GRITS staff people in rather quickly.

Information Technologies. Mr. Hagan informed the Committee that a big emphasis in “IT” has been focusing on beefing up storage capacity and the backup processes. Mr. Hagan says that he feels very confident in assuring Mr. Manning that AACS has complete backups and that they’re being taken off site on a daily basis.

Backups and Data Security and Redundancy. Going beyond that, the storage deployment that his staff has been working on is not only at AACS’ central office, it’s now maintained in a *fully redundant* manner, now being “mirrored” at the GRITS location as well. It’s not completed quite yet, but it is better than 90% there. Our operation will be able to quickly adjust with the loss of either the Central Office facility or GRITS. Hopefully, that will never happen.

Mr. Logsdon asked if all data was fully mirrored at each location. Mr. Hagan said yes. That is what we are working towards and we are very close to that. Rev. Combs asked about the backup that is

being taken off site and how secure was that? Mr. Hagan stated that the backup is in a locked cabinet at GRITS; it is not a fireproof vault, but it is a locked cabinet.

Rev. Combs commented that everyone hears so much about laptops being taken with so much proprietary information on them. He was concerned about security as far as someone being able to access proprietary and sensitive AACS information. Mr. Hagan stated that the backup tapes themselves are actually duplicates of the hard disk backups that his department does on a regular basis. Staff actually tape AACS' hard discs, he said, duplicate them to other hard disks, and then the tapes are "images" of those discs so that they're portable. Mr. Logsdon said, "AACS has backups of backups."

Mr. Hagan informed the Committee of two other factors that he feels to be essential, but that still remain to be completed: **1)** a report that will be submitted at Senior Staff meetings that will "log" each server in AACS' inventory and **2)** assurance that backup processes are complete and current. He said he understood the concern and urgency about backups so people can feel assured that those processes are taking place and that they have a better understanding of what exactly is going on. Mr. Manning asked about a report from Evansville that the school system there lost four to six weeks of all of the system's digital files.

Mr. M. Douglas Smith suggested that another thing to look at too at some point in the future, not immediate, but having at least one of those current sets of backup tapes in a fireproof vaults. Mr. Hagan stated that flood and fire are the two most likely risks AACS has to face. Mr. Logsdon told the Committee that AACS has a CCAP and *KentuckyWorks* center in Madisonville that got flooded. AACS lost some CCAP and KWP computers in that flood.

Mr. Hagan said that "last but not least," related to the backups, part of his reporting is also a check on each one of the backups at least every six months so that he knows that tapes stored off-site are not just potential backups but reliably dependable backups. Mr. Hagan also said that in the past three months, "IT" has utilized the AACS backup system to successfully recover at least three different servers. The IT Department has some confidence there, he said, but the way to be completely sure that you've got the backup capability is to actually do a backup from tapes each six months. Ms. James stated that there are issues with information security. Agencies and governmental entities are definitely responsible for keeping Social Security numbers, health records, Medicaid and Medicare and many other records totally secure.

Head Start Grantee Risk Assessment Phone Conference. Mr. Logsdon informed the Committee that on April 30, 2008, there will be a AACS risk assessment telephone conference with ACF/DHHA, Atlanta. Information on that is in the April Board Booklet. Board members can dial in and participate in the conference. This will focus on grantee risk assessment as part of the Head Start FY2009 grant refunding process. Among many other issues, the federal staff will be asking AACS staff and Board members about data security. Rev. Combs stated *that* was the reason why he was asking. Yes, fire is an issue and floods are an issue. But regardless whether there's a natural disaster, the greater concern is somebody getting a hold of agency information and getting access to the proprietary information and the workings of this organization; it could be devastating, he said.

IT Security and Privacy Audit. Mr. Hagan said that one thing that AACS hasn't yet participated in one, and that he would be eager to participate in one, is an "IT audit." Mr. Hagan noted that the CPA firm engaged by AACS primarily focuses on finances; data security and privacy procedures have not been directly audited, but he would certainly be pleased to participate in a third party review of AACS "IT" practices and security. It's good, normal business practice, he said.

Mr. Payne said that he thinks that a data security/privacy audit should be done. It's not being done, but it should be done. Mr. Payne stated that he doesn't think the CPA firms are viewing that, but they

should be. When AACS chooses the auditor, he said, they should also be bringing in an “IT auditor.” Rev. Combs stated that he thinks that’s a good question for the Audit Review Committee to ask of those firms who submit proposals for AACS’ audit business.

GRITS HSTD Deployment. Mr. Hagan informed the Committee that between now and June 30th, IT will be heavily involved in the GRITS deployment. There are quite a few of IT’s GRITS-related software, servers and processors that need to be “dusted off and brought back to life.” Mr. Logsdon stated that at this point, with the incredibly short time AACS has now to prepare to assume HSTD Medicaid brokerage operations in both the Green River and Barren River areas, “dusting off and bringing back to life” is about the only option AACS has. The proposed new GRITS software still awaits Transportation Cabinet approval to buy it; and even if AACS could quickly acquire the new software, it would take a period of time to bring it up. Mr. Logsdon also stated that from his understanding of Mr. Lanham, there are a lot of training-related issues, too.

Mr. Lanham said that GRITS virtually has to go with what they’ve got. There are some upgrades that GRITS has delayed putting in, but now staff is going to do those. It’s the current best way for GRITS to get going; GRITS now has got up to speed as quickly as possible. GRITS’ management and “IT” are still looking forward to changing software GRITS uses, but that appears now to only be an option at some point in time down the road. Right now GRITS has to get going with what it has.

Management and General. Mr. Logsdon stated that he had one item to go over on the agenda.

The Learning Villa Advisory Board. He advised the Committee to look at the last sheet in the yellow handout packet where he had put together the advisory board for The Learning Villa. Staff are presently taking applications for that. Ms. Vicki Tinsley will be representing this Advisory Board. Sheila Boling will be representing the housing side; she is an expert with the affordable housing issues, and there are a lot of technical issues related to housing. Somebody with that expertise is needed. Head Start will be operating the preschool center, so Roxie Roby will be representing the preschool side. The Housing Authority is in the mix; they will actually be the issuer of the Section 8 certificates. All of the local higher education institutions will have a representative as well. All of those persons are named. Mr. Logsdon also stated that he wanted the Committee to be aware of that. There’s a possibility there may be a 9th person on the advisory board if Wabuck wants to have a representative. Mr. Logsdon has not heard back from them as whether they do or not. This will be a *working* board, he said. Some folks will probably enjoy the work and some of these folks are going to say, “My goodness, I didn’t know this was much work.”

Legislative Update. Mr. Logsdon’s next item was about the 2008 General Assembly and other legislative updates. State budget news is in the paper every day. Some of the state’s Cabinets and departments of government took a pretty substantial cut. The Justice Cabinet was the one AACS was most concerned about. It got a 5% cut, and we still have not heard about AACS’ KISP (Kentucky Intensive Services Program) program. It’s a \$2 million statewide grant. AACS staff are still concerned about it and waiting to hear whether that got funded for the next biennium.

Family Preservation / Family Reunification. Not purely legislative, but related: AACS has received word that the Family Preservation (FPP)/Family Reunification (FRP) grant would be extended *without an RFP* for the next two years. As members now know, the Cabinet for Health and Families did an RFP last fall for an FPP/FRP expansion. A Bowling Green agency was awarded that TANF-funded grant, a federally-funded grant. AACS’ FPP/FRP is state funded. Mr. Logsdon stated that he received a call from the Cabinet the day before advising AACS that because the Cabinet did not yet have their FY2009/FY2010 budget numbers, they decided not to do an RFP.

AACS had been “banking” on that RFP being issued. Initially, the FPP/FRP (TANF) expansion grant was going to be only a 4½ month grant. But the Cabinet decided to not put out the RFP for another two (2) years. The long and the short of that is the Bellwood Group of Bowling Green is going to be in here providing family preservation services for the next 2½ years and AACS is going to be funded to provide state-funded family preservation/reunification services in the Green River region for 2½ years. There is nothing AACS can do about it.

Other than that, said Mr. Logsdon, staff think all of AACS’ other programs are pretty solid. A notice was received that everything is going to be funded, including the CCAP “brokerage” administration grant. Mr. Logsdon said that he thinks that budget is in the April Board Booklet. It relates to that same kind of state budget situation; the Cabinet decided not to do any RFP’s. It’s just been administratively decided that they’re going to go ahead and fund CCAP (basically at last years level). “Won one, lost one,” said Mr. Payne.

Board Contribution to Agency Health and Well Being. Mr. Manning asked if there was anything that the Board can do to help the staff or do, beyond what it was already doing.

Preparation for the FY2009 Federal In-depth Review. Mr. Logsdon said yes, there definitely is. Look at those minutes from the February meeting where the training provided by Colleen Mendel is covered. Study that. Be totally comfortable with those concepts.

Mr. Logsdon stated that he was going to take that portion out of the minutes and place them in a separate training and orientation document. Every meeting between now and Dec. 31, 2008, the Board is going to focus on some segment of that training piece, just in preparation for our federal review. (That will probably come in maybe January or February of next year. It could conceivably be anytime after Oct 1, 2008.). Mr. Logsdon also stated that he wants this Board to be so comfortable with all of those principles that Colleen Mendel covered so well that when that federal reviewer stands there, “every one of you can quote chapter and verse just like that.” Because that’s the kind of competencies they want to hear from Board members of a large non-profit like us today. They have high expectations for AACS.

Board members have a lot of work to do, getting ready for that federal review, feeling really comfortable to sit there and tell those people exactly what they want and need to hear. If there’s anything that your staff are not doing that they need to make amends for and/or to change, give your staff that feedback. Your staff wants to work and do its part as well. And none of us want that review to be a “shell game” when the federal reviewers come in here. AACS wants to tell them what they want to hear because it’s just the way we operate, no more, no less.

Mr. Manning told the Committee that one of the ways that he believes that we can do this is if everyone one of us would read those 172 pages that are in the Board Booklet. Mr. Manning said that he had read all of his over the weekend. It tells you a lot of stuff in there about what Mr. Logsdon is talking about. Mr. Manning also said that he looked at the mailing envelope: it cost \$6.24 each to send out the booklets. He said that doesn’t want AACS to cut it out, but wants every Board member to utilize it and read it. Mr. Manning encouraged the Committee to read those things and if anyone didn’t understand some of it, make notes and ask questions at the next Board meeting.

He commended the good reports provided at the meeting. But remember, he said, there’s a day when we have to look for the future. Much great work goes on today, but let’s *not* stop there. We have even better things to look to in our future.

Mr. M. Douglas Smith made a motion to adjourn the meeting. Mr. Marshall Hatfield seconded the motion. Motion approved.

ADJOURNMENT

There being no further business,

The Executive Committee meeting adjourned at 5:25 p.m.

Mr. Jerry Manning
Chairperson